

**Exchanges at Goldman Sachs**  
**Redefining the Retirement Landscape**  
**Michael Moran, Pension Strategist,**  
**Goldman Sachs Asset Management**  
**Allison Nathan, Host**  
**Recorded: December 9th, 2021**

**Allison Nathan:** This is Exchanges at Goldman Sachs and I'm Allison Nathan, a Senior Strategist in Goldman Sachs Research.

Today we're going to discuss a topic that affects all of us - retirement. We'll talk about how we can save enough for retirement, when we can retire and how we should spend down our savings once we're in retirement.

To get some answers on all of this, I'm joined by Mike Moran, a pension strategist in Goldman Sachs Asset Management. Mike, welcome to the program.

**Mike Moran:** Thanks for having me, Allison.

**Allison Nathan:** Mike, you and your team just released

your inaugural retirement survey, which interviewed working and retired individuals across ages and generations. Just to that point, Mike, I think it would be useful to understand who was the pool that participated in the survey?

**Mike Moran:** So we surveyed over 1,200 participants. And we intentionally broke that up between currently working participants and those in retirement. And part of the reason we wanted to do that is we wanted to see what lessons could be learned from those who have already gone through retirement.

So, currently working employees, they're saving for retirement. They're trying to think about when am I going to retire? How much do I need to retire? But they haven't gone through it yet. Well, let's talk to the people who've actually gone through it and say, "What was your expectation? And now, how has it actually played out in retirement?" So, a lot of the focus on the survey was looking at participants and kind of comparing and contrasting those currently working versus those who are already in retirement.

**Allison Nathan:** And did you target a certain age group, a certain level of income?

**Mike Moran:** We tried to come up, as with most surveys, with a diverse set of participants. So, when you talk about age groups, we have participants like, for example, in the currently working group, that go across Gen X, millennials, Gen Z. And we tried to think about different industries. So, some that were more blue collar. Some that were more white collar. So, really trying to come up with a diverse population for both cohorts.

**Allison Nathan:** So one of the survey's key findings was that individuals were retiring earlier than expected. So what's driving that?

**Mike Moran:** So Allison, we often think that the narrative behind retirement is that individuals will have to work longer than they expect to in order to save enough to fund their retirement. But as you indicate, our survey found that more than half of those currently in retirement actually retired earlier than they expected, with most retiring

between the ages of 60 and 64.

Now, oftentimes, that wasn't particularly because of their choice. The primary reason that led participants to retire when they did was health related. While in some cases, their job was no longer available, or they simply no longer wanted to work. So, while some participants may think they will work longer or may need to work longer in order to save enough to retire, the reality is they may not be able to do so. And in many cases, that may be due to health issues.

Now, this was one of the disconnects we saw in the survey between those currently working and those that are already in retirement. Those currently working said the number one catalyst for when they think they will retire will be having what they believe is enough money to fund their retirement. For those already in retirement, the number one reason for when they actually did decide to retire was related to health issues.

**Allison Nathan:** So, what can people do about that if you end up in retirement before you have enough funding?

**Mike Moran:** I think there are several takeaways and action items for individuals based on that result. And the first is that as they prepare for retirement, they should start to think about saving earlier. And you know, their working career may not be as long as they think it will be. So, they need to start saving as soon as possible. And that also allows them to take advantage of the benefits of compounding returns.

It also means the amount of time they spend in retirement may be longer than anticipated. So, their nest egg may be larger than what they think it needs to be. And again, this argues for taking a more aggressive stance in saving for retirement.

**Allison Nathan:** And so, what are some of the key hurdles that can impact people's ability to save for retirement?

**Mike Moran:** Unfortunately, Allison, there are a lot of them. And our survey really kind of laid that out. Our survey indicated that paying off debt, and that could be student loans or credit card debt, saving for a child's

college education, or time spent out of the workforce, which oftentimes is spent taking care of a young child or perhaps an elderly family member, all of those can have a negative impact on saving for retirement.

Now, many of these hurdles have had a more meaningful impact on those currently working than those that are already in retirement. And I think that really speaks to the transition we've seen in the retirement space from a defined benefit type of retirement system to a defined contribution retirement system with more individual responsibility for saving for retirement.

It also talks about the changing nature of retirement planning and how it really has to integrate all of these other financial aspects of an individual's life.

**Allison Nathan:** Right. And so, on top of all of those burdens and considerations, we are now on the cusp of rising rates. We have a lot more inflation in the economy than we've had recently. These are all key worries for retirees. So, what did the survey reveal about retirees' top concerns when it comes to managing their finances? Were

those among them?

**Mike Moran:** Yeah. So, you're right Allison. Inflation is always a key concern for retirees because the loss of purchasing power is one of the key risks that we all face in retirement. But it certainly is an even greater concern today just given the reality that we're seeing inflation today that we haven't seen in the past several decades. And the survey did indicate that inflation was one of the top three concerns that many retirees are facing today.

