Demographics, Longer Term Financial Risks and the Emerging Workplace Culture

by **Anna M. Rappaport** | *Anna Rappaport Consulting*

The employer's role in helping employees identify and manage their benefits and longer term financial risks is an important part of workplace culture. This role can be viewed on a spectrum: At one extreme, employees have an opportunity for lifetime employment and risk protection. This extreme is identified as a "paternalistic" culture and can be accompanied by a major sense of loyalty between the employer and employee. At the other extreme is a transactional relationship, whereby an individual is hired to do a single task and is paid for that task only. That individual is responsible for their own risk identification and protection, and there is no other tie between them and their employer.

Death, disability and sickness may happen at any time, sometimes without warning. These risks can significantly impact individuals, their families and others who count on them. Before the industrial age, an extended family or local community generally supported individuals without a formal financial system for risk pooling. That changed with industrialization as individual households moved to be near a place of work and employers began playing a major role in risk pooling. In the 1970s and 1980s, major U.S. employers often assumed important longer term financial risks for employees through defined benefit (DB) pension plans for retirement security, company-paid life insurance for premature death, long-term disability (LTD) programs for preretirement disability and health plans for medical care needs.

These employee benefit plans were developed and, for the most part, maintained over more than 50 years. In historically paternalistic cultures, the employers played major roles in assuming the risks, but employees had few choices. Some employers mitigated part of the risk through insurance, but in reality, they still assumed much of it since the claims and investment experience would generally affect the rates the insurer charged going forward.

Today, the culture, workplace and the demographics of the workforce are very dynamic and different. The culture

AT A GLANCE

- Workplace culture is influenced by employee benefits and has become less paternalistic, with a greater focus on individual responsibility. The shift away from defined benefit (DB) pension plans is part of this change.
- Demographic issues—including increasing lifespans, changes in family structure, gender differences and fertility rates—interact with how risks have shifted. They can impact the culture, and they have a great impact on the labor market, economy and retirement system.
- Employers can take steps—such as employing automatic features in defined contribution (DC) retirement plans or improving disability benefits—to enhance retirement security for their employees without a drastic change in risk assumption.

is heavily focused on individual options, responsibility and decision making. Some of the emerging demographic trends create employee benefit issues that interact with individual responsibility. The risks identified earlier are borne much more heavily by employees, who are often self-insuring them (and likely not focusing on them) and leaving gaps in their longer term security. The culture of many workplaces has changed, and some employers have been hesitant to assume risks, or made major reductions in the risks they assume, to provide long-term employee financial security.

This article will discuss the challenges raised by the emerging demographics and culture and their tie to longer term financial security. These challenges affect benefits provided for health, death, retirement and disability (including those embedded in retirement plans). The article will offer some suggestions for improving retirement security without requiring employers to take unacceptable risks. It will cite Society of Actuaries (SOA) research, including the publication *Managing Post-Retirement Risks: Strategies for a Secure Retirement* (Risk Chart)[1] as well as other research. SOA research also discusses issues including demographics and those related to emerging risks and retirement programs.

This article is heavily influenced by my personal experiences and perspectives. From 1976 to 2004, I was employed in a large employee benefits consulting firm and was involved in the structuring of retirement benefits and the strategy used by larger and medium-sized U.S. companies to help employees maintain long-term financial security. From 1958 to 1976, I was employed at both large and small companies in the life insurance industry. In the early 1970s, my focus was on the future of financial services and how the interaction of demographic and societal changes would impact the financial security of people in the U.S. Since the mid-1990s, I have been a major contributor to SOA's postretirement risk research, much of which focuses on understanding the perspective of the individual and how the retirement system is working. I bring to this discussion insights based on the perspectives of different types of stakeholders: the individual, the employer and the financial services industry.

