

26 June 2019

Retirement Savings and Role of Innovation and Technology

Anna Driggs

Director and Associate Chief Counsel, Global Funds Policy

FundForum International 2019, Copenhagen

The Individual's Role in Retirement Saving Is Growing

Old paradigm

- » Government pension
- » Occupational pension—defined benefit and some defined contribution

New paradigm

- » Government pension (possibly at a later age, smaller amount)
- » Occupational DB or DC (but shifting to DC)
- » “3rd pillar” savings by individuals
 - » China
 - » Europe (pan-European personal pension product)

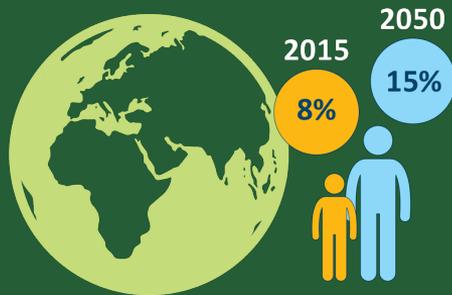
Why Are We Seeing These Changes?

- » Prolonged low-interest rate environment
- » People are living longer
- » People are living longer in retirement
 - » Inverting pyramid: the base of workers “supporting” retirees is shrinking compared to a growing number of longer-living retirees

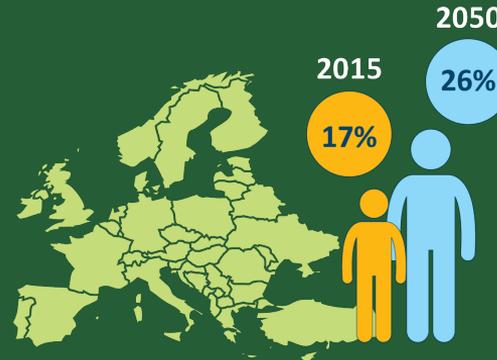
Our Aging World

Projections for population share aged 65 or older, 2015 and 2050

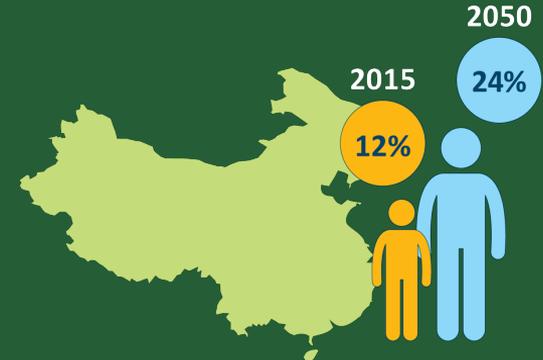
Globally



Europe



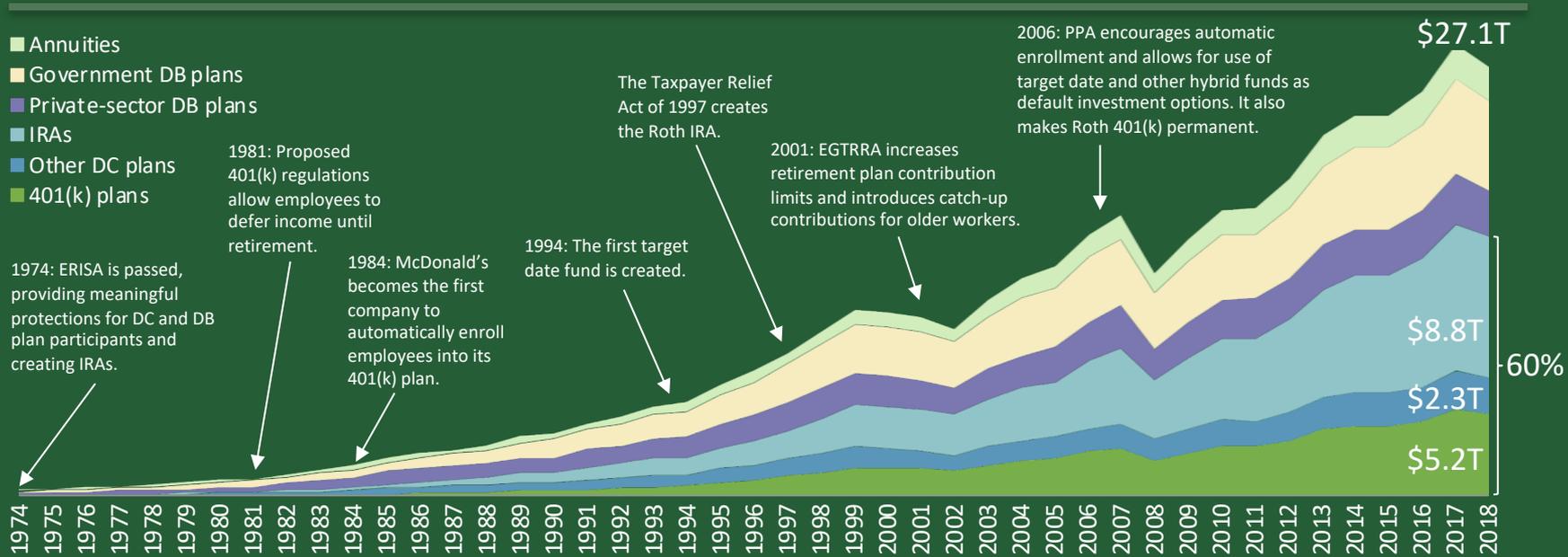
China



Source: Citi GPS (2016). *The Coming Pensions Crisis*; United Nations

In the US System, Account-Based Saving Has Risen in Importance

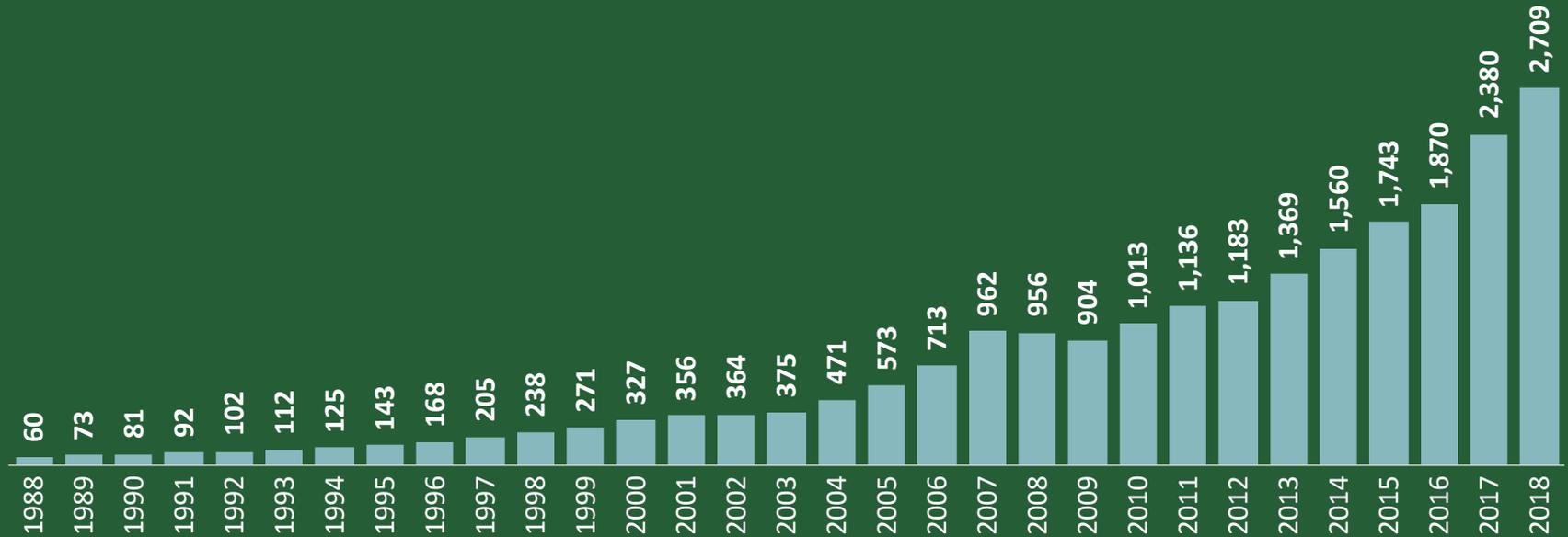
US retirement assets and ICI summary of events and legislative changes, 1974–2018



