THE ASPEN INSTITUTE
FINANCIAL SECURITY SUMMIT

JULY 7-10, 2013: ASPEN, COLORADO

REBUILDING HOUSEHOLD BALANCE SHEETS

Rapporteur's Report

By Colby Farber

The Aspen Institute Initiative on Financial Security is a leading policy program dedicated to helping bring about the policies and financial products that enable all Americans to save, invest, and own.

The Aspen Institute is an educational and policy studies organization based in Washington, DC. Its mission is to foster leadership based on enduring values and to provide a nonpartisan venue for dealing with critical issues.

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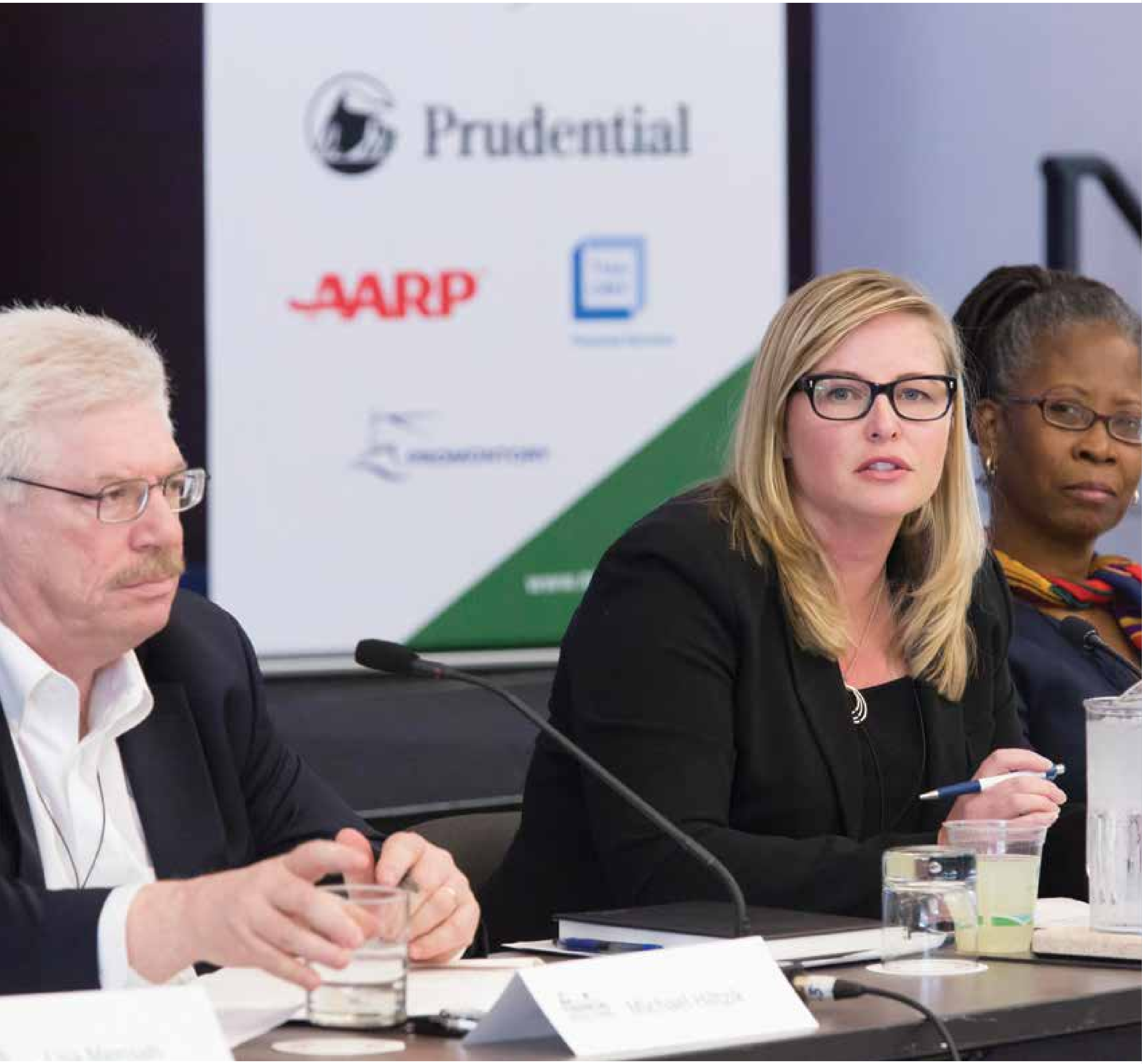
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Rebuilding Household Balance Sheets: A Pro-Growth Agenda

The Great Recession has faded from newspaper headlines and Congressional gridlock has taken its place. Yet the decline in wealth from the housing and financial crises, the stagnation in wages, and the inadequacy of retirement savings remain at the top of Americans' minds. While policymakers are torn on the future government's shape, they share the bipartisan priority to rebuild household balance sheets and enhance middle-class opportunity. Moreover, while policymakers have devoted their attention to budgetary and debt clashes Americans have increasingly focused their attention on the need to strengthen their own household balance sheets.

Smart savings policies belong in a pro-growth agenda and can be pursued through modest investments or targeted reforms that policymakers should champion and implement. Industry leaders, consumer advocates, and households around the country acknowledge that the urgency to enact policies now that improve financial security does not just apply to lower-income Americans; these are policies that have the potential to impact most Americans.

In this context, the Aspen Institute Financial Security Summit convened 40 of the nation's top business leaders, experts, advocates, and media. Building off of the success of the 2012 Summit, the 2013 Financial Security Summit examined how, in the midst of budget cuts and tax reform debates, leaders can still preserve the American Dream of a college education, homeownership, and a secure retirement. At a time when the American economy is at a crossroads, the Financial Security Summit emphasized that achieving a much greater measure of financial security for both households and the country is a pressing goal that financial industry leaders and consumer advocates believe in and can advance.

OPENING SESSION

How Do We Put Our Economy Back On A Path to Growth and Preserve the American Dream?

Q&A

- Pawlenty and Neal both turned to the tax code as the main lever to drive growth for the U.S. economy and American households. To sustain the American Dream, both agreed that policies should address the wealth gap.

How Do We Put Our Economy Back On A Path to Growth and Preserve the American Dream?

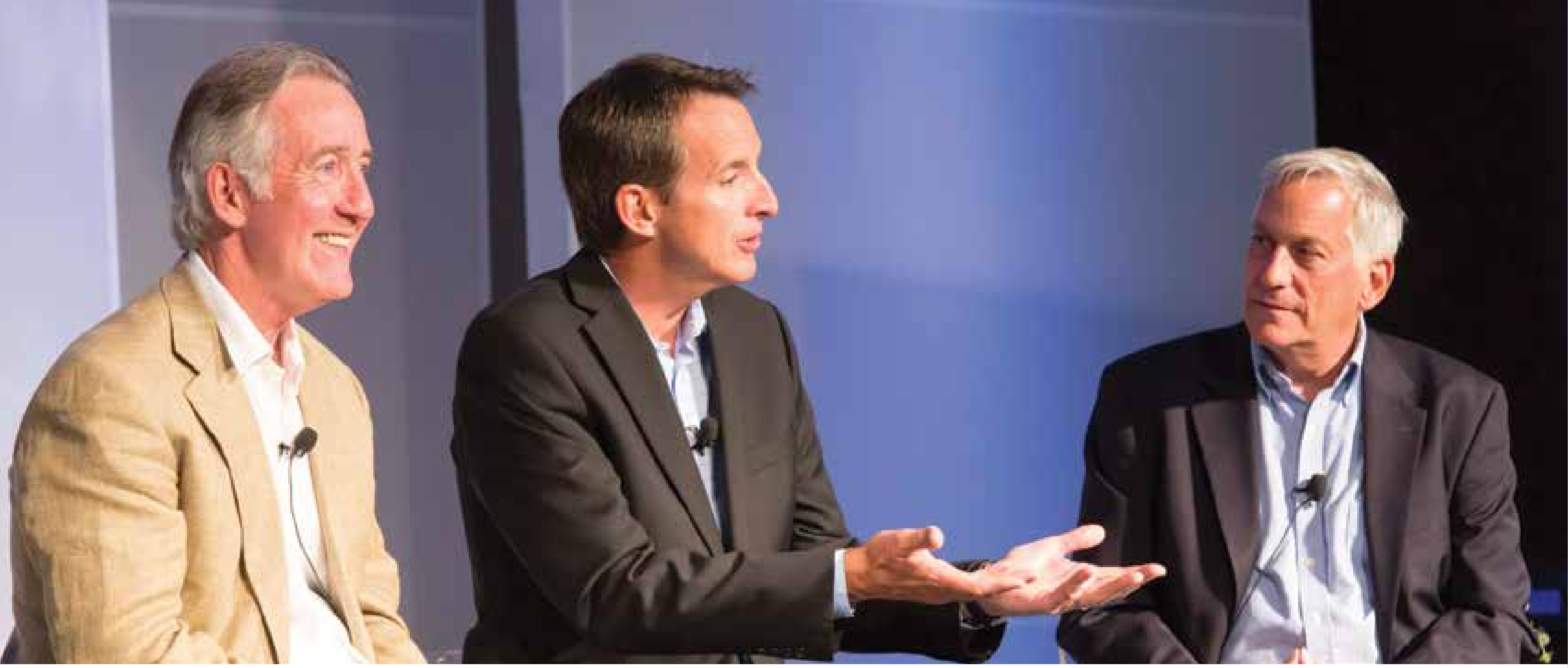
To open the second Financial Security Summit, Aspen Institute President Walter Isaacson moderated a dialogue between former Governor Tim Pawlenty and Congressman Richard Neal that focused on how the economy can promote growth and bolster economic opportunities for the American middle class.

What Drives Growth?

Pawlenty and Neal both turned to the tax code as the main lever to drive growth for the U.S. economy and American households. Pawlenty called for a flatter and simpler tax code, and Neal added that while some tax expenditures can be simplified, some should remain to incentivize behaviors. For instance, "if we believe that individuals are going to save for retirement without some support from the tax code and companies are going to sell these products without some support from the tax code—that is not going to happen," Neal argued.

Lisa Mensah, Aspen Institute Initiative on Financial Security

To sustain the American Dream, both Pawlenty and Neal agreed that policies should address the wealth gap. Pawlenty explained, "In my hometown, you could make a decent wage with benefits without an education. Those



Congressman Richard Neal, (D,MA); Governor Tim Pawlenty, Financial Services Roundtable; Walter Isaacson, The Aspen Institute

jobs are all gone now. You now need skills and an education that is relevant to the economy…. This is fundamentally a skills gap and education gap that we have to address." Neal agreed that community college reform and vocational school reform are smart investments to pair workers with better jobs, but he added that policies such as an expanded Saver's Credit should also be enacted to incentivize lower-income workers to build wealth and benefit from the advantages that compound interest provides.

> *"If we believe that individuals are going to save for retirement without some support from the tax code and companies are going to sell these products without some support from the tax code—that is not going to happen."*
>
> *—Congressman Richard Neal (D,MA)*

What Drives Tough Choices for Pro-Growth Tax Reform?