Retirement and Shifting Views of Risk: My Experience

Risk is linked to opportunity and has an upside and a downside. My story illustrates both. It turned out that it was advantageous for me to be employed by a publicly owned consulting firm rather than a partnership because that offered my firm access to the capital markets. The consulting firm grew a great deal, partly due to acquisitions of important consulting firms worldwide. I experienced the benefits of ownership of a tiny piece of this company but also the risks and the downsides. From 1988 to 2024, there were six years in which the stock increased more than 40% and one year in which it decreased more than 30%. The stock price decreased in 12 years during this period.*

I had a defined benefit (DB) retirement plan and investments in company stock. As a senior professional in the firm, my company stock investments were in the form of stock options, bonuses and a supplemental savings plan. I viewed these investments in company stock as analogous to providing capital to a partnership. Either way, I would have had an ownership interest and strong concern about the success of the firm because my money was invested in it. In the partnership, the money would be paid in to buy a share of the firm, and in the public company, I would be a shareowner. In each situation, my interest would be a tiny part of the total firm. My stock investments increased significantly, and I cashed out and used my stock options to buy housing before the 2005 decline in the housing market. The company experienced some challenges, and the stock values were down for several years. I also experienced some losses, which reduced my assets moving into and during retirement, but my DB retirement benefits were unaffected. Overall, I did well, unlike the employees of Enron who found that their retirement benefits were wiped out by the decline in the value of Enron.**

*Jacob Hacker. *The Great Risk Shift*. Oxford. 2019. Describes the Enron situation.

**The 2021 Mercer *CFA Global Pension Index* report included a special chapter on gender disparities and documented that gender disparities can be found in many different countries. The study highlighted four countries with a gender pension gap of almost 50%. www.mercer.com/en-ca/insights/retirement/defined-benefit/mercer-cfa-institute-global-pension-index.

A Focus on Security and Stability

The focus of this paper is on security and the sharing of risk between individuals and employers. The environment of the 1970s—particularly for larger employers in businesses such as financial services, manufacturing, pharmaceuticals, energy and others—was paternalistic, creating the expectation of security and stability to white-collar employees. Overall, the employment environment could be described as relatively stable but offering low flexibility. The following is a look at the typical attributes of employee benefits and employment.

- Employment included job security with pay systems that allowed for gradual increases in pay over careers.
- Full-time jobs were the norm.
- Employees and employers had expectations of long-term employment, with many organizations hiring new employees out of college (or high school) and offering growth in defined career paths (primarily for white men).
- Women were increasing their participation in the labor force, and a few were entering professional roles, but it was rare for them to advance to senior roles. Disparities by race and ethnicity were normal but often not tracked.
- Benefits for long-service employees offered the opportunity for a secure retirement and included cash and medical benefits.
- Long-term security was also enhanced by company-paid group life insurance, plus the option to buy additional life insurance, which included a waiver of premium on disability.
- Companies typically offered medical, dental and LTD benefits.
- Retirement benefits for salaried employees typically included inflation protection until the time of retirement, either by basing the benefit on final average earnings or by implementing ad hoc increases in benefits.
- Retirement benefits were designed to be a second layer on top of Social Security.
- Many organizations had separate retirement programs for hourly and salaried workers, with unionized workforces often having more generous benefits.
- Employees typically had limited choices in their benefit plans.
- Jobs and career paths were often well-defined. There were few layoffs in white-collar jobs, and companies often moved employees into new roles if the situation changed.
- Loyalty was generally expected both by companies to their employees and by employees to their employers.
- Change and decision making often occurred very slowly.
- The regulation of benefits and employment increased over time.
- There was little focus on financial literacy or concern about gaps in financial literacy and retirement planning.

Key Demographic Issues

Demographic issues—including increasing lifespans, changes in family structure, gender differences and fertility rates—interact with how risks have shifted. They can impact the culture, and they have a great impact on the labor market, general economy and retirement system.

Lifespans

Lifespans have increased dramatically over the last century, leading to longer periods of retirement. Much of the overall change came from decreases in infant mortality and early deaths. However, people are experiencing lengthier periods of chronic illness and limitations. Table I displays how life expectancy increased from 1900 to 2015.

