

# REIMAGINING FINANCIAL SECURITY

## MANAGING RISK AND BUILDING WEALTH IN AN ERA OF INEQUALITY

A Report from the 2015 Financial Security Summit

ANNE KIM • SUMMIT RAPPORTEUR • DECEMBER 2015



# FOREWORD AND ACKNOWLEDGMENTS

Since 2012, the Financial Security Summit has been the flagship convening of the Aspen Financial Security Program (formerly the Aspen Initiative on Financial Security). The Summit is an opportunity for leaders from the financial industry, academia, philanthropy, government, and non-profit organizations to grapple with critical issues that undergird growing levels of financial insecurity and wealth inequality in America. Through an intense and expansive dialogue that unfolds over two and a half days in Aspen, Colorado, participants find common ground, make connections, and formulate new solutions to these pressing issues.

The 2015 Financial Security Summit, titled *Reimagining Financial Security: Managing Risk and Building Wealth in an Era of Inequality*, took place July 15-17 in Aspen, Colorado. This year's Summit served in many ways as the opening act in the next phase of the Aspen Financial Security Program (FSP). The Summit agenda built on the program's core themes of expanding retirement security and children's savings accounts for low- and moderate-income families, and it began to explore a broader vision of what it will take to improve both short- and long-term dimensions of financial wellbeing and security in the context of a rapidly changing economy. Participant contributions from this Summit have been essential in shaping new areas of focus for the program going forward. This report incorporates these insights and provides an outline for future policy dialogue and directions.

The Aspen Institute wishes to acknowledge and thank the following companies and foundations for supporting FSP and participating in this year's Summit: Ford Foundation, Prudential, JPMorgan Chase & Co., Capital One, TIAA-CREF, McGraw Hill Financial, and AARP.

We thank Anne Kim, policy editor of the *Washington Monthly* and a senior fellow with FSP, for serving as Summit rapporteur and writing this report. We asked Anne to capture not just the Summit's proceedings, but also the conclusions it helped us draw about the most pressing financial challenges facing American families and the most promising policy responses. It was a tall charge, but Anne proved herself more than up to the task. Please note, however, that the result is a document that draws on, but does not necessarily reflect, the view of each of the Summit participants.

I also want to thank FSP's talented and dedicated staff—Associate Director Jeremy Smith, Senior Manager for Finance and Program Administration Pamela Horn Hall, Program Manager David Mitchell, and Intern Judith Garber—for their essential work organizing and documenting the Summit, contributing to the debate, and editing and coordinating the production of this report.



A handwritten signature in black ink that reads "Ida Rademacher".

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# INTRODUCTION

## THE FALTERING AMERICAN DREAM

In 2014, French economist Thomas Piketty published ["Capital in the 21st Century,"](#) an exhaustive scholarly examination of rising global inequality and the hyper-concentration of wealth. At nearly 700 pages and rife with footnotes and charts, the book was an unlikely bestseller. Yet it catapulted to global prominence, spending [22 weeks](#) on *The New York Times* hardcover nonfiction bestseller list after its first release.<sup>1</sup>

At another moment in history, Piketty's work may not have won the same attention. But the phenomena he documented—of an economy in which the lion's share of the spoils seem to flow to a privileged few—struck a nerve.

In the aftermath of a recession that wiped out [two decades](#) of household wealth accumulation,<sup>2</sup> Americans today are profoundly anxious about their financial futures and the prospects of their children. In poll after poll, Americans' once unshakeable optimism in the American Dream is faltering.

The Pew Research Center's 2015 [Global Attitudes Survey](#) found that 60 percent of Americans believe today's children will be financially worse off than their parents.<sup>3</sup> And while [64 percent](#) of Americans still believe that "it is possible to start out poor in this country, work hard, and become rich," that figure is far below what it was in 2000, when roughly 80 percent of Americans felt the same.<sup>4</sup>

A declining number of Americans identify as "middle class." According to [Gallup](#), just 51 percent of Americans describe themselves as "middle

class" today, while 48 percent of Americans see themselves as "lower class" or "working class."<sup>5</sup> In contrast, more than 60 percent of Americans on average self-identified as "middle class" from 2000 to 2008.