Note: For definitions of plan categories and a complete list of data sources, see Tables 1 and 6 in “The US Retirement Market, Fourth Quarter 2018.” Some data are estimated.
 Sources: Investment Company Institute summary of events and legislative changes, and Investment Company Institute, “The US Retirement Market, Fourth Quarter 2018,” www.ici.org/research/stats/retirement

Australia's DC System Has Also Been Growing

Superannuation assets, A\$ billions



Note: Data are as of June in each year.

Source: Monash University, Australian Centre for Financial Studies reporting Reserve Bank of Australia data

Big Markets Attract Providers...and Regulators

An area of interest and focus—provision of advice:

- » Europe MIFID II
- » UK advice around “pension freedoms”
- » US Department of Labor’s “conflict of interest” rule
- » Australia—the Royal Commission’s report of 2019

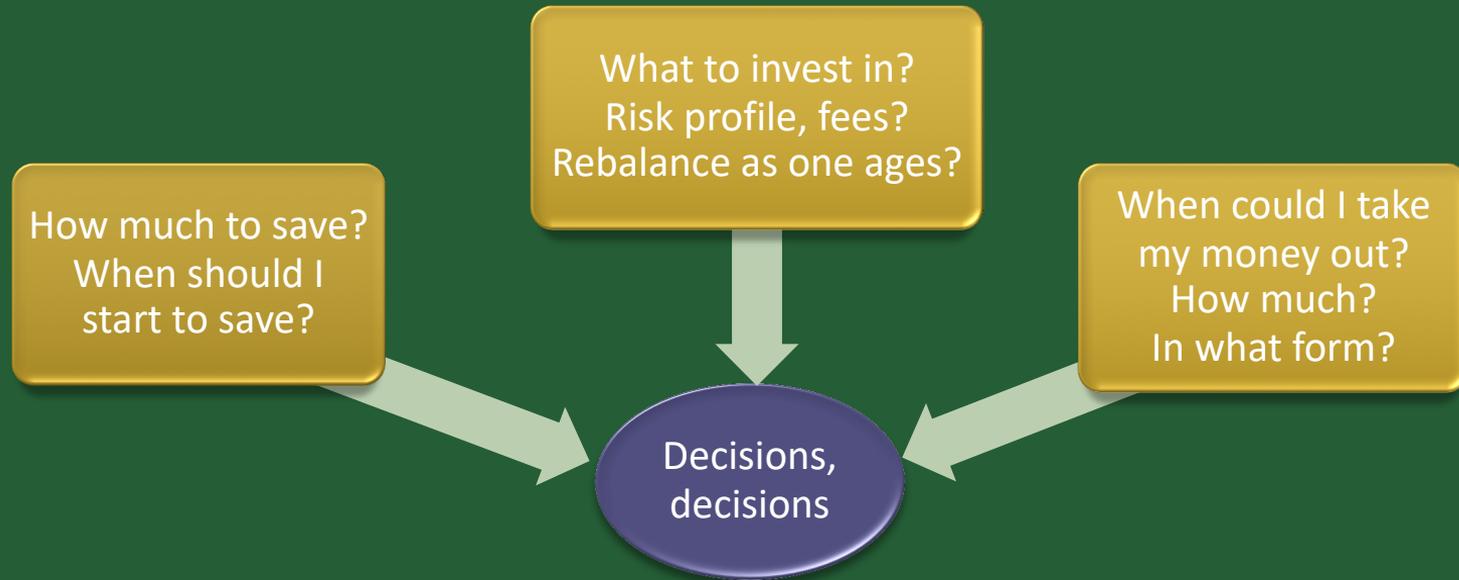
AU Royal Commission Report: Overview

- » Outlines findings of misconduct and failure of ethics, culture, and governance
- » 500-page report makes 76 recommendations
- » May lead to redrawing of the fund distribution and financial advisory landscape