Other concerns that retirees sighted were healthcare related. And healthcare typically comprises a higher percentage of spending for those in retirement versus those that are working. And another concern related to potential reductions in Social Security benefits. Now, that's not a new concern. But every year that goes by that we come closer and closer to potentially seeing Social Security benefits being reduced, that just raises it in the minds of concerns of retirees.

**Allison Nathan:** And you mention this transition from traditional pensions to defined contribution plans. It's been

one of the defining features of the retirement landscape over the last couple of decades. And employees just have much more responsibility for managing their own retirement outcomes. But at the same time, participants need to manage other financial needs. You know, they need to pay off student loans as you just talked about. They need to build up the emergency savings. They need to save for their kid's college education. So, you know, considering all of these factors, what steps are today's retirees taking to ensure a comfortable retirement? What are they doing?

**Mike Moran:** Yeah. So, even before that, Allison, I would say everything you just said really highlights that retirement planning can't be done in isolation. And it must take into account all of these other financial obligations that participants are facing. Participants need to make sure they can continue to save for retirement even as they're paying off student loans or dealing with an unexpected expense. It also highlights that employers must evolve retirement programs so that their participants can overcome some of these barriers to retirement.

But in terms of specific steps, you know, one step that



retirees are doing today, or looking at today, is trying to find solutions that will allow them to generate consistent and stable income in retirement. We've talked about the transition from defined benefit to defined contribution. Many retirees will not be receiving a monthly check in retirement from a defined benefit pension plan. And you know, our survey indicated that the number one concern for retirees as they entered retirement was leaving a steady paycheck.

So one step many are taking is looking for ways to take their savings and turn it into a consistent and stable income in retirement. In many ways, recreating that steady paycheck they left behind.

**Allison Nathan:** But Mike, let me ask you, because in 2019 we had the passing of the Secure Act, which made it easier for companies to include annuities in the retirement offerings they were offering to their employees. Is that a way that employees can achieve stable income in retirement?

**Mike Moran:** It could be. And so, to your point Allison,

Secure Act provided a safe harbor for employers to include annuities. Made it easier for them to include annuities in their retirement plan lineup.

For some employees, participants in the plan, they may ultimately say if my employer provides an annuity, I may take that option. But annuities for some participants are confusing. They're complex. And we may or may not see that uptick happen.

I think what a lot of employers are looking at, and really the industry as a whole, is trying to develop both what I'll call guaranteed and non-guaranteed lifetime income vehicles. So, this way, as a participant, if I want that guaranteed income stream from an annuity, that may be available. But if I don't, is there another option that can be created that will provide me with that consistent and stable income that I want, but outside of an annuity-type structure?

**Allison Nathan:** So, I always understood that annuities were something to avoid. I mean, so are you saying that's not always the case?

**Mike Moran:** I think it's like anything in life. There's no one size fits all answer. And it depends on what the individual or the participant wants. If they want a guaranteed income stream and they feel most comfortable, maybe not managing their own assets, right, annuities, in many ways, are an insurance product. So, you're handing over capital and getting a stream of payments in the future. If that individual is not comfortable managing their own assets, the annuity may be the right answer for them.

For others, they may say, you know what, they're comfortable managing their assets. They may want to try to earn a higher return than at they could get from that insurance product, the annuity may not be the answer. But that's why from an organizational perspective, I think a lot of organizations are saying what are sort of guaranteed options that we can put in the plan? And what are some non-guaranteed options that could generate lifetime income or retirement income stream for my participants?

**Allison Nathan:** And we know that individuals take different approaches towards retirement. What did the

survey reveal about gender differences? Or did it reveal any?

**Mike Moran:** So, it did reveal a few differences. And a few things, I'd say, jumped out in the survey. First with respect to the timing of retirement, working women planned to work longer than their male colleagues. But among the retiree cohort, a greater percentage of women than men retired earlier than planned. So, we see differences in the expected and actual timing of retirement across genders.

In terms of actually managing retirement finances, women were less comfortable than men in assessing their retirement needs. And a greater percentage of women tend to feel that they are behind schedule with retirement savings. So, some of these gender differences really highlight that plan participants are diverse. And they have different needs.

So, from a sponsor perspective, they need to ensure that planned design and retirement services can accommodate a wide range of participant needs.

**Allison Nathan:** And what about differences across generations? Did you see differences between Gen X and millennials and Gen Z?

**Mike Moran:** There were some very interesting findings with respect to different ages charges. And in particular, younger workers, those just entering the workforce, tend to believe they will be able to retire younger than their older counterparts. So, according to our survey, 25 percent of Gen Z workers plan to retire before age 55 versus only 17 percent for millennials and less than 10 percent for Gen X.