TABLE I

U.S. Life Expectancy at Birth in Years—1900 to 2015

	All	White	Black
1900	47.3	47.6	33.0
1980	73.7	74.4	68.1
2015	78.7	78.9	75.5

Source: "Life expectancy at birth, 65 and 75. 1900 to 2016." Centers for Disease Control and Prevention. www.cdc.gov/nchs/data/hus/2017/015.pdf.

Longer lifespans also interacted with changes in fertility in many countries, leading to major changes in the age distribution of the population and an increase in the aging population.

Gender Differences

There are major differences by gender in lifespan, marital status, work history and where people live in retirement. Table II illustrates differences in marital status.

TABLE II

Marital Status by Age and Gender Among Older Americans

Marital Status	Men		Women	
Age Group	65–84	85+	65–84	85+
Married	72%	51%	48%	13%
Divorced or separated	13%	7%	17%	7%
Widowed	10%	38%	30%	75%
Never married	5%	4%	5%	5%
Total	100%	100%	100%	100%

Source: Renee Stepler. *Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children.* Pew Research Center. 2016. Data is based on tabulation of *2014 American Community Survey* and adjusted for rounding.

Women are more likely to need long-term care and less likely to have access to a family caregiver. The SOA report *Women and Post-Retirement Risks* summarizes the differences in demographic characteristics, family status, job history and needs in retirement. Single women are less well-off than couples and single men. Gender disparities in retirement are found in many countries, with women having significantly less resources.[2]

Family Structures

The family structure of the population is changing, with fewer people marrying and more never marrying (Tables II and III).

TABLE III

Marital Status of U.S. Adults Age 18+

Percentage of Adults Age 18+	1970	1990	2021
Who are married currently	69%	59%	50%
Who were never married	17%	23%	31%
Previously married, but not married now	14%	18%	19%

Source: Pew Research: *The Modern American Family.* Pew Research Center. 2023. www.pewresearch.org/social-trends/2023/09/14/the-modern-american-family.

The SOA report *Family Is Important to Retirement Security*[3] provides an overview of different ways that family members support each other into retirement and how the situation is changing by generation. Family members are a first source of help when it is needed, but they are usually not involved in planning. The report summarizes findings from 20 years of SOA research and gives references for more detail.

Traditionally, couples have been better off than singles in retirement. Family trends, looking ahead, will mean more retirees will be alone in retirement, and fewer older persons will have adult children to help them. Singles also have less overall accumulated assets, and single parents are more often financially stressed, with little chance to save for retirement. Adults without siblings may have parents who need help as they age, but they will not have siblings to share in providing that help. Helping parents over a long time tends to be a deterrent to saving for retirement.

They Call This the "Shift"

The Great Risk Shift[4] by Jacob Hacker reviews the shift in risk in employee benefits, but also in employment security and family status. Hacker illustrates how the interaction of these factors impacts lifetime economic security. He stresses the change in culture driving public policy and employer decisions based on an underlying focus on individual responsibility. At the same time, he points to factors contributing to insecurity that are beyond the control of the individual. He does not focus on the culture and value of risk-taking by investing in a business and trying to earn part of its profits.

TABLE IV

The Employment Culture: Going Beyond Benefits (Financial Security and Employment)

Area of Culture	Typical Situation 1970s	Typical Situation Today	Comments
Overall culture	Paternalistic, risk pooled and assumed by employer	More employee responsibility, flexibility, individual bears more risk	
Location of work	Work conducted at employer location	May be remote, on site or hybrid	
Job security	Expected for white-collar jobs	Much lower for all types of jobs	
Loyalty	Strong two-way loyalty in many situations	Little loyalty in many situations	This is a major area of concern.
Favored groups	White men had preferred access to better jobs.	Much more focus on diversity, equity and inclusion (DEI)—situation varies by employer	
Ownership opportunities	Supplemental savings plans or other retirement benefits were sometimes invested in company stock, and some plans did not give employees a choice. Senior employees' incentive plans often included stock incentives.	Employees have opportunities to own stock, sometimes as part of retirement savings. Same for senior employees	There are major concerns about risk when retirement funds are invested in company stock. Ownership is a way to build wealth, but company failure can mean loss of wealth in ownership interest and loss of job.
Flexibility	No or very little flexibility in structuring job, choosing benefits and place of work	Much more flexibility in structuring job, choosing benefits, place of work—depending on firm	Evolving area
Part-time work	Part-time jobs generally had defined work schedules.	Part-time jobs may have no flexibility and constant change in employer-mandated schedules.	Some part-time jobs have become extremely difficult due to scheduling practices as well as unpredictability of amount of timing of work.
Work/family	Not a widely recognized issue	Much more focus on supporting work/family issues	Increasing recognition that this is a business issue
Speed of change	Very slow	Very fast compared with historical norms	
Role of employer in career development and training	Significant support for some jobs	Much less support and more difficult to apply when there is remote work	This is an area that is being sorted out in the world of work.

