

ICI VIEWPOINTS

May 17, 2013

GMM Panelists Discuss Retirement Savings and Financial Education

Americans need greater access to savings vehicles and better financial education to help ensure that they use them effectively, fund industry experts told attendees at the 55th Annual General Membership Meeting.

In a presentation that examined savings patterns around the world, Princeton University's Sheldon Garon described the savings culture, institutions, and policies in the United States, which he compares to those of other nations in his book [Beyond Our Means: Why America Spends While the World Saves](#). Garon said the United States could increase savings rates by improving access to banking by lower-income households, promoting youth savings accounts, and focusing on incentives to lower- and middle-income households to save for retirement. Financial inclusion should be promoted as a "national priority and a civil right," he explained.

In the discussion that followed Garon's presentation, moderated by Vanguard Principal John Ameriks, panelists agreed that there is a need to increase Americans' access to savings vehicles. Jim MacDonald, President of Fidelity Investments Workplace Investing, noted that the government could take steps to encourage higher levels of savings and emphasized the "critical need" for coordinated financial education for young people across the United States. "I think we all agree that retirement responsibility has shifted to individuals," he said.

Michael Falcon, Head of Retirement at J.P. Morgan Asset Management, emphasized that the importance of private-sector defined benefit (DB) pension plans in providing retirement income has often been exaggerated. "It's not true that everybody had a DB plan," he explained. "There's a lot of mythology about what retirement was like. There's much more money in the self-directed, defined contribution portion of our world than there is in the DB portion. But there are huge portions of our population that don't have access, and there are things we need to do as an industry and as citizens to try to solve [this problem]."

Recent innovations in 401(k) and other employer-provided defined contribution (DC) plans—including auto enrollment and auto increases—are helping workers. Panelists agreed that these innovations should make up one part of a two-pronged approach, with the second component being financial education that starts early and continues throughout an investor's life. "We're missing opportunities when young investors migrate into the workplace," MacDonald explained. "We also need to educate people who are in their forties today," added Falcon.

This across-the-board approach to financial education was also discussed by participants in a GMM panel on the fund industry's "Commitment to Investors in Challenging Times." John Thiel, Head of Merrill Lynch Wealth Management, described his firm's commitment to client education that is geared toward modern needs and expectations. "Clients aren't going to read a 30-page white paper," he explained. "They won't watch an eight-minute video. But they will watch a two-minute video online." The firm also holds local education events, he said. Moderator William F. "Bill" Glavin, Chairman, President, and CEO of OppenheimerFunds, agreed. "We've coined a term at our firm: 'snackable content.' This started with younger generations, but it's for all generations now. People's attention spans are about 2.5 minutes."

Patrick O'Connell, Executive Vice President of Ameriprise Advisor Group, talked about his firm's adaptation of its investor advice platform, based on these types of generational shifts. In particular, he said, Ameriprise has made educational changes for the Baby Boom Generation, who "are different from other generations. The issues and challenges they are facing are different. We tailor our advice for those clients." Jim Weddle, Managing Partner of Edward Jones, said that Edward Jones also approaches its education information from a generational perspective. Older investors "don't want to click and learn," he said. "They want to be spoken to...and be able to ask questions."

Find out about the ICI Education Foundation, the educational affiliate of ICI, at its [website](#). Find more meeting highlights at the [GMM website](#).

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.