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We learned recently that for the first time since the Great Depression, due to COVID overall life expectancy in developed countries is projected to decline. In the US, this comes on top of an increase in “deaths of despair,” particularly among lower-income, less-educated White Americans. Demographers would point out that COVID and deaths of despair have not only lowered the average, they have increased the variance of life expectancies. Among all of the sources of uncertainty regarding retirement, this is yet another. To this point, Anna Rappaport’s insightful review of the new book by Sandy MacKenzie (founding editor of *The Journal of Retirement*) considers how the COVID pandemic affects the myriad complex issues Mackenzie covers in his analysis of retirement income, medical benefits, and long-term care in the US and other countries.

The first article in this issue, “Measuring Racial/Ethnic Retirement Wealth Inequality,” finds that Black and Hispanic households have less than half of the wealth of White households even when including future Social Security benefits as a form of wealth. The authors, Wenliang Hou and Geoffrey Sanzenbacher of the Center for Retirement Research, use Health and Retirement Survey data to show that, despite this wealth disparity, the progressivity of Social Security combined with lower average incomes for minority households means that the retirement income replacement rate of Black households averages about 80 percent of White households and that of Hispanic households averaged 95 percent. At first glance, this finding may seem comforting with respect to the role that Social Security plays in assuring retirement income for minority households, but it highlights both the income and non-Social Security gaps experienced by minority households. In other words, the US continues to face large disparities in financial well-being.

As such, we applaud this effort and encourage additional research on the relationship between race, ethnicity, income, and wealth to support appropriate discussions of financial well-being and retirement security.

“Financial Literacy, the ‘High Fee Puzzle,’ and Knowledge about the Importance of Fees,” by Leslie Muller and John Turner, contributes to the question of how best to balance individual responsibility with paternalism when it comes to improving decision making regarding long-term investing for retirement. Their research shows that individuals tend to choose high-fee investment options even when lower-fee alternatives are available on an investment menu. This is due to a lack of financial literacy, which they assert may be difficult to overcome through education. To increase returns and the chances of achieving long-term investment goals, they propose that pension sponsors take responsibility for limiting higher-fee options.

The design of defined contribution investment options has come a long way. Among other things, we have seen expansion and then contraction of investment menus, a debate about active versus passive investments and the emergence and dominance of default options such as target date funds. In “A Framework for Designing Investment Strategies for Default Retirement Plans,” Edwin Lung, Craig Roodt, Laura Ryan, Geoffrey Warren, and Kirsten Wymer consider objective and subjective elements that should guide the development of default options. These include participants’

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wants/needs, investment objectives, characteristics, and risk appetite. They rightly assess interactions among these elements as well as plan participant heterogeneity, and they sketch out the implications for plan design.

Finally, we have a contribution that focuses on the challenges that some countries face with a lack of good demographic data in designing and maintaining health pension systems. In “Assessing the Impact of Longevity Risk for Countries with Limited Data,” Samuel Assabil and Don McLeish point out that many developing countries, particularly those on the African continent, do not account for longevity risk in their annual pension valuations because of a lack of suitable mortality data. Moreover, “borrowing” mortality data from one country to approximate mortality in a target country leads to errors and imprecision that can undermine pension health. To address this problem, Professors Assabil and McLeish developed an estimation method based on the nearly linear relationship between an annuitant’s hazard function and their mortality at higher ages. This permits an approximation using the Gompertz model, which is applied to the case of Ghana. Such an approach can assist other developing countries in assessing and managing the health of their pension systems.

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