Source: Created by author.

Table IV on the previous page provides an overview of the culture shift from paternalism, risk pooling and little flexibility to individual responsibility for risk, employee flexibility and participation.

Where We Are Today: Individuals Make Choices, Bear Risk, and Face Change and Instability

This article is focused on workplace culture, financial security and bearing of risk. The current culture is one where employers largely avoid bearing long-term risk, but they offer flexibility, more work-life balance, and benefits to employees who make choices and are much more responsible for their own financial security. The underlying culture has shifted from an emphasis on paternalism, risk pooling and caring for employee needs to greater weight on individual responsibility, flexibility and focus on current period financial results.

The Reality for Business

Businesses have had to face many changes over the past 50 years, and the pace of change has accelerated over time. Some of the changes that have affected benefit plan sponsors include globalization, shifting locations of company facilities, mergers, spinoffs, layoffs, automation, changing workforces, regulations, economic cycles and an increased focus on current earnings and results for shareowners. The consequences of these changes include more pressure on management and contribute to the cultural shift that focuses on more employee responsibility and much less risk bearing and pooling by the plan sponsor.

The Reality for U.S. Households

The goals and choices of U.S. workers vary by generation and time period. Many Americans place a high value on flexibility and the ability to lead their lives as they wish rather than committing all their energy to a job. Younger employees also place high value on the purpose of the organization they serve and on feeling they are doing what is right for society.

A substantial number of people in the U.S. are financially fragile. Many are planning and managing their money week to week[5] and have no easy access to emergency funds. Nearly one-third (30%) of Millennials are reported to be financially fragile, making them the generation that is most likely to fit this description. Often, the financially fragile are not in a position to save for retirement immediately. Financially fragile Millennials will not be ready to save for retirement until they get their lives stabilized. Individual situations vary, but examples of the issues to be addressed include lack of knowledge about budgeting, high debt levels, regular bills that equal or exceed regular income, being unbanked and absence of resources for emergencies.

Financial fragility coexists with gaps in financial literacy and retirement planning. Studies repeatedly show gaps in financial literacy among U.S. workers, including a lack of understanding of how compound interest works. SOA research has found that these gaps translate into major gaps in retirement planning, including short planning horizons and failure to consider risks and unexpected expenses. SOA research has also found a lack of investment knowledge among all generations[6] and documents that many people erroneously believe that Medicare will pay for long-term care.

Findings from recent SOA focus groups conducted with 35- to 45-year-old individuals indicate that many of them expect to retire at very early ages, but some make no connection between building resources for retirement and the ability to retire. These individuals expect to retire, but they have no idea how much money they will need or where it will come from.[7]

The reality is that many households are missing some of the ingredients needed to successfully manage a personal long-term financial plan. These ingredients include resources, knowledge, discipline and more.

The Employer Response: The Risk Shift, Financial Wellness Programs and Flexibility

Employers have shifted their benefit programs away from risk assumption and risk pooling to offering employees opportunities to assume responsibility for their own security.

Many employers have implemented financial wellness programs, which can provide individual coaching as well as resources. These programs generally recognize that employers need to understand where employees are and help them work through immediate difficulties if they are not stabilized. While they help employees get stabilized and to save and manage more effectively, they may still leave gaps in risk protection.