Americans' anxieties are tied to the specific pillars of middle class success that now seem to be slipping from reach, such as homeownership, retirement security, and college.

In surveys by Gallup, fewer Americans say they're aspiring to [homeownership](#),<sup>6</sup> and just 22 percent of Americans say they are "very confident" of having enough money for a comfortable retirement.<sup>7</sup> Meanwhile, college affordability tops the list of financial worries among parents with children under 18,<sup>8</sup> and only [21 percent](#) of all Americans say higher education is affordable.<sup>9</sup>

### Are Americans Losing Faith in the American Dream?

- 60 percent of Americans say today's children will be financially worse off than their parents.
- Only 51 percent of Americans now describe themselves as "middle class."
- 64 percent of Americans say it's possible "to start out poor... work hard, and become rich," down from roughly 80 percent in 2000.

Sources: Pew Research Center; Gallup; *The New York Times*



Americans are anxious. But worse yet, these anxieties are grounded in stark reality. Too many Americans are unprepared for a short-term shock to their household finances, let alone retirement. The Federal Reserve's 2014 [survey](#) on household economic well-being found that nearly one-third of Americans said they have no retirement savings or pension at all, and nearly half said they don't have the cash savings to cover an emergency expense of \$400.<sup>10</sup>

Younger Americans who came of age during the Great Recession are also far behind their elders in earning power and wealth accumulation. And even more troubling is the racial wealth gap—the vast and growing gulf between minorities and whites when it comes to assets and wealth. In 2013, the median wealth of black households was less than one-tenth of the median wealth enjoyed by whites.<sup>11</sup> Researchers at Brandeis University have found that over the 25-year period between 1984 and 2009, the total wealth gap between white and African-American families nearly tripled, increasing from \$85,000 to \$236,500.<sup>12</sup>

As sociologist and author Katherine Newman put it at the 2015 Financial Security Summit, the new reality for many American households is “precarity.” Over the last several decades, massive structural shifts in the American economy and in the labor market have eroded Americans’ prospects for job and household financial security.

The traditional notion of a middle-class job—with a 40-hour workweek, access to benefits, and lifetime tenure—is becoming as obsolete as the slide rule. Workers who lack the right skills are permanently relegated to the margins of the economy.

At the same time, the institutions Americans have traditionally relied upon in times of economic uncertainty—such as government and employers—have either failed to keep up with these shifts or abdicated their responsibilities in the face of competitive pressures. The burden of absorbing these structural shocks now falls squarely on individual households—what Summit participant, former White House Advisor, and current Senior Fellow at the Center on Budget and Policy Priorities Jared Bernstein first described in 2006 as the “[You're On Your Own](#)” (YOYO) economy.<sup>13</sup>

Given the scale and urgency of these challenges, stagnating median incomes and declining financial security will loom large in future policy and political debates. Against that backdrop, this report offers a broad framework—informed by key insights from the 2015 Aspen Financial Security Summit—for how industry and government leaders should reimagine household financial security, the types of financial products and public policies that promote it, and how a new approach and new tools can revitalize the future of economic opportunity.

Part I provides the context for this report: a snapshot of American household finances today, with a particular focus on those who bore the brunt of the Great Recession. Part II examines the dimensions and root causes of today’s financial insecurity, as discussed by Summit participants, including the institutional and market failures that are leaving Americans untethered in this uncertain, new economy. And building on insights from this year’s Summit, Part III offers a framework for a new vision of 21st century financial security, including directions for research, policy innovation, and institutional change.