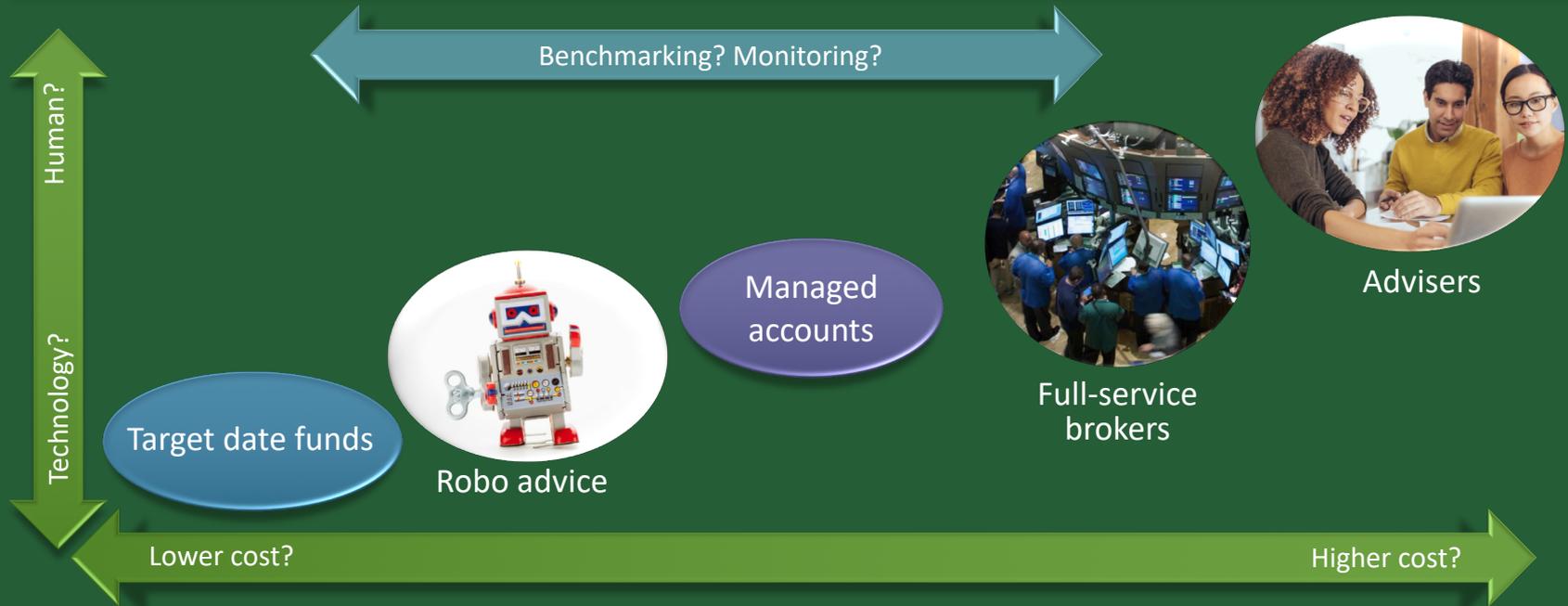
Royal Commission Report: Recommendations on Financial Advice and Superannuation

- » Increase disclosure and scrutiny of fees
- » Reduce conflicts for advisers and superannuation trustees
- » Prohibit unsolicited retail sales of superannuation products
- » Establish new disciplinary system

Tech Has Potential to Help Individuals Ask Right Questions, Reach Better Conclusions