Employers today are much more likely to recognize that employee situations vary and that their situations can affect work performance. Many employers also know that it is important to understand the forces that cause stress and help employees deal with stress and financial issues. The period of the COVID-19 pandemic stepped up the recognition of individual employee challenges. Employers became more willing to be flexible so that employees could meet their personal needs as well as their business needs. They offered perks such as schedule flexibility, family medical leave, support groups and referral services. Table V on page 28 compares the risks and benefit areas (retirement, health and dental, life insurance and disability) that employers typically provided for financial security in the 1970s with those provided today. Table VI on page 29 describes the same risks for workers who don't have employer-provided benefits.

Conclusions

The culture change, business environment and risk shift have left many individuals in a situation of financial insecurity both pre- and postretirement. At the same time, individuals have more flexibility and more choices about how they will lead their lives. Individuals covered by employer plans may struggle to achieve security and stability due to the high cost of a college education and housing, current wage levels and benefits based on individual responsibility, with employers paying a decreased share of the cost. Individuals without employer plans are even more vulnerable. Both groups are at risk if they have low financial literacy and are unable to get steady jobs that pay well.

Moving Into the Future: Issues and Steps for Employers

Employers can take several steps to improve retirement security for their employees without a drastic change in risk assumption. Examples are detailed below.

- Implement modest increases in risk protection. A variety of hybrid arrangements are possible that share risk in a more balanced way between the plan sponsor and plan participant. Examples include pooled defined contribution (DC) plans that offer lifetime income as well as shared risk DB plans. Note that most shared risk plans would require legislative change to be used in the private sector in the U.S.
- Support and facilitate employee emergency savings and fund buildup.
- Include provisions in DC plans to improve retirement security, such as:
  - Automatic enrollment
  - Automatic escalation of contributions
  - Employer contributions not tied to matching employee contributions
  - Default investment options
  - Link between savings and student loans
  - Lifetime income options
  - Limitations on loans and withdrawals prior to retirement.
- Implement wellness programs with emphasis on longer term financial and other retirement planning. Elements may include the following.
  - Tools and coaching to help employees make good choices, understand options, and see and connect with their progress in saving
  - Help to stabilize the financially fragile
  - As-needed coaching on budgeting, credit management and retirement savings
  - Emphasis on events and needs linked to life stages
  - Encourage longer term thinking and focus on unexpected as well as expected expenditures
- Implement an autoenrolled individual retirement account (IRA) if no other retirement plan is available.
- Consider return to a DB plan or implement a DC plan design with risk-sharing provisions mentioned above.
- Improve disability benefits. Suggestions include the following.
  - Provide access to disability coverage and insurance so that a disability does not wipe out retirement savings or create too much risk for the employee.

TABLE V

Financial Security for Employees With Employer-Provided Benefits (Benefits Typical for Larger and Medium-Sized Employers)