# I. A SNAPSHOT OF AMERICAN HOUSEHOLD FINANCIAL SECURITY

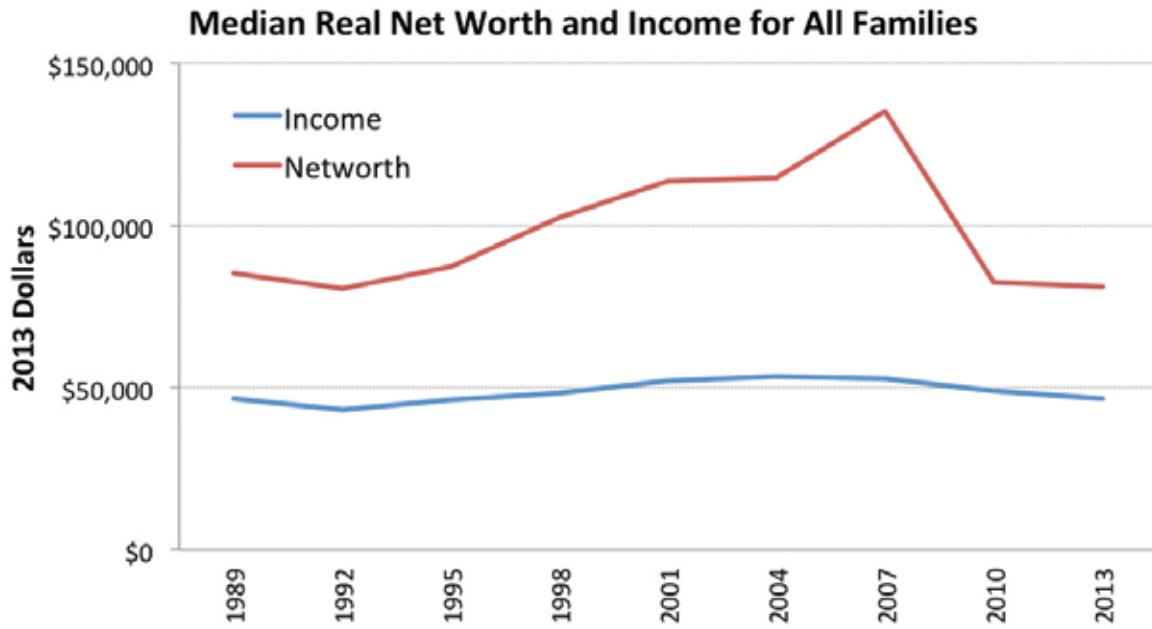
By almost any measure, American household financial security is under threat. At the 2015 Financial Security Summit, five aspects of this crisis stood out in particular relief.

## 1. The Great Recession and Household Wealth

Many households are still working through the hangover of the Great Recession, which wreaked long-term damage on families' balance sheets. According to data from the [St. Louis Federal Reserve](#), median real family income dropped 12.1 percent between 2007 and 2013, while median real net worth plummeted by 40.1 percent.<sup>14</sup>

"In real terms, we're right back to 1989," said Summit participant Ray Boshara, senior advisor and director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis. According to an analysis by Boshara and his colleagues, "Median real family income was 1.0 percent lower in 2013 than in 1989, while median real net worth in 2013 was 4.3 percent below its 1989 level."<sup>15</sup>

FIGURE 1



Source: Ray Boshara, William Emmons, and Bryan Noeth, "The Great Recession Casts a Long Shadow on Family Finances," Federal Reserve Bank of St. Louis, Sept. 9, 2014. Available online: <https://www.stlouisfed.org/on-the-economy/2014/september/the-great-recession-casts-a-long-shadow-on-family-finances>.



These overall numbers, however, mask what Boshara calls “the most persistent and most disturbing” impact of the Great Recession: a deeply uneven recovery and a widening of wealth gaps based on age, education, and race.

According to the St. Louis Federal Reserve Bank, “families headed by someone who is white or Asian, between 40 and 61 years old, with a two- or four-year college degree” have largely recovered from the recession in terms of wealth. However, younger, minority, and non-college-educated

households have regained only a fraction of their pre-recession net worth.<sup>16</sup>

For young (under age 40) African-American and Hispanic families, even more educated families have been left behind—such households had recovered just 31.3 percent of their 2007-level net wealth by the end of 2012. In 2013, according to Boshara and his colleagues, the median wealth of a white family was \$134,008, compared to \$13,900 for Hispanic families and \$11,184 for black families.<sup>17</sup>

FIGURE 2

### Median Family Wealth by Race and Ethnicity

	Median wealth in 1989	Percent of families in upper half of nation's wealth distribution	Median wealth in 2013	Percent of families in upper half of nation's wealth distribution
All families	\$85,575	50%	\$81,456	50%
White	\$130,102	58%	\$134,008	59%
Asian	\$64,165	41%	\$91,440	51%
Hispanic	\$9,229	17%	\$13,900	25%
Black	\$7,736	20%	\$11,184	23%

All dollar amounts are expressed in 2013 dollars, deflated by the CPI-U-RS (Consumer Price Index for Urban Consumers, Research Series).