Technology Is Part of Asset Allocation and Advice Delivery



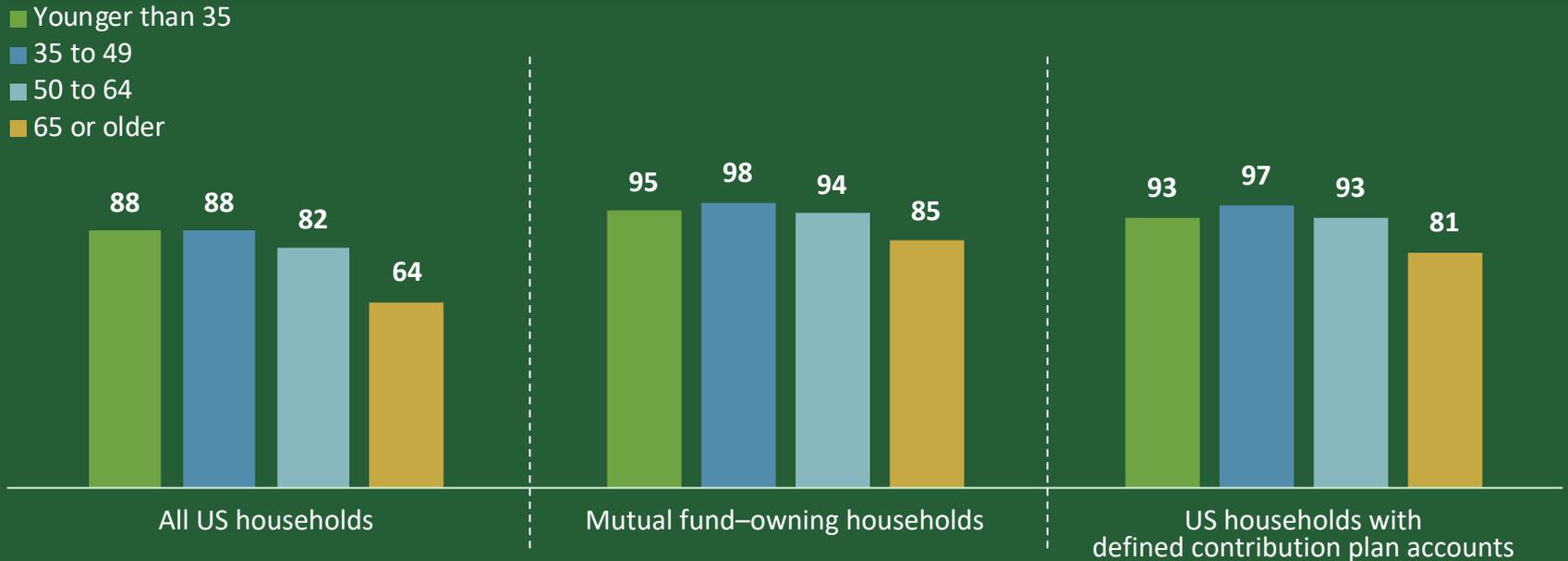
Sources: Investment Company Institute; inspired in part by AlphaHut.net

Technology Also May Boost Financial Inclusion

- » “Cashless” societies—e.g., China
- » Societies where mobile phone use is a way of life, reaching populations without traditional bank access—e.g., India, Africa
- » Nonstandard workforce—e.g., gig economy workers, Uber drivers
- » Saving via innovations
 - » Saving by rounding up
 - » Financial education through gamification
 - » Engagement and action “while online” and “in-app”

