Title: **CHALLENGES OF AN AGING WORLD FOR THE FINANCIAL INDUSTRY**

Speaker: **OLIVIA MITCHELL**
Wharton School

Importance: Why this matters:

Rising longevity, falling fertility rates and low return environments have made pay-as-you-go non-viable.

Problems exist in both the savings/investing phase and in the retirement spending phase.

SAVINGS PHASE:

- Widespread financial illiteracy.
- Savings is difficult for the poor and not much fun for anyone.
- And it gets worse: literacy declines with age, perhaps due to declining acuity or differing life experience.
- Financially literate are more likely to plan, more aware of costs, more aware of risk/return payoffs, and more amenable to annuity advantages.
- We need products that help the poor save more effectively, such as:
  1. Lottery-linked saving, where each contribution gives you a lottery ticket
  2. "Saving buddies" akin to "gym buddies."
  3. Opt-out rather than opt-in plans.
  4. Fun is easier to sell than guilt.

INVESTMENT PHASE

- Target date plans: a glide path of gradual risk reduction.
- Understanding fee structure and effects on performance.
- Streamlining the investment choices to reduce confusion.
- Increasing tendency of fiscally strapped countries, states, and cities to raid the plan assets to cover budget deficits.

DECUMULATION PHASE

- Avoid outliving your resources: advantages of annuities, poverty insurance
- Cognition declines with aging: ability declines faster than confidence
- Too many regulators with overlapping domains

Audience rating: 4.50