

# **After the Meltdown: Rethinking the U.S. Retirement Savings Model**

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INSTITUTIONAL INVESTOR INSTITUTE  
*THE NEW DIMENSIONS OF RETIREMENT PLANS*  
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## **Key Points**

- **2008 was a wake-up call. Americans need greater risk transparency and risk control.**
- **Sponsors and intermediaries can manage risks more efficiently than employees can on their own.**
- **No free lunch; but insuring costs less than precautionary saving by individuals.**
- **Retirement plan default options should offer guaranteed minimum lifetime benefits integrated with Social Security, Medicare, and LTC insurance.**
- **Healthy “Boomers” will continue to participate in the labor force and will convert retirement wealth into income *as needed*.**

## Investor *Mis*Education




## Science of investing

- Stocks are *not* safe in the long run and are *not* a hedge against inflation.
- Safest asset class for households: inflation-protected bonds and annuities.
- Safest strategy for plan sponsors and employees: Match assets to liabilities .

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http://smg.bu.edu/exec/elc/lifecycle/

## The Future of Life-Cycle Saving & Investing



We live in a time of great changes in the way Americans save, invest, and manage the risks to their standard of living.




Economists have been studying consumers' optimal saving and investing decisions for many decades. Since the 1950s there has been enormous progress in the underlying theory, and since the 1970s major innovations in the financial markets and advances in technology have facilitated implementation of that theory. Furthermore, in the past two decades, research in behavioral economics and finance has considerably advanced our understanding of how consumers actually make saving and investment decisions. Life-cycle saving and investing have become a science, or at least the foundations have been laid for such a science.

The goal of this conference series is to bring together academic researchers, practitioners, and public-sector policymakers to discuss the current state of this science and to explore its implications for households, businesses, and government. By facilitating this dialog, we hope this conference will stimulate the adoption of best practices in the development of both new financial products and future public policies.

**2008: Retirement Phase of the Lifecycle >>**  
 Baby boomers are the most prosperous, healthiest, and longest-lived generation of Americans ever. They also face more choices about saving and investing than their predecessors. More choices mean more decisions. Voluntary tax-advantaged accounts are now available for retirement, college tuition, and health care. It seems everyone is talking about personal finance. Should you open an IRA or 401(k) account? An ordinary IRA or a Roth IRA? How much to contribute? How to invest the funds? How to time withdrawals from the account?  
[View 2008 webcasts](#)

**2006: Investing Phase of the Lifecycle >>** Over the past 50 years, enormous progress has been made in the underlying theory of consumer saving and investment. Recent significant innovations in financial markets and technology have made it possible to translate these theoretical advances into practice. Research in behavioral economics and finance over the last 20 years has advanced our understanding of how consumers actually make saving and investment decisions. Life-cycle saving and investing has


**Featured LCSI Video Clips**

	<b>Keynote Panel</b> Future of Life-Cycle Saving and Investing conference
	Paul A. Samuelson Alfred Nobel Memorial Prize in Economic Sciences Laureate
	Robert C. Marton Alfred Nobel Memorial Prize in Economic Sciences Laureate
<b>FURTHER CONFERENCE INFORMATION</b>	
Carol Waldvogel T: 617.353.4248 Executive Leadership Center E: cwaldvog@bu.edu	

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http://www.bu.edu/hr/benefits/finances/retirement-planning-resources/tools/

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### Retirement Planning Resources/Tools

Boston University gives you the benefit plans you need to become financially strong.

Income Solutions and ESPlanner are two interactive tools that help you plan for your financial future. They are offered to all University faculty and staff at no cost.

Learn more about these two resources by reading this section of the site. Both programs are personalized, so you can get a realistic picture of what you and your family should aim for and what you need to reach your target.

Even if you are not approaching retirement, be sure to take a look and try out different scenarios that may occur throughout your financial life.

- Health & Wellness
- Finances**
  - Survivor Insurance
  - Retirement Plan
  - Supplemental Retirement & Savings Plan
  - Retirement Planning Resources/Tools**
    - Income Solutions
    - ESPlanner Financial Planning Software
    - Personal Finance Video Series
  - Social Security
  - Severance Pay Plan
  - Unemployment
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Human Resources » Personal Finance » The Conventional Wisdom is Wrong

http://www.bu.edu/hr/videos/personal-finance-01/

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**The Conventional Wisdom is Wrong**

- You're On Your Own
- Set Realistic Goals
- The Safest Investment is T.I.P.S.
- BU Will Be the First to Offer It
- I Love the Stock Market
- Don't Trust Anyone
- Stay in the Labor Force
- I Hate Losing
- Three Crucial Tips

The Conventional Wisdom is Wrong

Zvi Bodie on Personal Finance - Video #1



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*The purpose of this website is to provide trustworthy and helpful information about finance and investing to ordinary people everywhere.*



Zvi Bodie is the Norman and Adele Barron Professor of Management at Boston University. He holds a PhD from the Massachusetts Institute of Technology and has served on the finance faculty at the Harvard Business School and MIT's Sloan School of Management.

Professor Bodie has published widely on pension finance and investment strategy in leading professional journals. His books include *The Future of Life Cycle Saving and Investing* and *Foundations of Pension Finance*. His textbook, *Investments*,

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- 9/21/09 - MarketWatch - Retirement? Good luck with that
- 9/16/09 - CNNMoney.com - You can't handle the truth about stocks
- 9/10/09 - BusinessWeek - The Flight from Risk
- 9/3/09 - OregonLive.com - Fed researchers say TIPS work, should be expanded
- 8/31/09 - Marketplace -