Internet Access Is High Across All Ages of US Households

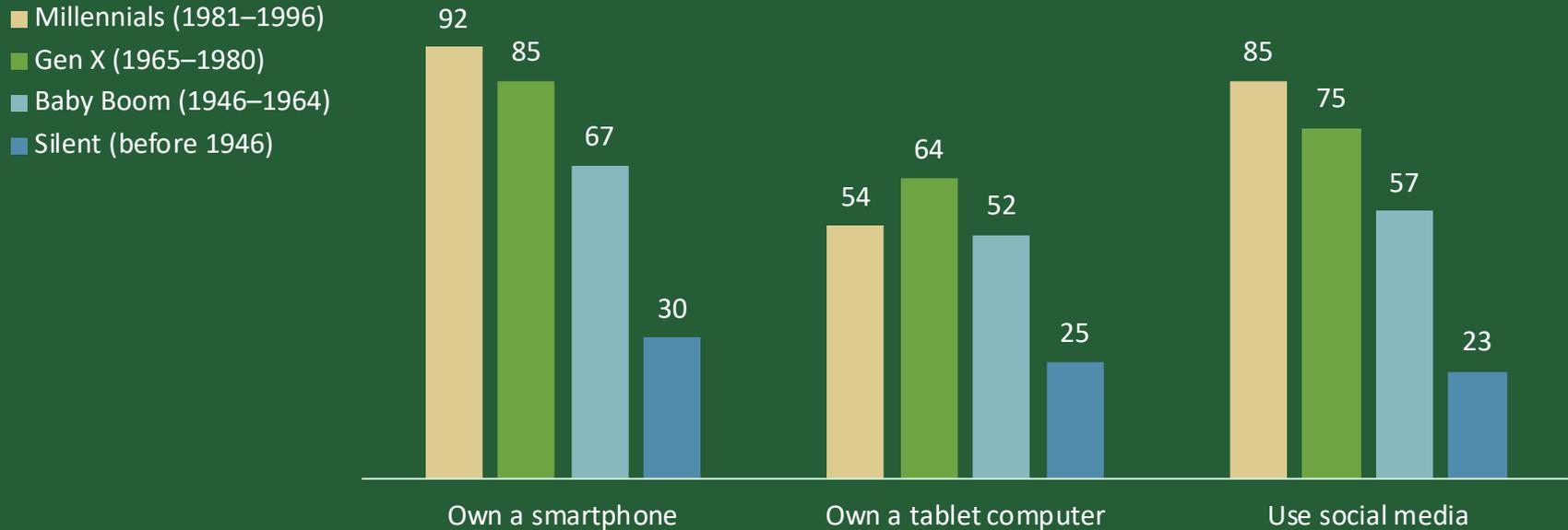
Percentage of US households with internet access by age of head of household and ownership status, 2018



Sources: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey and US Census Bureau; see Figure 7.15 in *2019 Investment Company Fact Book* at www.icifactbook.org/

US Millennials Often Lead on Adopting Tech, but Boomers and Gen Xers Follow Closely

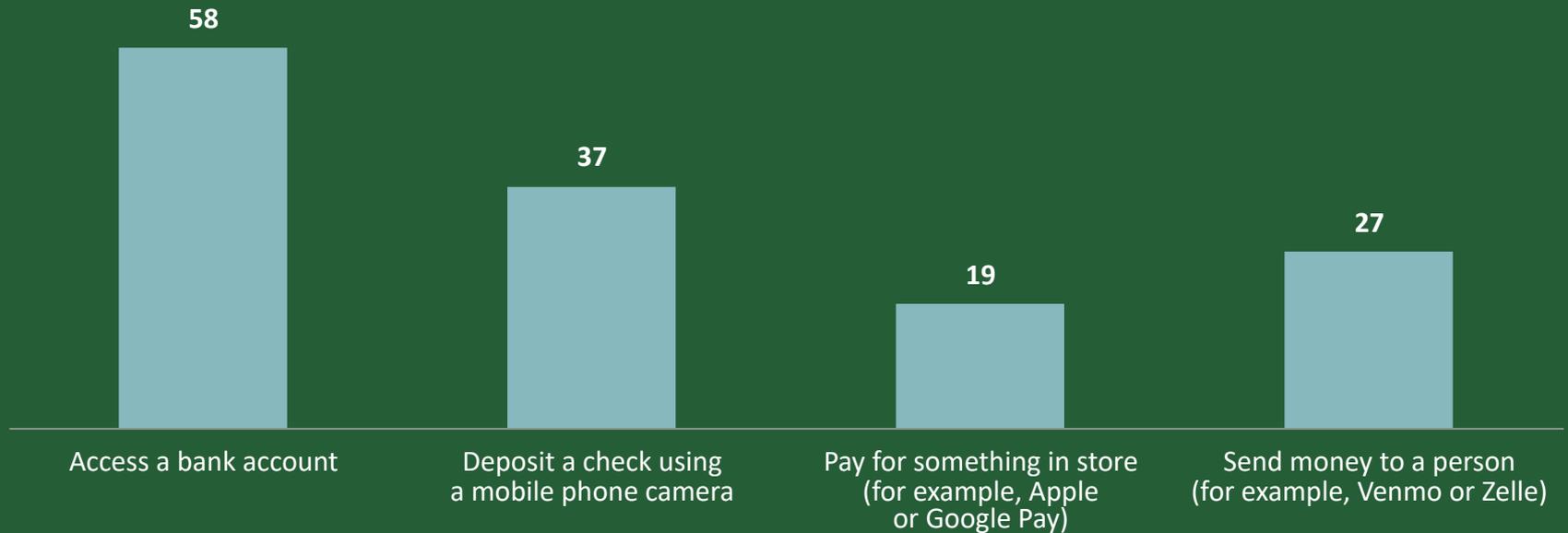
Percentage of US adults by generation, 2018