Isaacson remained on the theme of job growth and asked whether the good middle-class jobs that Pawlenty cited will return. Both discussants responded optimistically, with Neal citing developments bringing the U.S. closer to energy independence and human capital gains associated with immigration reform as positive prospects for job growth. Pawlenty considered that with the flow of information and data flattened in a globalized world, the U.S. should

Congressman Richard Neal, (D, MA); Governor Tim Pawlenty, Financial Services Roundtable

have a comparative advantage in innovation and skill in order to create strong middle-class jobs. Policymakers should endorse innovation, risk-taking, and an entrepreneurial spirit. Neal agreed that policymakers should preserve tax credits for research and development.

Pawlenty commented that deciding how to spend federal outlays requires tough choices that tend to be made "either through crisis, consensus, particularly gifted leadership, or some combination of those three." Pawlenty and Neal agreed that many of these tough choices will be made through the lens of tax reform and should be biased in favor of growing the economy and strengthening household balance sheets. The opening conversation's recurring message to put the economy on a stronger path in tandem with protecting the American Dream with increased opportunities for America's lower- and middle-class workers set a fitting tenor for the subsequent Financial Security Summit discussions.

SESSION 1

How can increased household savings put the nation on a stronger economic footing for the future?

Q&A

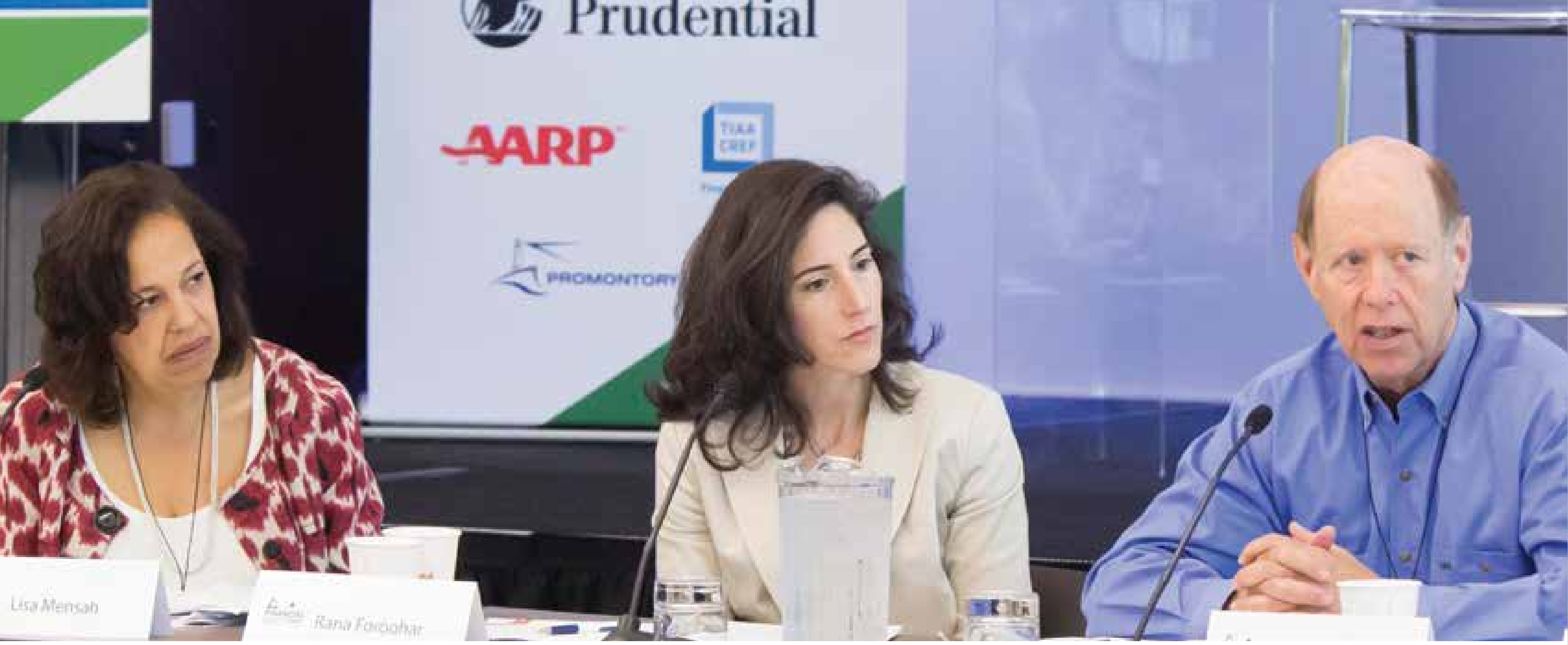
› Higher levels of household savings and investing not only lead to higher growth in the economy, but they also lead to stronger human capital.

Household Savings: The Key for Macroeconomic Growth

Rana Foroohar of TIME Magazine opened up the first roundtable discussion and asked featured discussants whether increased household savings is the key for macroeconomic growth. Gene Steuerle responded that household savings is a macroeconomic issue and is currently a hindrance to growth because significant portions of the population are not financially secure. Higher levels of household savings and investment not only lead to higher growth in the economy, but they also lead to stronger human capital. Youth today are graduating from college with higher levels of debt and as a result are investing in businesses and housing less, which has macro implications. Household savings sparks a virtuous cycle, with more savings and investment leading to higher growth and reinvestment.

Can People Save with Stagnating Incomes?

Josh Gotbaum agreed with Steuerle about the virtues of household saving, but added that "it is hard to have household saving when you don't have household income. When wages have stagnated for a generation and distribution of income has gotten worse, you cannot expect people to save more." Steuerle acknowledged that stagnating wages should be addressed but contested that "I don't like the argument that [people experience] stagnating wages and therefore cannot save. Through the vast majority of history, people have saved. [President Franklin Delano Roosevelt] in the middle of the Depression did not say 'we cannot enact Social Security because it will take money out of people's paychecks.' I do not think they are inconsistent positions."



Lisa Mensah, Aspen Institute Initiative on Financial Security; Rana Foroohar, TIME Magazine; Gene Steuerle, The Urban Institute; Josh Gotbaum, Pension Benefits Guaranty Corporation; Congressman Richard Neal (D,MA)

Congressman Neal mentioned that a large majority of existing tax incentives do not reach lower-income Americans, and Steuerle added that while most people save most of their money in retirement accounts and housing, there are little to no incentives for lower-income Americans to do so.

> *"While most people save most of their money in retirement accounts and housing, there are little to no incentives for lower-income Americans to do so."* – *Gene Steuerle, Urban Institute*

Reducing the National Debt: An Urgent Issue?

Foroohar raised the tension between expanding tax incentives for savings and policymakers' current attention on reducing the national deficit and debt. Gotbaum responded that "We are the victims of deficit attention syndrome," and while policymakers should pay serious attention to balancing the budget, the recent deficit conversations have overshadowed the discussion over how to do so. "The deficit [and debt] is a long-term issue, but it's not about to cause the collapse of government but gets all of the attention," Gotbaum remarked. Congressman Neal agreed that current ideology around the debt and deficit discourages fresh thinking around policies that may be smart bipartisan investments but may add to the deficit in the short-term.

Steuerle added an optimistic read and noted that as policymakers recalibrate what the nation can afford, there is a remarkable opportunity to re-channel resources. "There is a lot of money being channeled in ways determined by people in the middle of last century," Steuerle remarked. "How

do we take some of the growth that is there even in the midst of fiscal problems and redistribute it in ways that are more efficient?"

When doing so, Gotbaum acknowledged the need for innovation around savings practices. "The financial revolution has innovated many more ways to find ways for people to dis-save than to save," Gotbaum mentioned, and he cited the credit card revolution as an example of new products that facilitated consumption and lack of savings.

In the Aspen Institute tradition, the conversation evolved from ideas towards solutions, and Congressman Neal mentioned the Automatic IRA legislation that would offer the opportunity to workers without retirement plans to automatically save a portion of their paychecks for retirement.

POINT

When wages have stagnated for a generation and distribution of income has gotten worse, you cannot expect people to save more.

VS

COUNTER POINT

Through the vast majority of history, people have saved. FDR did not refuse to enact Social Security in the middle of the Depression because it would take money out of people's paychecks.

SESSION 2

Can policies that address future employment growth, stagnating wages, and adequate workers' benefits enable employees to get ahead with today's jobs?

Q & A

› Policies to improve wages and benefits will strengthen a demand-driven economy. We want people to feel enough security so that it is not hurting national demand.

Can America's Small Businesses Carry the Middle-Class?

Lisa Mensah noted that a paycheck on its own is often an insufficient wage to allow workers to build financial security over their lifetimes. Mensah challenged featured discussants to redefine what an adequate and practical wage should be without overburdening employers to allow workers, particularly small business employees, to earn enough income and benefits to gain a foothold in the middle-class.

Small Businesses Are Diverse

Mensah first turned to Rhett Buttle of the Small Business Majority who affirmed that small businesses are the engine that sustains the middle-class but are not a homogenous group to uniformly address with policies. According to the Small Business Administration, there are 28 million small employers, defined as employers with 500 or less employees, in the United States. The vast majority of these businesses have 20 employees or less, and 22 million of these small employers are self-employed individuals.[1]

Buttle added that small businesses are often misunderstood in policy dialogues and mentioned that policymakers "often hear 'cut the red tape' and 'the government should get out of the way'…that is not what we see in the research and that is not what we hear from small businesses. Making blank statements like that are not only harmful to the conversation that we are trying to have around general good public policy, but also they are harmful to creating a system for good entrepreneurship. We often hear from small businesses that there is a role that the government can play in creating rules that allow them to be competitive with much larger employers."

Yet Buttle cautioned that while small business employers welcome effective government policies that do not stifle competition, policymakers "also have to understand that when creating public policy [they should] also provide safe harbors for the smallest employers who are getting off the ground."

Can Benefits Help Address Wage Deficiencies?

Neera Tanden joined in, acknowledging that the deep pressure on wages in the United States concerns the Center for American Progress (CAP), but benefits can be part of a solution to address deficient wages. The Center for American Progress has broadened the concept of financial security to include, in addition to wage increases, other issues including paid leave that are often left out of wage conversations.

Tanden argued that paid leave would not only benefit workers, but it would also improve long-term U.S. competitiveness. Research has shown that the ages 0 to 3 are critical for brain development. Moreover, when considering equity, women currently face a disadvantage in the labor market from interrupting their careers to have a family.

Adding a historical perspective, Tanden expressed that over the last several decades employees have moved to a model where benefits are less and less assumed partly due to the rise of more independent contractors and small business owners. As a result, public policies should target the employees of contractors and small businesses to offer or incentivize existing benefits, such as retirement plans, that their employers do not provide.

Finishing her point, Tanden remarked that current unemployment levels suggest that employers will not naturally increase benefits because there is not the labor competition to compel employers to compete. Therefore, "the impetus on policy has to be higher because there is no other pressure to create benefits. I do not think of this as a partisan issue. We all have an interest in increasing a demand economy. We have been facing this demand challenge for years now…but we still have the problem of very unequal growth, which is hurting the demand side of the equation both through benefits and other mechanisms. We want people to feel enough security so that it is not hurting demand."