Risk/Area of Benefits	Typical Coverage 1970s	Typical Coverage Today	Comments
Retirement—longevity, inflation and investment risk	Employer-paid defined benefit (DB) plans were typical, often including preretirement inflation protection, supplemented by employee savings plan with payroll deduction. DB benefits were paid as lifetime income with income to spouses. Many plans credited service during longer periods of disability. Plans were designed to work well with Social Security.	Defined contribution (DC) plans are typical, and they might have employer matching contribution or other support. Employee bears investment risk and uses default or makes investment choices. Benefits are usually paid as lump sum or installments.	DC plans do not provide inflation, longevity or disability protection. DC benefit accumulations are much higher for higher income individuals. Financial literacy gaps are commonplace.
Medical and dental coverage for active employees	Employer-paid coverage was provided, often with employee contributions. Family members were covered. There were relatively low deductibles and not much managed care. Not many choices were available. Medical coverage is an important factor in job choice, and families with any health problems at times felt locked into their jobs because of medical benefit issues.	Medical costs are a major societal issue. Access to medical care is an issue in some areas. Employer-paid coverage is provided but often with substantial employee contributions. Some plans feature high deductibles and may include spending accounts. There is much more managed care and many more choices. Family coverage is usually offered, but there may be limitations.	In the 1970s, there were few options for working-age individuals without employer coverage. Individuals with very low income were income covered by Medicaid. The number of uninsured Americans was a big issue. Today, state exchanges offer choices to individuals and serve as an alternative to employer coverage. Employer coverage remains the preferred coverage for most people who have access to it. Medicaid has been expanded in some states.
Medical and dental coverage for retired employees	Larger employers often continued medical plans to retirees pre-Medicare eligibility. Post-Medicare, a smaller number continued coverage to retirees, but the coverage was secondary to Medicare. Contributions were often required from retirees, and there were often service requirements to get this benefit. Dental coverage could also be continued. Medicare did not include prescription drug coverage.	There is a major decline in employer-provided retiree health coverage. A number of employers offer continued coverage prior to Medicare. Retirees are also able to buy coverage from the state exchanges. Substantial contributions are often required for these benefits. Medicare offers options for Medicare Advantage plans and drug coverage. Retirees must make regular elections that can be complex.	In the 1970s, medical coverage was a real factor in some retirement decisions because there was no individual coverage available prior to Medicare except for individuals with very low incomes. State exchanges have changed that. Now everyone can get coverage, but it can be very expensive and may have coverage gaps. Medicare covers very little long-term care (LTC), and most people do not have LTC insurance or a plan for LTC. Individuals may become eligible for Medicaid if they spend down their assets.
Life insurance	Most employers provided a base level of life insurance to employees with the option to buy additional coverage. Waiver of premium coverage was typically included. Some offered small amounts to spouses and small amounts after retirement.	Base level of coverage has been substantially reduced.	The employer's role in life insurance has been reduced.
Disability protection	DB pensions and life insurance included disability protection of these benefits. Medical benefits might be continued on disability as well. Many employers offered long-term disability (LTD) benefits to provide income protection during disability. This benefit may be voluntary.	DC benefits do not include disability protection. In addition, account balances are vulnerable to being withdrawn and used during periods of disability. LTD benefits may be less generous than before.	Social Security offers disability income to individuals with long-term disability that is subject to more stringent standards of disability than most employer plans. Medicare provides health benefits to individuals with longer term disability (after two years). There are major gaps in disability protection today, little awareness of the issues and, potentially, major challenges for families.

Source: Created by author.

TABLE VI

Financial Security and Risk Protection (*Individuals Without Employer-Provided Benefits)*

Risk/Area of Benefits	Typical Sources 1970s	Typical Sources Today	Comments
Retirement—longevity, inflation and investment risk	Social Security Individual retirement accounts (IRAs), but few people saved on their own Personal assets	Same as the 1970s, plus state plans offer mandated savings opportunity in some states.	No risk protection for individuals. Financial literacy gaps create challenges. Cash-based workers may under-report income for Social Security crediting purposes.
Medical and dental coverage—before Medicare eligibility	Often uninsured Might have been able to get coverage through an association	Medical costs are a major societal issue. Access to medical care is an issue in some areas. State exchanges and Medicaid are major sources of coverage. Some individuals travel outside of the country for medical or dental care because costs are much lower.	In the 1970s, there were few options for working-age individuals without employer coverage. Individuals with very low income were covered by Medicaid. The number of uninsured Americans was a big issue. Today, Medicaid has been expanded in some states. While uninsured Americans remain a problem, the number has dropped.
Medical and dental coverage—Medicare-eligible individuals	Medicare, starting in 1965	Today, Medicare offers options for Medicare Advantage plans and drug coverage. Retirees' annual elections can be complex. Medicare covers very little long-term care (LTC), and most people do not have LTC insurance or a plan for LTC. They may become eligible for Medicaid if they spend down their assets.	In the 1970s, medical coverage was a real factor in some retirement decisions because there was no alternative coverage available prior to Medicare except for individuals with very low incomes. State exchanges have changed that. Now everyone can get coverage, but it can be very expensive and may have coverage gaps.
Life insurance	Social Security survivor benefits and a very small lump sum Individually purchased life insurance	Same as in the 1970s	
Disability protection	Social Security Individually purchased coverage	Social Security offers disability income to individuals with long-term disability that is subject to more stringent standards of disability than most employer plans. Medicare provides health benefits to individuals with longer term disability (after two years).	There are major gaps in disability protection today, little awareness of the issues and, potentially, major challenges for families. Cash-based workers may under-report income for Social Security disability crediting purposes.