Source: Pew Research Center Survey conducted January 3–10, 2018; www.pewresearch.org/fact-tank/2018/05/02/millennials-stand-out-for-their-technology-use-but-older-generations-also-embrace-digital-life/ ft 18-04-24 generationtechuse three/

Individuals Increasingly Manage Their Money by Phone

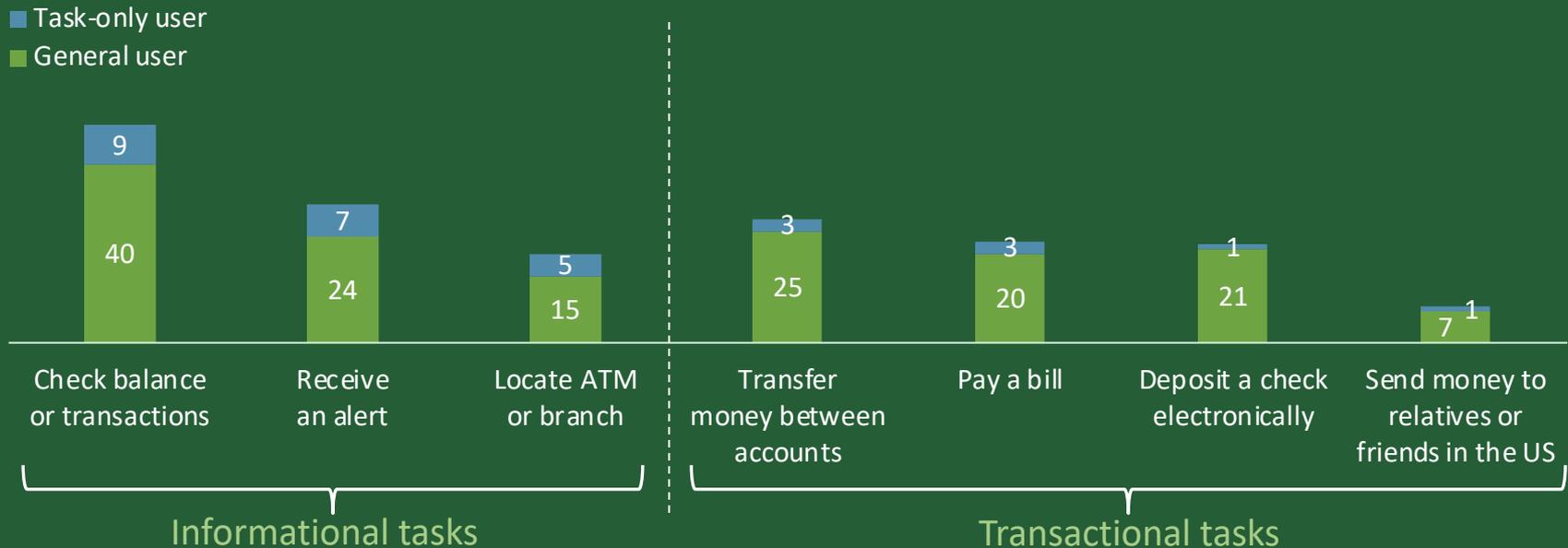
Percentage of US adults using a mobile phone to do the activity indicated within the past 12 months, 2018