Buttle added that small businesses have been receptive to the need to increase consumer demand, and Small Business Majority polling conducted after President Obama's 2013 State of the Union showed that small business employers support an increase in the minimum wage.[2] "Consumer demand in addition to access to capital are the number one things we hear [small business employers] call for the government to play a role," Buttle commented. "Small business owners are concerned with this issue of consumer demand, and I think they think there are positive steps that the government can take in increasing that demand."

Jim Pethokoukis agreed that some of the benefits being discussed, particularly retirement benefits, should be included in a wage, but that policymakers should be careful about what types of mandates they put on a small businesses. Pethokoukis cited policies such as the Automatic IRA, which would be "a great idea for businesses to automatically enroll their employees to give workers a nudge" without requiring employers to take on contributory or fiduciary obligations.

Commenting on the current political climate, Pethokoukis noted, "The idea of a mandate—that word is sort of nuclear and reactive, but I think the issue with that can be overcome. I can see folks on the center-right really embracing some types of mandates if there is an [opportunity] to opt out."

Neera Tanden, Center for American Progress; Lori Montgomery, Washington Post; and Jim Pethokoukis, American Enterprise Institute

Ed Sivak of the Hope Enterprise Corporation, which focuses on community development and financial empowerment in the Mid-South, commented that many of the self-employed workers in the Mississippi Delta region are self-employed by necessity, rather than by choice. Sivak inquired about how workers who resort to self-employment out of necessity should prepare for retirement.

For small cohorts such as the self-employed workers who work with Hope Enterprise, Pethokoukis suggested that "the idea of some sort of universal savings plan with a government match is really a solution for those very small businesses that are always going to have a problem coming up with the dough to run a retirement plan."

Discussants agreed that the current economic and labor markets warrant policy attention to supplement workers' wages with retirement and other benefits. However, discussants qualified that policy action should not add to regulatory complexities for employers, with particular emphasis on small businesses.

"I hear a lot about the cumulative and disjointed level of regulation that many of these small business owners face," Jon Witter remarked. Tanden agreed and added, "There's not a lot of consideration about how regulations, which by themselves make a lot of sense, reinforce or negatively impact each other."

Throughout session 2, participants agreed that sensible policies to incentivize workplace benefits without burdening employers should supplement wages. Policies such as the Automatic IRA meet bipartisan standards to incentivize savings and promote a demand-driven economy.[4] However, as policymakers consider the benefits of individual policies, they should also consider the cumulative effects that additional regulations will have on employers, particularly smaller employers.

> *"The idea of a mandate–that word is sort of nuclear and reactive, but I think the issue with that can be overcome. I can see folks on the center-right really embracing some types of mandates if there is an [opportunity] to opt out."*
>
> *–Jim Pethokoukis, American Enterprise Institute*

SOCIETY OF FELLOWS EVENING RECEPTION AND KEYNOTE

How have banking practices and approaches towards consumers changed since the financial crisis? What more needs to be done by regulators, practitioners, or consumers to improve financial relationships and outcomes on Main Street?

Q & A

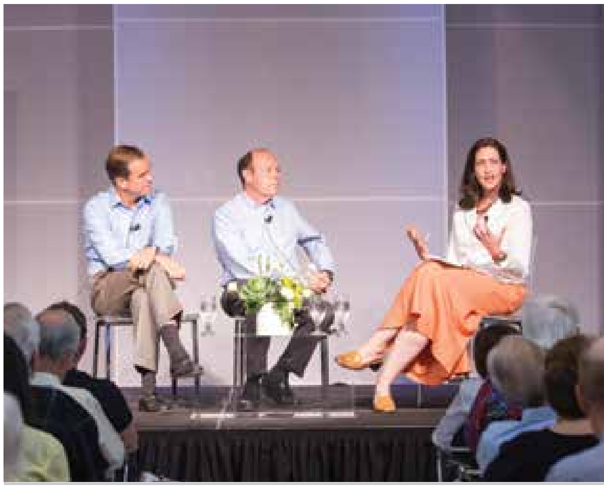
- Passage of the Dodd-Frank Act and the resulting creation of the Consumer Financial Protection Bureau have made progress to shore up suboptimal practices. The industry continues to work on increased transparency, financial education, and simpler products, among other reforms.

Wall Street/Main Street: Making Banking Better for Consumers

Susan Ochs moderated an evening keynote with Eugene Ludwig and Jonathan Witter that focused on how the banking industry can rebuild trust and make banking better for consumers. While specifics of this session were off-the-record, Ochs provided some context on how the Great Recession has affected household balance sheets. Consumers lost $16 trillion of wealth in the Great Recession, and although two-thirds of the wealth has returned, households have experienced an uneven recovery. Higher-income households who invested more in the markets have regained wealth faster, while lower- and middle-Americans' assets are for the most part tied to their homes, which have depreciated in value.

How Can Banks Regain Consumer Trust?

With headlines detailing stories of predatory lending, money laundering, and improper foreclosure practices, customers today associate the banking industry with historically low levels of trust. Research conducted by Aspen Institute's Better Banking Project has shown that the strongest driver of restoring trust in the financial sector is helpfulness.[5] With that in mind, Ochs guided a conversation with Ludwig and Witter on ways that practitioners and regulators can restore the breach of trust and make banking better for consumers.



Jonathan Witter, Capital One; Eugene Ludwig, Promontory Financial Group; Susan Ochs, Aspen Institute Initiative on Financial Security

Jonathan Witter, Capital One; Eugene Ludwig, Promontory Financial Group; Susan Ochs, Aspen Institute Initiative on Financial Security

With financial institutions seeking credibility and households searching for sound financial relationships, the discussion examined whether there exists now a profound opportunity to change the financial landscape particularly for lower- and middle-income Americans who have been hit the hardest in the Great Recession and benefited the least in the prior decades. The passage of the Dodd-Frank Act and resulting creation of the Consumer Financial Protection Bureau have made progress to shore up suboptimal practices. Financial institutions have also started to change the way they incentivize bankers to align bankers' incentives with what is best for customers. Yet some practices, such as shareholders' quarterly focus on profits, drive flawed behaviors that frame customers as profit-making opportunities as opposed to long-term clients.

Increased transparency, financial education, and simpler products surfaced as reforms that the industry is working on to improve relationships with consumers. The discussion considered whether now is the time to set big objectives and recalibrate the cultures of financial institutions to move towards a more consumer-centered financial system.

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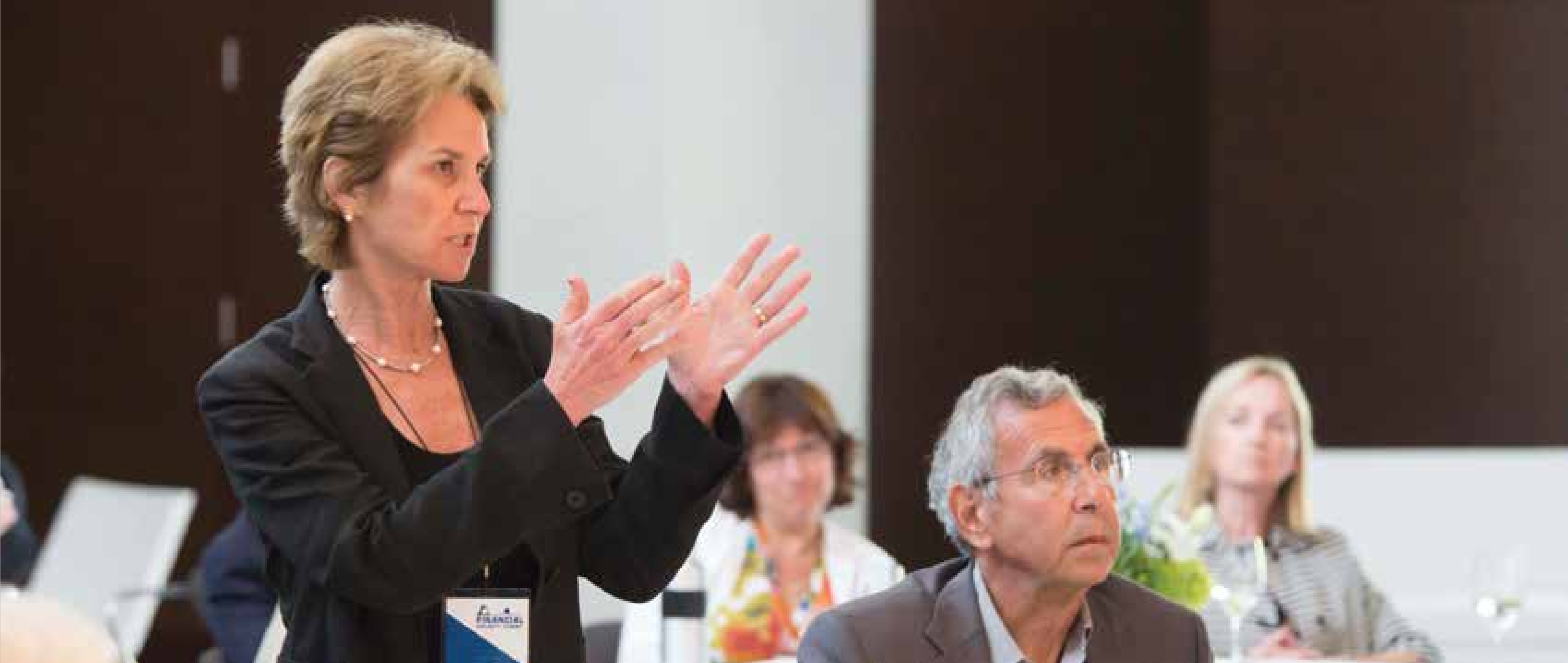
Kathleen Kennedy Townsend, The Rock Creek Group;
Bob Friedman, CFED

Opposite Page Bottom:
Jonathan Witter, Capital One;
Eugene Ludwig, Promontory Financial Group



SESSION 3

Is there an imperative for new policies to match changing racial, ethnic, and age demographics, and the possibility of immigration reform?

Q & A

› Yes. Latinos will make up 1 in 3 workers by 2050. Hispanic children today are America's future workforce and will be supporting much of the country tomorrow.

Enabling the Next Generation to Live Better Than the Last: Financial Security for a Changing America

After a day of macro discussions focused on the power of savings both as a wage supplement for workers and as a driver of the national economy, featured participants considered how changing demographics in America will affect policies and financial products to enhance household financial security in the future.

Who Did the Financial Crisis Hit Hardest?

Robert Raben set the context and discussed how the financial crisis disproportionately hurt minority communities. "The latest best estimates are that white households have 10 times the median net worth of black households and roughly 8 times that of Hispanic households. The latest economic crisis hit particularly hard in black and Latino communities in some important measure because of housing. The collapse of the housing market was particularly concentrated in [areas with] very dense concentrations of Latinos," Raben illustrated. Raben added that Latinos are more likely to have subprime loans, less likely to have bank accounts, less likely to have strong credit scores, and according to the FDIC, Latinos are 3 times more likely than whites to be unbanked or underbanked.[6] Moreover, Latinos' "reliance on Social Security as the only or principle source of income for seniors or the disabled is almost off the charts." Recognizing that there is a great deal of attention paid to changing demographics generally, Raben noted that insufficient attention is paid to changing demographics in the context of financial security and retirement.

