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The *Journal of Retirement* has throughout its history published articles on post-retirement planning and modeling. Nearly every issue contains at least one article on withdrawals, Social Security and, less often, elderly decisionmaking and behavior. That said, we need to do more.

In previous editor's letters I encouraged *The Journal of Retirement* contributors to help the readership better understand post-retirement spending behavior and investments and their effect on outcomes. While important post-retirement research exists, we as a field have understandably expended far more effort on pre-retirement. Why understandably? As we observed the gradual tectonic shift from defined benefit to various forms of defined contribution savings, we quickly recognized that, in the future, an individual's future retirement security would no longer depend primarily on finding and staying in a job where the employer "guarantees" lifetime retirement income. Instead, individuals now need, not just to manage their employment path, they must also make numerous consequential decisions about savings, investments, and persistence without fully knowing what the impact will be on their future financial security. It is thus understandable that, as a field, we were initially, though perhaps not exclusively, drawn to descriptive and normative studies of pre-retirement savings and investments. As each new cohort of retirees relies less as a group on guaranteed defined benefit income and more on self-directed savings, we need to redouble our research efforts on what people do as well as what they should do to manage their retirement years successfully.

In this issue, we are delighted to present new work that sheds light on retirement income. Both Steve Fox, in "Linking Metrics to Objectives," and Dale Kintzel, in "Income Sustainability in Retirement," take an objectives-based approach focusing on cash flows and wealth. Each builds a different monte carlo model and finds that sequence-of-returns risk is surprisingly substantial and that withdrawal flexibility can help to sustain retirement income. They also examine the effects of fund management (Fox) and different withdrawal strategies (Kintzel and Fox) on outcomes.

Steve Fox directly examines how a portfolio's characteristics and investment behavior affects its ability to support a retiree's long-term spending objective. For example, while we know that the sequence of investment returns matters, particularly early on in retirement, he shows that these effects are surprisingly large, in the same magnitude as asset allocation effects. Similarly, fund selection matters in that differences in a portfolio's beta as well as its alpha has a measurable effect on the ability of a retiree to sustain spending over the long run. In addition, although we know that a flexible approach to retirement

spending can extend the payment period, he calibrates the effects of flexibility on outcomes. To reach these conclusions, he uses monte carlo modeling to characterize individual financial success and failure in terms of achieving a target contribution rate (for an accumulator) or a sustainable spending rate (for a retiree), as well as the associated outcome distributions.

Dale Kintzel also uses a formal monte carlo approach that, in this case, incorporates longevity risk, to model retirement spending. Similar to Steve Fox, he finds that sequence-of-returns risk to account balances is substantial and he documents the negative effects on account exhaustion of households with higher life expectancy, such as couples and single women. Again, like Fox, he finds that withdrawal flexibility in the face of investment experience helps to sustain income. He models these effects on outcomes using two withdrawal strategies: the IRS Required Minimum Distribution (RMD) strategy where withdrawals vary by age (estimated remaining longevity) and a strategy that sets withdrawals at the age 70 RMD amount and in subsequent years withdraws that amount or the current year's RMD amount, whichever is higher.

The third article in this issue, "The Use and Value of Financial Advice for Retirement Planning," by W. V. Harlow, Keith Brown, and Stephen Jenks, also

focuses on retirement income adequacy, but it does so by looking at whether or not a household engages with a professional advisor prior to retirement. Its most important finding arises from controlling for marital status, age, and education level, all of which affect future financial security as well as the propensity to use financial advice. Using a survey of 4,000 working households, it finds that (after controlling for these other variables) an advisor adds more than 15 percentage points of income replacement after retirement. This remarkable result is larger, but in the same direction as other studies that have shown that any sort of advice, whether delivered through an in-person advisor, on-line advice, or in the form of a life-cycle fund, has a positive effect on investment returns.

We believe there is and should be more to come on post-retirement studies. There are a couple of articles in *The Journal of Retirement* pipeline that will address this topic in the near future. In addition, we need a better understanding, not only of how investments affect retirement wealth and income, but also the behavior and decisionmaking capacity of retirees, including challenges of population heterogeneity. We invite your suggestions and submissions.

Brett Hammond
Editor