Source: 2018 Federal Reserve Survey of Household Economics and Decisionmaking

Individuals Use Phones for a Variety of Financial Tasks

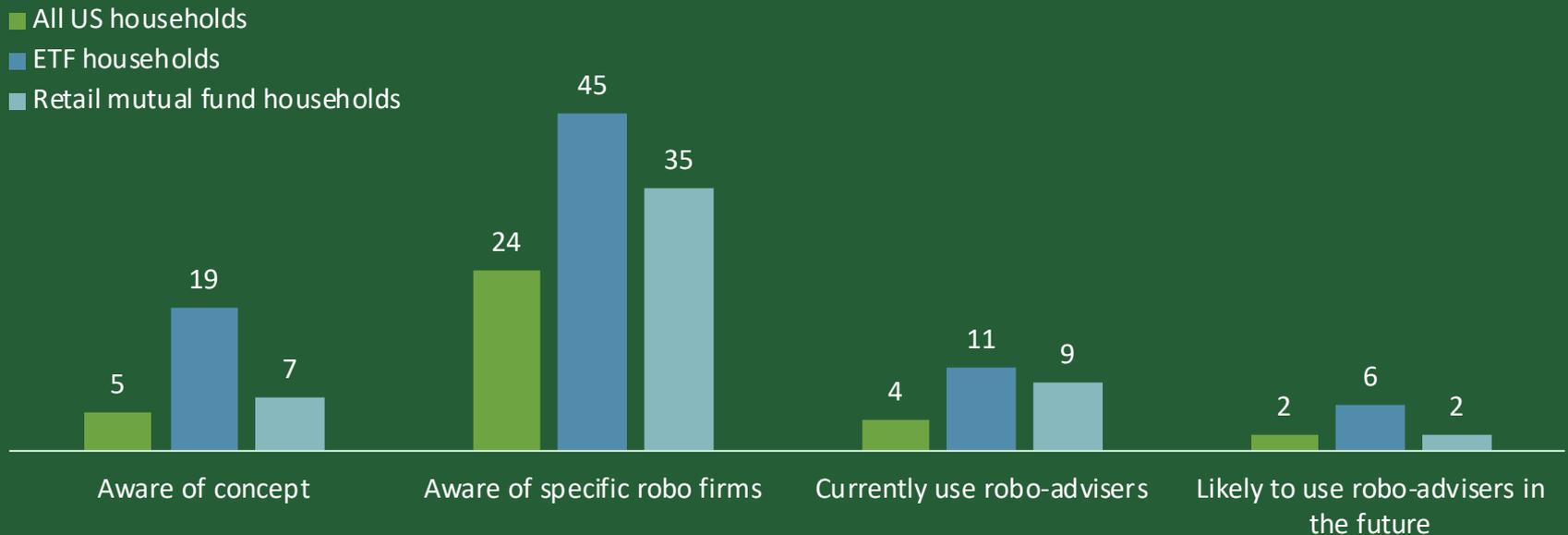
Percentage of US adults with a bank account and a mobile phone, 2015



Source: Federal Reserve Board 2015 Mobile Survey, www.federalreserve.gov/econres/notes/feds-notes/mobile-banking-a-closer-look-at-survey-measures-20180327.htm

Robo Is in Its Early Stages in the United States

Percentage of US households by ownership status and robo-advice awareness, 2016



Note: Survey respondents were asked each of these questions regardless of how they answered the other questions. SBI's MacroMonitor Survey was conducted online from June to August 2016.
Source: SBI's MacroMonitor; see www.ici.org/pdf/rpt_18_etf_households.pdf

Panel Discussion—Advice, Education, Technology, and Beyond

- » James Richardson, Brewin Dolphin
- » Samantha Seaton, MoneyHub