Janet Murguía rewound to before the financial crisis to mention that while the recession hit minority populations hard, minorities were also in more precarious economic positions before the recession and had higher unemployment levels and lower wealth levels. Murguía suggested that "not enough folks understand the real thrust of demographic change that is appearing." Currently, 37% of the nation's population is composed of minorities, and 50% of children under 5 years old are minorities. "When you look at the Latino population, yes it is the largest minority population, but we are the second fastest growing minority population just recently eclipsed by Asian Americans." With Latinos currently making up 1 in every 6 Americans and 1 in every 4 Americans who are under 18 years old, Murguía commented that "implications for our economy are obviously very enormous." Moreover, currently Latinos are 1 in 6 workers today but will be 1 in 3 workers by 2050. "So we are America's future workforce and Hispanic children today are going to fundamentally be supporting a lot of us tomorrow," asserted Murguía.

How Can We Enhance Financial Security for Minority Populations?

Moving to the topic of how to enhance financial security for Latinos and other minority populations, Murguia remarked that "Over the course of our past at [the National Council of La Raza], we have looked at programs and policies around the workforce and raising the minimum wage, but then it became strikingly clear that we need to focus on wealth building and asset building for our community."

Turning to retirement security, Murguía remarked that the Latino community relies on Social Security as a single source of income more than any other community in the United States. The National Council of La Raza (NCLR) is not only invested in making sure the social insurance system is strong, but is also interested in increasing access to retirement savings options in the private market. "Providing those incentives for individuals to take contributions, maybe up to 3%, get them managed by a credible authority, and encourage that type of savings is something we absolutely need to do if we are going to be dealing these issues of economic security over the long term."

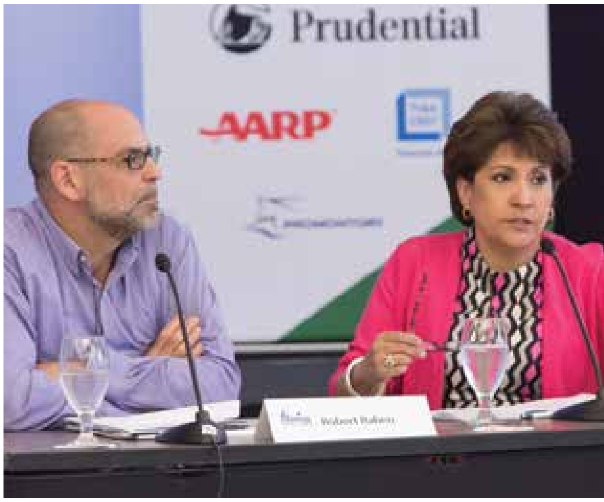
Murguía acknowledged that NCLR has also devoted tremendous effort to encouraging homeownership as a wealth-building tool. As a result, NCLR has helped hundreds of thousands of families to purchase their first homes and has used the home-purchasing moment as an opportunity to try and connect unbanked Latinos to the mainstream financial system. "We know that Hispanics stand to be 1 of every 2 first-time homebuyers by 2020," Murguía affirmed.

"We know that Hispanics stand to be 1 of every 2 first-time homebuyers by 2020."

–Janet Murguía, NCLR

How Can Immigration Reform Help the Economy?

Raben then inserted immigration reform into the dialogue and asked Murguía to elaborate on the relationship between immigration reform and economic and financial security. Murguía pronounced that "what we do know and what the [Congressional Budget Office] has stated unequivocally is that passing comprehensive immigration reform would be a boon to our economy and would reduce the deficit by nearly $1 trillion. So from the get go, we know that we will be on better economic footing if we are able to pass comprehensive immigration reform. That is true not just for Hispanics and Latinos, but it is true for the entire country."



Robert Raben, The Raben Group; and Janet Murguía, NCLR

Murguía maintained that the lack of comprehensive immigration reform currently prevents many Latino families from opening bank accounts. Many Latinos "really do live in fear of sharing any information and feel like they cannot trade information for access to banking," Murguía explained. Through pilots conducted with large financial institutions, NCLR has educated housing counselors about financial literacy, bank accounts and fees, and other aspects of the financial system. Murguía noted that these pilots have made headway in engaging not just Latinos but all Hispanics in participating in the mainstream financial system, but "as long as this cloud of immigration and deportation and all these issues is out there and unresolved, I think it is going to be very hard [to address the un- and underbanked Latino populations]." Murguía asserted that the passage of comprehensive immigration reform would create a huge opportunity for financial institutions and advocates alike to connect more people with financial institutions.

Moreover, Murguía argued that the lack of comprehensive immigration reform weakens demand in the housing market. Citing that "post immigration reform immediately following the enactment, 3 million homebuyers in the Latino community can be expected right away," Murguía explained that NCLR "sees families on their own trying to save money already because they believe that that one day will come and they will be able to buy their house, their car, or send their kids to college."[7] Murguía recognized that "giving folks the opportunity to put their money in secure investments…is something that we are on the cusp of doing, but short of immigration reform, we really are seeing that as a limitation."

Tying together her remarks, Murguía concluded that "We see the added benefits of unleashing this community's savings, assets, hard work, their contributions, and doing it in much smarter ways that are not only going to better their own family situations, but also they will better the economic security of the country as well."

SESSION 4

What policies and practices will enable all Americans to accumulate private savings for retirement?

Q & A

- Policymakers and the financial sector should reframe defined contribution (DC) plans to not call them retirement savings plans anymore, but call them retirement income plans. Proposals should address issues of cost, administrative burden, and concern about fiduciary risks that currently deter employers from offering workplace retirement plans.

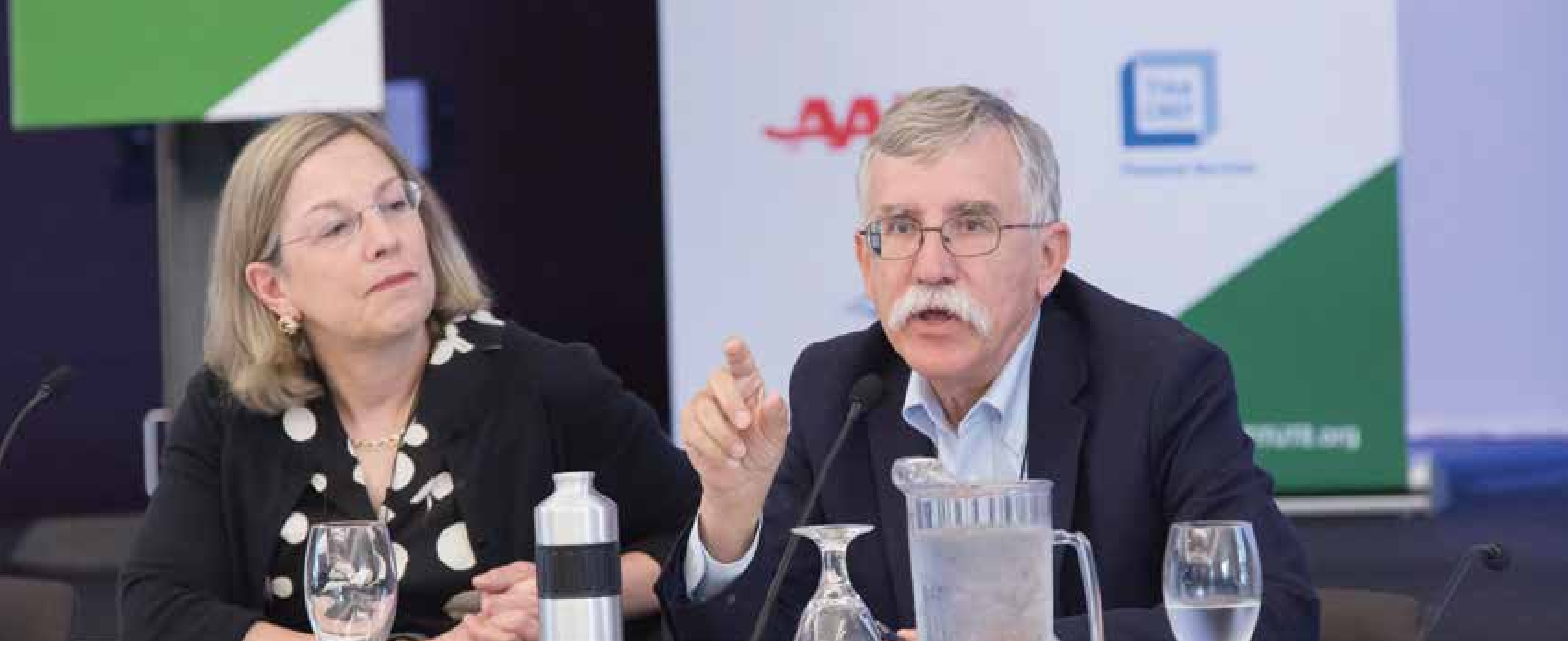
America's Retirement System: Covering All Workers

To open the discussion on workplace retirement coverage, Lori Montgomery acknowledged that half of all workers do not have employer-provided retirement accounts. Montgomery observed that while the magnitude of the retirement coverage challenge trumped that of workplace access to health care, Washington has addressed the health care issue. Montgomery framed this session to focus on how policymakers can now address the retirement coverage issue.

What's Preventing Workers from Saving Enough for Retirement?

Montgomery first turned to Christine Marcks to spell out existing challenges that prevent workers from building up adequate retirement savings to last throughout their lifetimes. Marcks upheld that the first challenge is the coverage gap, which refers to the roughly 78 million workers who have no access to an employer-provided retirement plan. Before digging deeper into the coverage issue, Marcks also mentioned the retirement savings adequacy gap and longevity risk. These respectively refer to workers not building up enough retirement savings to support themselves throughout retirement and not stretching their savings to last throughout their lifetimes.