Source: Created by author.

  – Evaluate how disability options work for people who are unable to work to higher ages.
- Enable work options to allow a gradual shift to full retirement.
  – Part-time or part-year work
  – Rehire retirees for special projects, as mentors or to fill in as needed
  – Independent contractors
  – Pool of individuals to use as needed
- Reevaluate pay, particularly for jobs with very low wages or gaps in pay by minority or gender status.

Moving Into the Future: Issues for Policy Makers

Policy makers have several big questions to answer, and the retirement security situation of the future will be influenced by public policy and the overall culture as well as actions of employers and individuals. Several possible directions for future action are discussed as follows.

- Modify pension laws and regulations so that it will be possible to offer benefits that pool more risk without shifting all risk to employer organizations. Traditional DB and DC plans put risk very heavily on one side or the other of an employer-sponsored arrangement—either the plan sponsor or the individual participant. Arrangements that better allocate risk between the two parties are possible, but they will generally require some modifications in U.S. law.
- Improve Social Security and Medicare to provide a better minimum benefit as a substantial percentage of the population only relies on government benefits. Both systems need more funding to pay for current benefit levels. Policy discussions must balance reducing or reallocating benefits and adjusting taxes to fit a desired benefit pattern.
- Supplement the employer system with a mandate, such as those provided in current state plans, so that individuals not covered by employer plans are participating in retirement savings beyond Social Security.
- Move away from a system where the employer relationship plays a major role in employee benefits to a more universal system. The U.S. is relatively unusual in this regard, but the culture has strongly favored the employer system, and it has worked quite well for some people.
- As the population is living longer overall and as many individuals would prefer to continue to work on some basis as part of retirement, work to create new and better work options for older individuals. At the same time, revisit disability benefits to recognize that some individuals are unable to work longer and that there are major disparities in lifespans.

AUTHOR

Anna M. Rappaport, FSA, MAAA, is an actuary, futurist and specialist in retirement issues. She is a past president of the Society of Actuaries (SOA) and chairs the SOA Committee on Post-Retirement Needs and Risks.

Any of these directions requires substantial change and bringing together parties with diverse points of view to work through potential future policy directions. BQ

Endnotes

1. This SOA publication identifies risks in three categories: economic risks, personal planning considerations and unexpected events. www.soa.org/49b4e9/globalassets/assets/files/resources/research-report/2020/post-retirement-strategies-secure-chart.pdf
2. www.pewresearch.org/social-trends/2023/09/14/the-modern-american-family/
3. www.soa.org/491bb5/globalassets/assets/files/resources/research-report/2020/family-retirement-security.pdf
4. Jacob Hacker. *The Great Risk Shift*. Oxford. 2019. This is the second edition of a book that documents the shift from economic security to economic insecurity over the last 50 years.
5. *Exploring Financial Fragility Across Generations, Race and Ethnicity.* SOA. 2021. Looks at the results of the last SOA Generations study to provide insights into how many people are financiallyl fragile, their characteristics and the effect on financial planning. The field work for this study was done in 2021.
6. *Financial Perspectives on Aging and Retirement Across the Generations*. SOA. 2021. Indicates that a substantial share of each generation say they are investment novices, and only about one in four say they are investment pros. (see page 31) www.soa.org/resources/research-reports/2021/generations-survey.
7. *Retirement Planning and Decision Making Among Early and Middle Aged Adults*. SOA. 2023. www.soa.org/resources/research-reports/2023/ret-planning-early-mid-age-adults.