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BOOK REVIEW

# Wealth After Work

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The subtitle of the new book *Wealth After Work* from the Retirement Security Project (RSP) at the Brookings Institution is *Innovative Reforms to Expand Retirement Security*. Much like two earlier volumes from RSP, *Wealth After Work* lives up to that claim. But, the book also does much more, because addressing problems requires a comprehensive understanding about the nature of those problems.

*Wealth After Work* begins with chapters devoted to describing and quantifying the state of retirement preparedness across and within generations. The well-known shift from defined benefit (DB) to defined contribution (DC) employer retirement plans plays a central role in that analysis, but the authors do not fall into the usual trap of assuming that DB plans were a panacea. DB plans were effective for the relatively small subset of the population who worked for the same employer their entire careers, and only if their employer kept their pension promises.

The careful work in the first few chapters is focused on understanding how DB and other wealth components fit together to create a comprehensive measure of retirement preparedness. The reader gets a strong sense of and evidence for the key proposition that drives the policy recommendations to follow in later chapters. In the Introduction, the authors make it clear that they see two key problems in retirement wealth accumulation: millions of workers lack *access to* and *information about* retirement savings plans. Those problems exist now for a large subset of the population, and demographic and work trends suggest that will likely get worse in the decades ahead, barring substantial policy response.

Indeed, the lack of access to and information about retirement saving leads the authors to propose the first of their innovative policy innovations: the Retirement Dashboard. The authors invite us to imagine a world in which everyone can access a central repository with information about their accumulated retirement assets from all sources. In addition to providing information, such a repository would also fix the problem of tracking DC accounts across employers in an economy where job change is more frequent. The authors are not naïve about what it would take to establish such a Dashboard – most of the chapter is devoted to such details – reflective of the type of practical analysis that usually comes out of RSP funded research.

One labor force subgroup for whom the Retirement Dashboard would be especially useful is contingent workers. This group consists of the internet economy 'gig' workers who have become such an important part of our lives, but also many others. The key distinction is that the typical employer–employee contract our parents lived with their entire careers are less ubiquitous. Many of us are now independent contractors, transacting with employers on a contingent contract basis. That leaves us more responsible for our own retirement preparedness (as well as our own health care, life insurance, and other employer sponsored benefits).

Although the authors do a good job shining a spotlight on the contingent worker subgroup, the reader is left with an incomplete picture of what might be done to address the emerging problem. The lower-paid part of the contingent workforce is in some ways no different from the lower-paid part of the regular workforce in past few decades. Neither group had meaningful employer-sponsored retirement coverage.

However, lower-paid workers in past generations had relatively generous Social Security benefits. Employers do not pay half of the Social Security tax for contingent workers, and contingent workers earning below relatively high earnings thresholds do not face the paper trail that force them to pay into the system and accumulate credits. Most low-paid contingent workers would react to the assertion that they should pay Social Security taxes to get the high rate of return on those contributions by arguing they need to pay rent and buy food now. This evolving Social Security coverage tradeoff for contingent workers could and probably should be the focus of RSP projects going forward.

*Wealth After Work* rightly devotes a great deal of attention to other possible institutional approaches to improving employment-related retirement plans. The switch in terminology here from 'employer-sponsored' to 'employment-related' is indicative of the sorts of approaches the authors feel are warranted and needed. In many ways, the authors advocating for automatic individual retirement account (IRAs) and sub-national state-sponsored plans shows that the authors see access mandates as a necessary institutional evolution. There is no need to judge whether employers or evolving economic relationships are the problem. In many ways it does not matter, because it is ultimately government's responsibility to overcome economic barriers and make sure the retirement system works for everyone.

The last few chapters of *Wealth After Work* shift from retirement wealth accumulation to retirement wealth drawdown. As the authors say, drawdown can either be too fast such that workers run out of resources before they die, or too slow such that workers consume too little and fail to enjoy the fruits of their hard work and saving.

Much of the analysis and framing of the wealth drawdown discussion is based on the starting point that life annuities are the most effective way to balance running out of resources versus spending too little. That framing leads the authors to another innovative policy proposal: START accounts. They begin with the fact that Social Security provides an annuity that money (literally) cannot buy, but many workers forego the full value of that annuity by claiming too early and facing large actuarial reductions. The authors propose a type of add-on account (START) which workers must exhaust before they begin their traditional Social Security annuity.

The idea of a START account has great appeal and draws our attention to the fact that retirement preparedness is a three-dimensional object. In addition to saving versus spending while working, workers can (barring health shocks) choose to work longer. One of the great appeals of a START account is that a worker could use the account to supplement reduced earnings during a phased retirement.

As with the contingent worker proposals, one wonders whether this insight can be applied to our existing institutional structure. If indeed the problem with existing Social Security payout schemes is full life annuity or continued full-time work, perhaps we need to change those options to discourage workers from complete labor force withdrawal at early ages. Eliminating the anachronistic Retirement Earnings Test is a good starting point, but perhaps alternative pay out schemes are also warranted.

Every reader of *Wealth After Work* will find their time with the book well spent, and it is certain to have a long shelf life as well. The important questions raised by this group of authors will probably (and unfortunately) be with us for the foreseeable future. Having the organized background and policy approach laid out in *Wealth After Work* is a good starting point for effective policy change.