Returning to the coverage issue, Marcks recognized that there has been tremendous growth in the use of auto-enrollment and contribution escalation in 401(k) plans since the Pension Protection Act of 2006. However, Marcks qualified that "the statistics show that this is still unfortunately not enough" and cited Employee Benefits Research Institute (EBRI) research that



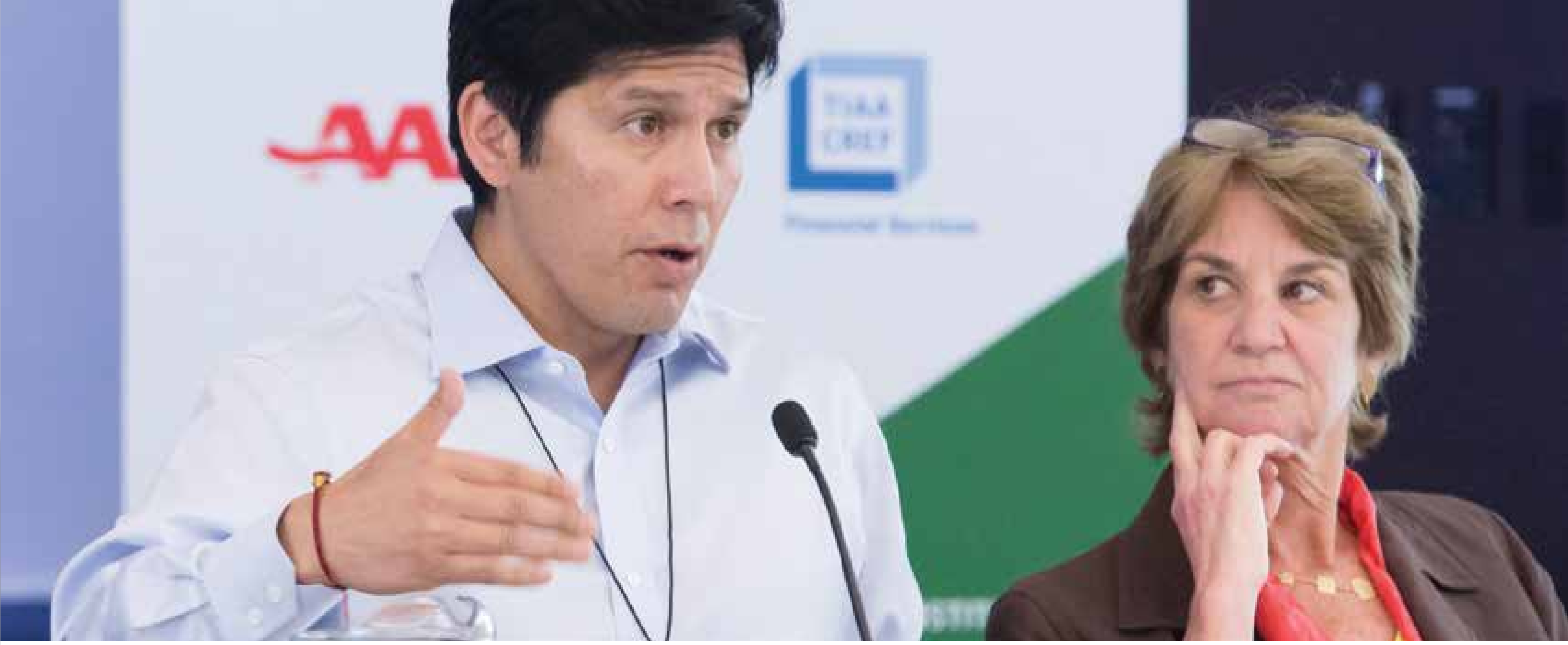
Christine Marcks, Prudential Retirement; David John, AARP

indicated that only roughly 15% of Americans are on a path to achieving a secure retirement taking into account Social Security. Currently, approximately 85% of Americans are not on a path to achieving secure retirements.[6]

> *"Currently, approximately 85% of Americans are not on a path to achieving secure retirements."*
>
> *–Christine Marcks, Prudential Retirement*

How Can Policies Help More Workers to Save for Retirement?

When considering how to address the coverage gap, Marcks first posed that policymakers "need to preserve the [defined benefit] plans that exist, but [defined contribution] plans are the primary savings vehicle now." Marcks also suggested that policymakers and the financial sector should reframe defined contribution (DC) plans to "not call them retirement savings plans anymore, but call them retirement income plans." As part of a step to convert retirement balances into retirement income, the Department of Labor is moving towards enacting a rule to transfer account balances on statements into estimated income streams. Marcks mentioned that many companies already offer similar income estimations or retirement income calculators and have witnessed a substantial behavior response to the translations. Marcks stated that "20% of people who use the calculators will increase [retirement savings] deferrals by 5 percentage points…because they realize that they cannot live on what that large account balance looks like when translated into an income stream."



State Senator Kevin de León, (D,CA); Kathleen Kennedy Townsend, The Rock Creek Group

Turning to policy proposals that would address the coverage gap, Marcks stated, "I do not think there is one solution here; I think there are a variety of solutions." Marcks reasoned that proposals should address the issues of cost, administrative complexity and burden, and concern about fiduciary risks that currently deter small employers from offering workplace retirement plans. Multiple Small Employer Plans (MSEPs), Marcks maintained, are one sound policy idea that would simplify employers' administrative burdens, provide access to institutionally priced investment options for employees, benefit from auto-enrollment and auto-escalation behavioral tools, and provide access to a qualified default investment alternative.[7] "This is an idea that can leverage the existing infrastructure and bring a solution to these employers that solves the cost and the fiduciary and complexity issues. It can be complementary to an Automatic IRA program. This is a very important component of shoring up the financial security of all Americans," Marcks commented.

David John added that there are two types of savings gaps that policymakers should address. The first is the traditional savings gap that includes the 5 groups most likely to under-save—younger people, small business employees, lower-income workers, women, and members of minority groups. "Those are the groups that are likely to be most helped by the Automatic IRA policy," John commented. The second gap is the mid-career gap. "The Automatic IRA and various other proposals are designed so that you can roll money out of a 401(k) into an Automatic IRA, Multiple Small Employer Plan, or one of various other accounts, and then roll it out again," John explained.

While endorsing both the Automatic IRA and Multiple Small Employer Plan proposals, John urged that "we need to continue to think during this time. It is not just a matter of continuing to push the same proposals" and alluded to some international insights. In the United Kingdom's NEST system, which includes a requirement on employers to auto-enroll employees into a savings plan, policymakers recognized that smaller and new savers would be discouraged from continuing to save if their contributions were invested in an account that lost money. Therefore, their money is invested into stable value funds for up to 5 years, and the UK has found that these savers have very low losses of potential earnings and therefore are more likely to continue to save. New Zealand does not impose any employer requirements, but it instead auto-enrolls everyone as an individual into a retirement savings plan. Australia requires both employer and employee savings contributions and has a clearinghouse for smaller businesses to send money, which is then divided between various providers.

Returning to domestic activity, John remarked that "going forward, we have the Automatic IRA on the table, and we have got to get it moving, but that does not mean we stop there. If we are stymied in one area, there are other states and localities that might be able to take up the challenge here."

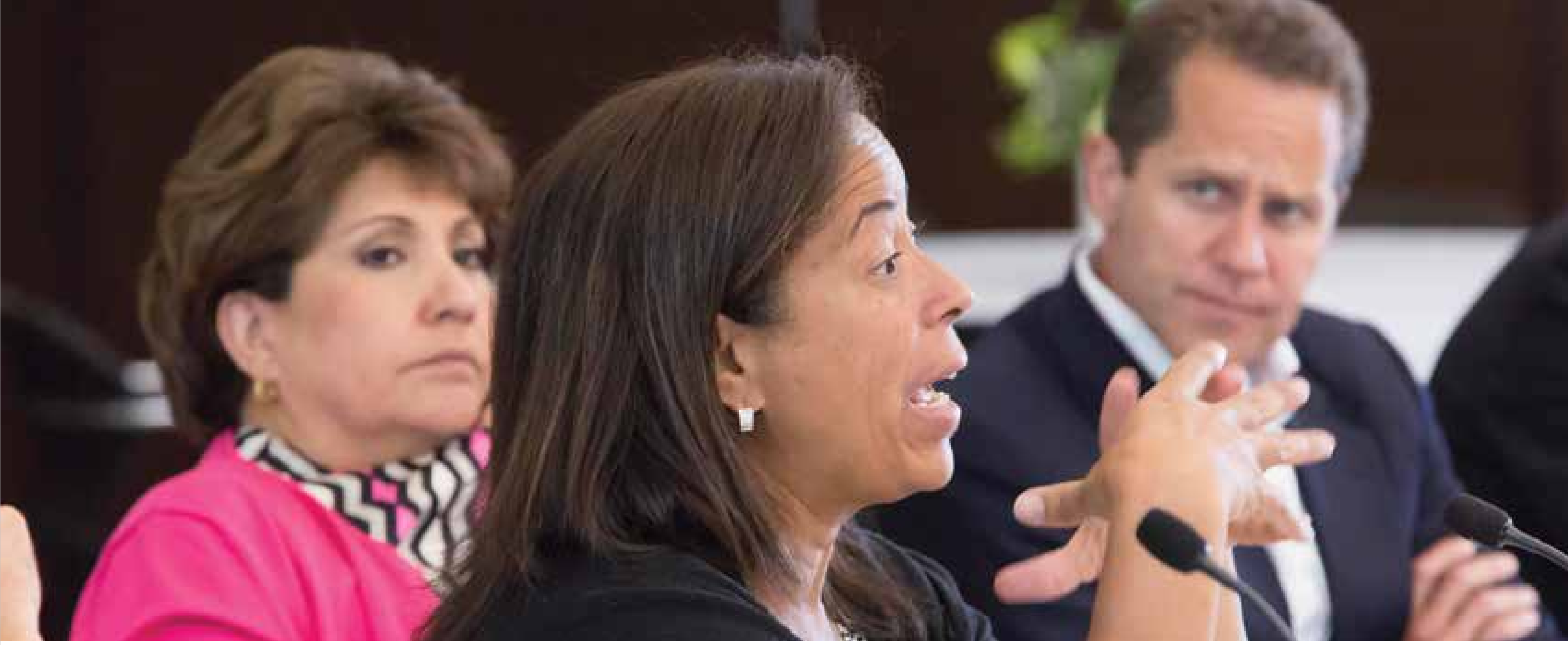
California Leads Innovation

Senator Kevin de León picked up on John's cue, and discussed California's Secure Choice Retirement Savings program, which Governor Jerry Brown signed into law in August, 2012.[8] "The features of the Secure Choice program are automatic enrollment for all individuals who do not have access to employer-sponsored plans, automatic payroll deduction, portability, low costs and therefore low fees, principal protection, professionally managed, therefore the money is collected and pooled together…a guaranteed rate of return with a reinsurance backstop," de León explained. "We have to figure out what the price points are to figure out if this part is economically feasible at the end of the day."

Senator de León remarked that 6.3 million Californians have no access to any type of retirement security through their employers, and the number jumps to roughly 8.4 million Californians when including self-employed individuals. The Secure Choice program will provide access to retirement plans at the workplace for this group. De León also stated that 33% of all Americans between the ages of 45 and 54 have no money saved for retirement. Using these statistics as a motivator for reform, De León suggested, "If we can get this done in California, we do believe that it will be a model for the entire nation."

Kathleen Kennedy Townsend proclaimed that "because of Kevin's leadership in California, 6 other states including Maryland are looking at this….What Kevin and these other states are doing is building a massive political movement that says eventually the politicians in Washington will answer to this and will get a decent retirement for all Americans."

Following up on Townsend's point, Montgomery asked the discussants what major barriers exist that inhibit federal passage of the Automatic IRA. "One of the things that has happened is we got caught up in ideology," John responded. John discussed how surveys of both employees and employers have shown that with implementation of the Automatic IRA, 85% of employees said they would start saving earlier than they would have otherwise. A startling percentage said that even if every employer in the country offered the Automatic IRA, employees would still feel more



Janet Murguía, NCLR; Yvette Butler, Capital One; Michael Barr, University of Michigan Law School

loyalty to their own employers. "The more the employer heard about [the Automatic IRA], the stronger the support came out. What we are seeing right now is the mention of [a mandate] and the immediate response of 'no'. We need to get passed that," John expressed.