And about 30 percent of workers under the age of 40 believe they will need 60 percent or less of their pre-retirement income in retirement. And that compares to 80 percent of pre-retirement income in the Gen X cohort. So, I think one of the key takeaways may be that younger workers may need to adjust some of their assumptions when it comes to retirement planning and future spending.

**Allison Nathan:** Right. I mean, is that just youthful optimism here?

**Mike Moran:** It could be a little bit of youthful optimism. Again, if we think about that transition from Gen X, millennials, Gen Z, you know, as we go down age cohorts, you see participants readjusting. Not necessarily readjusting but having a transition to a later retirement age or saying, "I'm going to need more money to spend in retirement." So, it could be youthful optimism and then as they transition through their career and through different age brackets, they reset their expectations.

**Allison Nathan:** Right. And I wonder also if there is some sense that younger generations feel like they need less to retire on.

**Mike Moran:** It could be. And I think a lot of this is to be determined. And some of it, you know, ties also into the current environment we have today where, you know, we have a lot of organizations with remote work. We have some participants, some younger workers who basically are saying, "I like the flexibility of not having to go to an office every day or only work a few days a week. And maybe I want to transition that later in my life into an earlier retirement." So, we'll see how that develops.

**Allison Nathan:** Well, on that point, I mean, obviously, so many challenges as we're thinking about retirement. But one of the big challenges that recently we faced is the pandemic. So, maybe you can elaborate a little more on how the pandemic has shaped people's perspectives around retirement.

**Mike Moran:** Yeah. And I think when we look at the survey results, the impact has really varied. So, about 30 percent of currently working respondents in our survey indicated that COVID has pushed out their timeline in terms of retirement by at least a year. And in some cases, that was several years. In addition, I would say many of the survey respondents indicated that because of COVID, they had to increase their credit card debt, or they had to draw down their emergency savings. So, there were definitely some negative implications from COVID with respect to retirement planning.

But in some cases, there were positive impacts from COVID. So, for example, for men, the top two financial impacts of COVID that they cited were their ability to

increase their retirement savings as well as their emergency savings. So, there were negative implications, but there were also some positive as well.

**Allison Nathan:** Are there any steps that companies can take to improve retirement outcomes for their employees given all of these factors?

**Mike Moran:** So, one of the most interesting findings that I thought in this survey, Allison, was that both currently working individuals, as well as retirees indicated that their employer sponsored retirement programs were their most used source for retirement education. So, these are important benefits for employees. For planned sponsors having a robust retirement program that integrates other financial obligations and accommodates a diverse workforce with varied planning needs, this is not a nice to have. This is a need to have.

And I'd say this is especially true in today's world with unemployment so low and a war for talent raging in many industries. So, offering new services or expanding existing ones in a retirement program is an important value driver



for many organizations and a key way to help attract and retain talent.

**Allison Nathan:** So, given all this, what does the future of retirement look like? Will it evolve?

**Mike Moran:** I think when we think about retirement programs, they have to evolve from being retirement plans to retirement programs. So, as opposed to a sponsor or a company saying, "Here's your 401(k) plan, here's our lineup, here's your match, and that's really all we're doing," that has to evolve into a more holistic retirement program that tries to help employees manage other financial things like student loans, like emergency savings, that also potentially tries to become more tailored for that individual's experience. Right? Everyone has a different need. And a lot of those needs we highlighted in the survey are driven by gender. It could be driven by age. It could just be driven by other factors that are unique to that participant. So, we not to make these programs more holistic and potentially provide a greater experience for the participant in helping them through that retirement journey.

**Allison Nathan:** And have you seen any signs that that type of evolution is starting to take place?

**Mike Moran:** I think we're absolutely starting to see that. And part of it comes from just looking at the products and services that the financial service industry is developing. And that ranges everything from managed accounts to financial wellness programs. Again, a lot of this is becoming more embedded in the human resources and retirement programs of a number of different organizations.

**Allison Nathan:** Right. And that seems to go hand in hand with, again as you said, this is an incentive and a tool for companies to use to attract talent. So, there's even more pressure to pursue these.

**Mike Moran:** It's a benefit for employees. And especially in a world like today with unemployment so low and this war for talent, what else can we be providing our employees that hopefully attracts them, hopefully attracts future employees? But this also allows us to retain them? And so, this is all part of the value proposition that organizations

are looking at.

**Allison Nathan:** Mike, thank you for joining us and, you know, shedding light on this topic that is very important to all of us.

**Mike Moran:** Thanks for having me, Allison.

**Allison Nathan:** That concludes this episode of Exchanges at Goldman Sachs. Thanks for listening. And if you enjoyed this show, we hope you subscribe on Apple Podcasts and leave a rating and comment.

This podcast was recorded on Thursday December 9th, 2021.

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