Phil English added, "I think we can repackage these issues as a way of not only providing capital to low-income people but also increasing the national savings rate with benefits in the long-term that will be substantial for the us. What we are talking about [with the Automatic IRA] are things that can attract and encourage investment but also change the culture of the people who we are trying to empower and in the process have all kinds of spin-off benefits that will compound over time."

> *"If we can get this done in California, we do believe that it will be a model for the entire nation.*
>
> *–California State Senator Kevin De León*

SESSION 5

What policies and practices will enable all Americans to build up adequate retirement savings to last throughout their lifetimes? Why are both Social Security and private savings necessary to build secure retirements?

Q & A

- Policymakers should address two phases of retirement security -- getting people to save and growing account balances. Social Security is the bedrock of retirement security for most workers and their families.

Financial Security throughout Retirement: Making Money Last

After considering the challenge of covering more workers with retirement accounts, discussants focused on policies and practices that can enable workers to build up adequate retirement savings and stretch their savings over their lifetimes. Moderator Michael Hiltzik turned to Debra Whitman of AARP to detail how the middle class currently fares for retirement.

Is the Middle-Class Prepared for Retirement?

Whitman painted a sobering statistical picture and explained that median income for families fell by 8% between 2000 and 2011. "Median income is actually lower now than it was in 1997," Whitman expressed. Moreover, 4 out of 10 families headed by somebody between ages 45 and 63 have no nest egg at all. "So all of the conversation we are going to have now about making money last really does not apply to that population," disclosed Whitman, "and it does not really apply to half of the population that has saved because the average median savings balance is about $44,000. That is not enough to last a lifetime."

Acknowledging rising health care costs for retirees, Whitman conveyed, "If we just look at health-care costs alone, [retirees] will need $220,000 saved just for out-of-pocket health-care costs—that is, taking Medicare into account." Depicting the harsh retirement realities that many American workers face, Whitman expressed, "What keeps me up at night is the worry that even those people who do everything right will end up 90 years old and poor and have nothing. We are seeing that happen."

Focusing on solutions, Whitman indicated that policymakers should address two phases of

Debra Whitman, AARP; Kilolo Kijakazi, Ford Foundation

retirement security—getting people to save, and growing savings balances. Session 4 touched on various ways that policymakers can increase access to savings, and Whitman acknowledged that "we need to talk more about incentives to save. We should at least all agree that the Saver's Credit needs to be refundable in order to spur incentives at its most basic level."

Whitman also included that while focus should be on growing money in accounts, policymakers do not devote enough attention to the spend-down phase of retirement when recent retirees decide how to manage their savings throughout the rest of their lives. Listing various policy solutions that address this challenge, Whitman discussed requiring annuitization of at least some portion of workers' retirement accounts; enhancing Social Security benefits through buying additional annuity-like income from the Social Security Administration; expanding retirement product offerings to address retirees' concerns regarding portability, upside potential, and other factors; and increasing Social Security benefit amounts for the elderly.

> *"We need to talk more about incentives to save. We should at least all agree that the Saver's Credit needs to be refundable in order to spur incentives at its most basic level."* *–Debra Whitman, AARP*

Kilolo Kijakazi agreed that enhancing private savings to supplement Social Security benefits should be a priority for policymakers to strengthen retirement security, and Kijakazi elaborated on Social Security's indispensible role of providing retirement security to American workers. Kijakazi stated that "Social Security is the bedrock of retirement security for most workers and

Damon Silvers, AFL-CIO; David Walker, Comeback America Initiative

their families." About one-third of elderly beneficiaries receive 90% of their retirement income from Social Security and two-thirds receive 50% or more of their retirement income from Social Security. While Social Security was intended to be supplemented by pension income and by savings, Social Security benefits are the sole source of retirement income for a growing number of retirees. Kijakazi mentioned that fortunately, Social Security is financially sound until 2033.

Updating Social Security

Even if Congress does not take action to restore Social Security's long-term solvency, Kijakazi explained that the program will be able to pay 75% of scheduled benefits even after reserves have been expended. "So while Congress has not reached agreement on how to address Social Security," Kijakazi expressed, "fortunately the public has. The National Academy of Social Insurance conducted a national poll, which found that nearly 90% of Americans think that Social Security is more important today than ever. A large majority of Americans say that they do not mind paying for Social Security because it benefits themselves, their families, and others. This is true across generations, across income groups, and across party affiliations. Moreover, 84% of Americans believe that Social Security does not provide enough income in retirement. 75% believe an increase in benefits should be considered," cited Kijakazi.[9]

Damon Silvers agreed that Social Security is a crucial foundation for Americans' retirement security and reiterated that Social Security was designed to replace only a portion of retirees' income. Historically, employers set up a private pension plan with corporate business objectives including employee retention in mind to supplement Social Security benefits. "The system peaked in the late 1970s in terms of coverage," Silvers commented, with around 45 to 50% of workers covered by employers at the time the 401(k) statute was enacted. Silvers explained that the 401(k) statute was enacted with the notion that it would increase retirement coverage, and "now 35 years later we are exactly at the same coverage level—48% combined DB and DC coverage."

"The composition of that coverage has changed dramatically," Silvers continued. "The amount of money that was put into DB plans at its peak was much higher than what is currently put into the system. As a result, the current system that we have, simply at the level of dollars, does not work," Silvers established. "What we have done is dismantle most of the features that we know are necessary to provide that difference between Social Security and what you need to preserve your standard of living in retirement, which is about a 70% income replacement rate."

Silvers argued that an improved retirement system should be mandatory, employer and employee contributions should total at least 9-10% of an employees' payroll, accounts should be portable and professionally managed, and there should be insurance against longevity risk and capital market risk. Silvers observed that out of all of these targets, the 401(k) system only addresses portability.

Should Retirement Savings Be Allowed for Other Purposes?

While recognizing that because of economic circumstances and unforeseen health issues workers may want to draw upon their retirement savings, Silvers argued for a retirement system that is not susceptible to account leakage. "We are starting off with a retirement system that is nowhere near saving enough money to simply provide for retirement," Silvers suggested. "Then we ask that system to be an insurer against economic cycles, to be a potential financier of college, to be a potential financier of home purchases, and to be a potential insurer against catastrophic health risk. If we ask the retirement system to do all of those things, it will fail as a retirement system," Silvers posited.

Whitman responded that while she comprehended the leakage challenge, "real participation increases when people know that they have access to the funds," and Christine Marcks added, "with a voluntary supplemental system there is the very real issue of people not signing up if they are not going to have access to the money in an emergency."

David Walker entered the dialogue and outlined key reforms that policymakers should consider to strengthen lifelong economic security for retirees. "We need a sound, solvent, secure, and sustainable social safety net," Walker argued. I'm a strong believer in Social Security; it has got to be the foundation."

On the private savings side, Walker called for an automatic retirement savings system to supplement Social Security. "I do not think we are ever going to get where we need to be with the vast majority of the population without an automatic supplemental savings mechanism," Walker remarked. David John reiterated that "we have a functioning retirement savings system right now except that we have half the workforce that is covered….We know that if you auto enroll people you get virtually the same participation rate than if you do mandatory coverage."

Walker also agreed that policymakers should address retirement distribution options so that retirees can manage their savings to last throughout their lifetimes.

Walker then qualified, "I believe strongly that we need a solvent social safety net in this country, but the highest level of poverty in this country is children. When you look at what is going on with public resources, there are limited public resources and there is a limit on how much the people will allow themselves to be taxed. You have to think about what the implication will be on other levels of society, especially children.

Kijakazi responded that "improving Social Security means helping children. Social Security pulls 1 million children out of poverty. For African Americans and Latinos, 50% of the beneficiaries are receiving survivor benefits or disability benefits where children are in the households receiving the benefits."

Bob Friedman remarked that "I do not think that we can get to retirement security by just focusing on retirement [policies]. I have learned a lot about leakage, and I think we need child savings; I think people need savings to start businesses and create jobs; I think we need a small amount of savings that give people the faith that they can go to college, which is the basic entry to the middle-class job." Discussants agreed that in order to reform America's retirement system to enhance lifelong financial security, policymakers and business leaders need to think big and reform the U.S. tax code to promote financial security throughout Americans' lifetimes.

POINT

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VS

COUNTER POINT

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> *"I do not think we are ever going to get where we need to be with the vast majority of the population without an automatic supplemental savings mechanism."*
>
> *—David Walker, Comeback America Initiative*

SESSION 6

How can financial education, children's savings accounts, and other financial products effectively change households' financial behavior?

Q & A

› Savings and assets are economically active ingredients. Pairing advice with an actual account is highly effective in changing not only behavior but also aspirations.

America the Illiterate: How Can We Improve Financial Behavior?

Opening up the last day of discussions, Lisa Mensah highlighted that the Financial Security Summit discussions started on a macro note and have transitioned to focus on American households. With policymakers, the business community, and consumer advocates devoting much effort over the past couple of years to designing valuable financial education and engaging consumers about their finances, discussants devoted session 6 to examining what practices most effectively prompt households to make desirable choices to strengthen their balance sheets.

What Behaviors Improve Financial Security?

Michael Barr discussed behavioral insights that have demonstrated improving individuals' financial behavior. Barr explained that consumers often do not make rational financial decisions, and many times it is not clear what an individual is considering when making a decision such as which type of mortgage to choose or how to finance an education. As a result, the financial industry and policymakers should consider behavioral insights when designing products or policies to improve households' financial well-being. For example, Barr reiterated the value of automatic savings policies and stated, "We need automaticity because people are human" and may not save otherwise even though they recognize the benefits. Barr cited the CARD Act of 2009 as an example on the regulatory side, which used de-biasing techniques to help people frame choices they face when paying down their credit card bills. As a result of the CARD Act, minimum balance disclosures on credit card statements now help people better understand the consequences of only paying the minimum payments each month.

Lisa Mensah, Aspen Institute Initiative on Financial Security; Michael Barr, University of Michigan Law School; Bob Friedman, CFED

Barr suggested that the financial industry can also use behavioral insights to innovate new products that serve unbanked populations. "Until recently the banking system did not design products that were good for [lower-income people]" Barr remarked and mentioned high checking account overdraft fees or minimum balance requirements, which made it imprudent for many lower-income workers to use checking accounts. Barr discussed the idea of a financial stability account, which would be a debit-card-only bank account that automatically uses income and direct deposit to pay core bills, silos a portion of the remainder into a separate bucket for savings, and adds the residual to a discretionary-spending bucket. "The idea behind it is to help those who are close to the financial edge to better manage their money and build up emergency savings so if they are hit with a problem they are less likely to spiral out of control," Barr commented.

Bob Friedman submitted that "I think there are a bunch of win-win-win strategies that by enabling the vast majority of people to play in the marketplace successfully, we will all be better." Friedman maintained that it is important to understand the power of savings and assets as economically active ingredients. Quoting Michael Sherraden, Friedman remarked that "income may feed people's stomachs, but assets change their heads for it is assets that are hope in concrete form." [10]

Designing Effective Financial Education

Bringing up financial education, Friedman argued, "the plumbing is crucial. You need to set up the system right. I have not seen any evidence that financial education without an actual account and without money has much effect." What is highly effective in changing not only behavior but also aspirations is pairing advice with an actual account. Friedman referenced research, which demonstrated that children with a college savings account in their own names were 6 to 7 times more likely to attend college than those without accounts even when account balances were less

Congressman Phil English, Arent Fox

than $500. A follow up study showed that even as little as $1 in an account changed aspirations in a fundamental way. However, the account balance affected education completion rates, "so money does matter, but I think we need to appreciate both the psychological and economic leverage of savings and equity," Friedman advocated.[11]

> *"Children with a college savings account in their own names were 6 to 7 times more likely to attend college than those without accounts even when account balances were less than $500. A follow up study showed that even as little as $1 in an account changed aspirations in a fundamental way."*
>
> *–Bob Friedman, CFED*

Demonstrating the success of child savings accounts, Friedman referred to San Francisco's Kindergarten to College (K2C) initiative, which pairs every child entering public Kindergarten in San Francisco with a college savings account in their own name. Accounts are automatically opened, are universal with no identification numbers required, and families can opt out. A public seed of $50 is deposited for every child, with an additional $50 for children in the free- or reduce-priced lunch program. Private-sector partners offer a 1:1 match for the first $100 saved in a child's name and another $100 bonus if families save at least $10 a child's account each month for 6 consecutive months. There are numerous deposit options, both online and at bank branches, and withdrawals are restricted until children reach 18 years old. Because the program is universal, school districts have integrated financial education tied to the accounts into the K-12 curriculum.

To date, 8,300 children are enrolled, and 4,800 will be enrolled each successive school year. Of the 8,300 children enrolled, 1,000 families have saved in the accounts to date. This 12% savings rate is 4 times the rate of saving in 529 college savings plans. Moreover, 60% of the families who have saved have children in the free- or reduce-priced lunch program indicating that lower-income families are saving at the same rate as families with higher incomes.[12]

Friedman acknowledged that the K2C program is just one example stemming from over a decade of research, which has proven that "given a reasonable opportunity, low-income and even very poor people will save, start businesses, go to college, buy and keep homes, create economic futures for themselves, their families, and ultimately the country." Friedman added that "the most significant, widely-shared, sustainable increases in economic welfare in this country have come when we have invested in the common genius" and pointed to universal public education, the Homestead Acts, created of the federal government's 30-year fixed rate mortgage, and the G.I. Bill as examples.

The Costs of Encouraging Children to Save

Friedman concluded by discussing the costs of children's savings accounts. "For 1% of what we are spending annually in the asset tax expenditure budget—including the home mortgage deduction, preferential capital gains, pension fund exclusions—we could fund a basic match or deposit for every man, woman, and child in the country including the bottom 60% who do not share in the current system," Friedman urged. "I think we need an account for everybody, and I think we can do this on a bipartisan basis. If the job of addressing poverty in the 20th century was the creation of the safety net, then our calling now is to build the ladder," determined Friedman.

Phil English agreed with Friedman's remarks regarding the relatively low costs for children's savings policies and argued that enacting these policies would even contribute to bringing down the national debt. English declared that children's savings accounts are a strong idea that on paper have a nominal cost and therefore are stuck with the current Congress. "When you give kids each $1,000 and they bank it and you take that from [national] revenue, you are nominally increasing the deficit by $1,000, but it does not matter because it goes into the pool of the saver. So from the standpoint of capital markets, it is self-financing….Things that increase the national savings rate actually go directly at some of the concerns about how we finance our deficit. So [children's savings accounts] are really part of the solution," English remarked. This point has tended to get lost in the shuffle in the midst of larger battles of tax reform writ large, fundamental tax reform with a rush toward simplification and an attempt to close loopholes to generate revenue. Yet this proposal, English argues, "has the potential when wedded to grassroots support, to change the culture."

Jon Witter of Capital One asserted that "if we are really going to be serious about [increasing savings] we have to start figuring out how to change the cultural orientation between consumption and savings. We need to figure out how to mint more savings converts. Absent that cultural transformation, even folks who are very able to save do not."

Agreeing that a cultural shift is necessary to strengthen savings behaviors, English recommended that "Automatic IRAs, recognizing that they will have a limited but very tangible benefit, ought to be a piece of the solution. I think kids accounts ought to be a piece of the solution. I think flexible tax-free savings accounts will be seen by some as causing leakage but if they also move up the national savings rate I think on their own merits they are worth doing." English also submitted, "I love the idea of the refundable Saver's Credit. That has not caught fire because we hear that refundable credits are too complicated and have supposedly high rates of fraud. You know, we hear these arguments against the EITC all the time, but you have to balance that against the actual benefit. Frankly, a Saver's Credit would be an odd thing to be all that fraudulent."

David John upheld that children's savings and retirement savings are all part of the same discussion to strengthen a national savings culture and increase household financial security. Gene Steuerle commented that "if we can get kids in accounts, that is probably the best financial education. It is probably even better than all of the formal attempts to give [children] financial education because they are learning by doing and seeing the power of compounding." Barr agreed with the power of children's savings accounts and added that the effective financial education is also often tied to a particular financial choice that the consumer immediately faces.

Throughout the conversation, discussants echoed that sweeping behavioral changes to improve financial behavior necessitate a national cultural change that favors savings over consumption. While individual pieces of legislation may chip away at the current national culture that encourages consumption, Phil English expressed, "I believe the tax code is going to face serious change because in areas other than in our area of concern it is so badly broken that it is now a drag on our competitiveness. It is honestly reaching a crisis where there will be an opportunity to include some things that could be framed as part of an agenda that appeals to both the right and the left." Participants endorsed the merits of a bipartisan policy menu that includes children's savings accounts and automatic savings mechanisms for retirement and other life investments as a solution that would change the national savings culture and restore U.S. competitiveness.

> "*If we are really going to be serious about [increasing savings] we have to start figuring out how to change the cultural orientation between consumption and savings.*"
>
> *–Jon Witter, Capital One*

SESSION 7

Between growing student debt, retirement unpreparedness, and barriers to economic mobility, how should the media portray the challenges that households face in today's economy?

Q

A

- Savings policies should be pitched as pro-growth ideas. While the middle-class struggle is powerful, the aspirational image of rebuilding a ladder for Americans to move up is more powerful.

The Press for Strengthening Financial Security: Journalists' Perspectives

For the closing session of the Financial Security Summit, participants switched gears and strategized on ways that the media can influence policymakers and business leaders to implement policies and practices that promote household financial security.

Moderator Susan Ochs touched on comments brought up in earlier sessions about the deficit and debt overshadowing other national priorities and asked featured participants to consider how the media can help to illuminate household savings policies as a national priority.

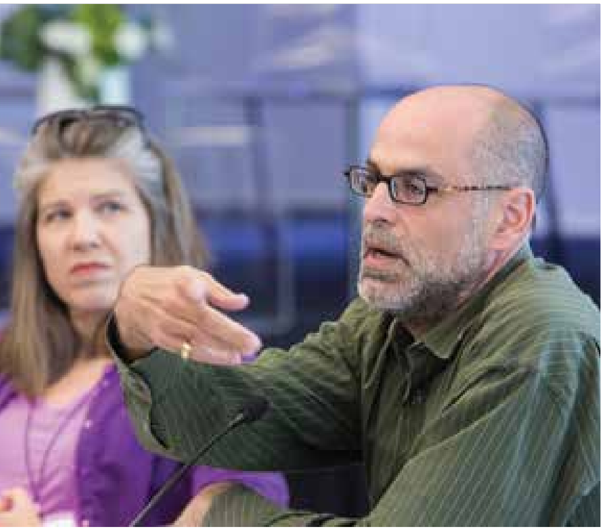
How to Attract Readers to Financial Security Issues

Rana Foroohar of TIME magazine advised that "poverty does not sell." While writing about economic inequality issues, Foroohar reframed her piece to instead focus on economic mobility, noting that "one of the things that sells is the word 'jobs'".

Rana Foroohar, TIME Magazine

Jim Pethokoukis, both a blogger and a CNBC contributor, commented that data points are most compelling in the blogosphere. "If you can put together an amazing—and by amazing I mean frightening—chart," Pethokoukis remarked, "people will read that and repost that." Pethokoukis also agreed with Foroohar's framing point and offered that savings policies should be pitched as pro-growth ideas. Pointing to state-level experiments and proof of concept studies to prove policies' effectiveness are also useful tools to build constituencies.

Lori Mongomery agreed that "compelling data is the way to get stories on the front page. You have to have something really surprising that you can illustrate to show people how society is changing." Montgomery alluded to points that Debra Whitman made earlier in the Financial Security Summit about how foreclosures are skyrocketing among people over age 75. "I was also very surprised to hear that half of all people will die without assets. It sort of changes your view of what is going to happen to you when you get old," Montgomery mentioned. "It becomes a very personal story that you can tell." Ochs asked Montgomery whether the personal accounts are useful tools for reporters to which Montgomery replied, "I think the vivid story is always going to be compelling."



Lori Montgomery, The Washington Post; Robert Raben, The Raben Group

Michael Hiltzik offered a different perspective and considered, "We have talked a lot about the need for financial literacy among the public. I think that the coverage that we have seen on the retirement security crisis shows that there is a real dearth of financial literacy in the press." Hiltzik continued, "What I am talking about is an institutional issue, not necessarily an individual issue. Newspapers are all trying to do more with fewer resources and inevitably standards get relaxed." Hiltzik discussed an educational process that journalists should take, for example when writing about Social Security, to understand the history, how benefits are calculated, what replacement rates are, how trustees' reports have changed every year, and more.

Hiltzik received some pushback on establishing an exceedingly high bar for journalists who may not have the bandwidth to become subject experts for every piece, and Hiltzik rebutted that "the reason you need to know this stuff is because it gets misrepresented all of the time and if you are not prepared to understand where the misrepresentations are, you are going to repeat these misrepresentations, you are going to mislead the public, and you are going to do a real disservice to your readers."

Robert Raben contributed that the most important work is the "quiet work internally to figure out who your audience is and what you want them to know and most importantly what you want a defined group of people to know or do." Raben explained that sometimes audiences are as targeted as the Ways and Means committee staffers or one specific Congressman. When framing an argument, advocates should understand who they are trying to persuade and how their arguments are understood.

Raben addressed Hiltzik's point about the media's responsibility to present the facts and responded that "It really is a function of what you want. If you are running a policy campaign, you want to change policy….If you have to run something that is going to get politicized or demagogued then you need the general public, and the general public is not going to be frequently motivated by facts." Raben explained that while facts are important, persuading people to weigh in with their members of Congress, for instance with petitioning the stand-your-ground law after Trayvon Martin's death, "is about symbolism and imagery and totems." Raben added that while trying to build a constituency, "What you are saying and what you want me to do really helps, and do not presume that the audience knows nearly as much as you do."

Are Readers Over Post-Crisis Headlines?

Foroohar and Pethokoukis both expressed their beliefs that the public is overloaded with the worn post-crisis narratives. "We have had the debt debate, we have had recovery stories, we have had consumer spending stories," Foroohar commented. "We are at a turning point where there are some really fundamental things broken with the economy….People are looking for the new story….I also think there is a narrative within the next year that the U.S. is back, and there will be an opportunity to come back in a contrarian way [to highlight the need for savings policies]," Foroohar posited.

> *"One of the things that sells is the word 'jobs'."*
>
> *—Rana Foroohar, TIME Magazine*

Montgomery added that when trying to gain press for a policy, "sometimes people forget when they are trying to get things in the newspaper that it is a newspaper, and there has to be something new." Montgomery suggested that to the extent advocates can connect policies with examples of how society is changing, reporters would be more willing to refresh existing policy proposals. Additionally, Montgomery advised that advocates should connect individual policy reforms to greater metanarratives. Discussants brought up different metanarratives that currently capture the news cycle, including the competing metanarratives on the U.S. recovery and the middle-class struggle.

Pethokoukis added that another way to bring a comprehensive policy agenda, such as savings policies throughout the lifespan, to the forefront of the press is to motivate a presidential candidate to adopt the agenda. Pethokoukis explained that by targeting potential candidates and reaching out to their economic staffers and advisors, advocates can insert their agenda into mainstream debates. "If you have a candidate in 2016 talking about that issue, even if he loses it will be on the national agenda," Pethokoukis suggested.

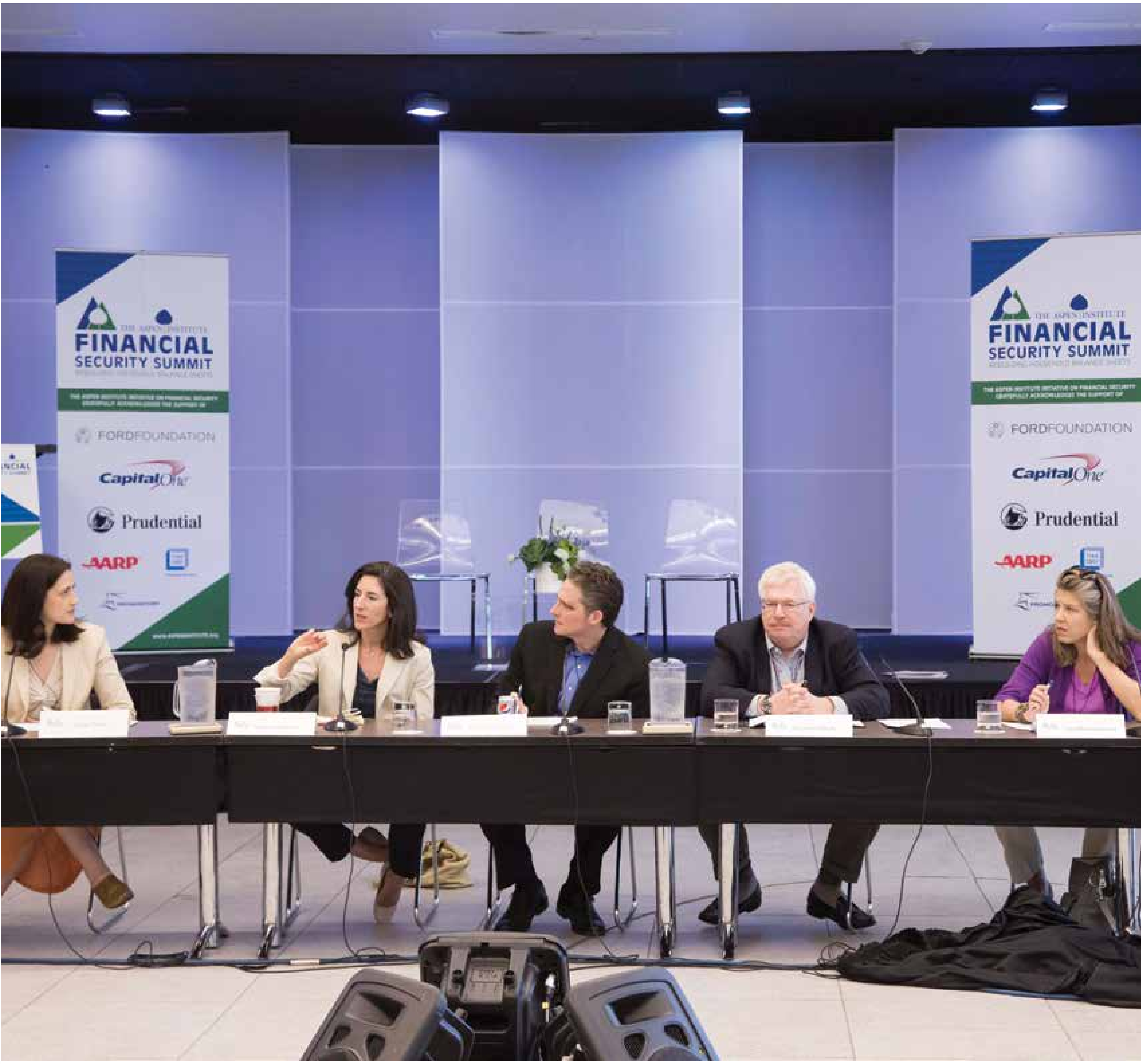
Ochs reiterated points made earlier throughout the Summit and asked whether discussants thought a crisis is necessitated in order to pass savings policies. "If you are waiting for a crisis to break through, the crisis is upon us and it is going to become more inescapable as time goes on," Hiltzik cautioned.

Offering a cheerier perspective, Montgomery remarked, "I see a real moment of opportunity for this issue. To the extent that you can convince politicians to stop talking so much about entitlements and start talking about retirement security more broadly—I mean yes the problem is health care, but more broadly the problem is retirement and how to get there. If we start to focus on the ramifications of an aging society and try to make that more vivid to people, it puts all of these other ideas including [children's savings accounts] in a context that makes them easier to talk about." Foroohar mentioned that people also gravitate towards international comparisons, and Americans are anxious about how they compare to the rest of the world.

Pethokoukis added that while the middle-class struggle is powerful, the aspirational image of rebuilding a ladder for Americans to move up is powerful. Yvette Smith of Capital One added that it is more effective to sell the aspirational aspect of financial opportunity rather than the fear connected with financial security.

True to Aspen Institute form, the lively concluding conversation finished on an optimistic note. Throughout the Financial Security Summit, a diverse group of voices illuminated the harsh realities that American households face, hashed out old and new proposals' merits and shortfalls, and put their minds together to consider what policymakers and the business community need to revive financial opportunities for American households. While challenges remain in the immediate term, discussants agreed that the nation is ready for smart policies that improve household's well-being and strengthen the national economy, American competitiveness, and reinvigorate the American Dream.

Opposite Page:
Susan Ochs, Aspen Institute Initiative on Financial Security;
Rana Foroohar, TIME Magazine;
Jim Pethokoukis, American Enterprise Institute;
Michael Hiltzik, Los Angeles Times;
Lori Montgomery, The Washington Post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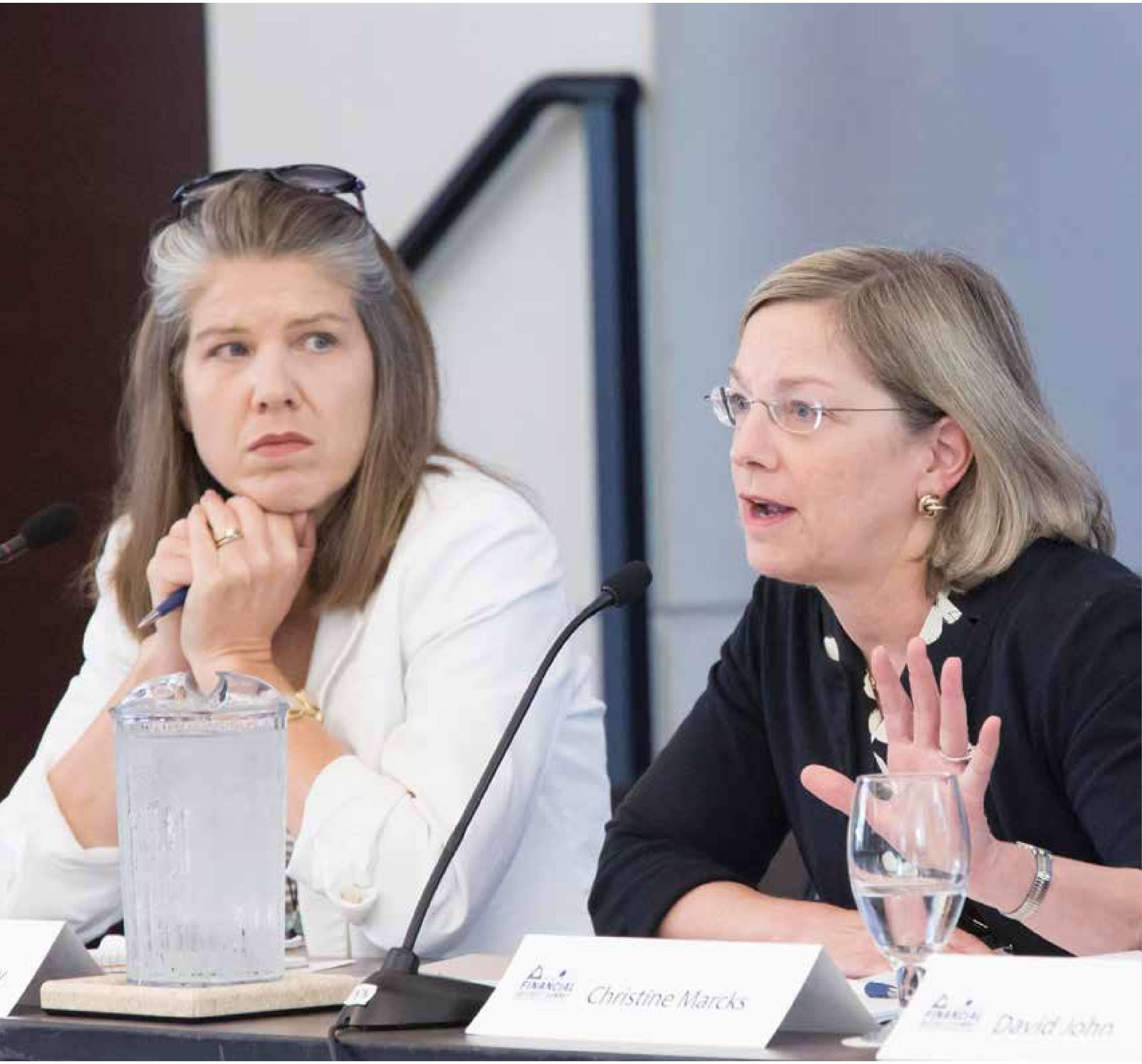
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