Source: Ray Boshara, William R. Emmons, and Bryan J. Noeth, “The Demographics of Wealth: How Age, Education and Race Separate Thrivers from Strugglers in Today’s Economy,” Center for Household Financial Stability, Federal Reserve Bank of St. Louis, February 2015. Available online: <https://www.stlouisfed.org/~media/Files/PDFs/HFS/essays/HFS-Essay-1-2015-Race-Ethnicity-and-Wealth.pdf>.

## 2. Homeownership

Much of the decline in Americans' net worth is the result of enormous losses in homeownership wealth. Between 2007 and 2010, median home values dropped by **18.9 percent**, according to the Federal Reserve's Survey of Consumer Finances.<sup>18</sup> More than 7.5 million homes were lost to foreclosure between 2007 and 2014,<sup>19</sup> and roughly **5.1 million** homes—or 10.2 percent of all mortgaged homes—were still underwater as of the end of the first quarter of 2015.<sup>20</sup>

The massive number of foreclosures resulting from the financial crisis also pushed homeownership rates to record lows, and homeownership has continued to decline despite signs of general economic recovery. At the end of the second quarter of 2015, the US homeownership rate was **63.4 percent**,<sup>21</sup> down from a high of 69.2 percent at the end of 2004 and at its lowest level since **1967**.<sup>22</sup>

Losses in homeownership and housing wealth were especially severe among African-American, Latino, and younger households. From 2006 to 2010, African-American homeownership rates dropped from **46.3 percent** to 44.2 percent, while Latino homeownership dropped from 49.3 percent to 47.1 percent.<sup>23</sup>

Homeownership among younger adults aged 25 to 34 also dropped more sharply than for older groups. **An analysis** by the Urban Institute projects further declines in homeownership, predicting that African-American homeownership will fall to between 38 and 42 percent by 2030, while the overall homeownership rate is expected to drop to 61.3 percent.<sup>24</sup>

This decline, said Urban Institute President and Summit participant Sarah Rosen Wartell, will have major, long-term impact on household financial security, especially as families face retirement. "[Homeownership] is the one way that middle class families have been able to have a forced savings mechanism outside of pensions and retirement savings to build up an asset they can rely on in their later years," she said. Future generations, however, are far less likely to have that cushion.

## 3. Retirement Security

In addition to their fragile wealth and growing debts, Americans are also singularly unprepared for retirement. "This is the most under-reported crisis facing America," said Summit participant and former Sen. Tom Harkin.

According to the Federal Reserve, **31 percent** of non-retired Americans reported in 2014 that "they have no retirement savings or pension whatsoever."<sup>25</sup> Moreover, only **13 percent** of Americans said they have given "a lot of thought" to retirement financial planning. In fact, 38 percent of Americans said their retirement plan is "to keep working as long as possible" or not to retire at all.<sup>26</sup>

A major driver of this retirement insecurity is the lack of access to employer-sponsored retirement benefits. In 2012, just 53.4 percent of American workers ages 21 to 64 worked for employers that offered a retirement plan.<sup>27</sup> This means that as many as 60.8 million<sup>28</sup> working Americans—many of whom work for smaller businesses—had no access to an employer-sponsored retirement plan.

**38 percent** of Americans said their retirement plan is to **keep working as long as possible** or not to retire at all.

Source: Federal Reserve Board of Governors

But even among the minority of workers who participate in a plan, savings are far from adequate. The Center for Retirement Research, for example, finds that in 2013, "The typical working household approaching retirement with a 401(k) had only \$111,000 in combined 401(k) and IRA balances." According to the Center, this amount translates into an inflation-adjusted amount of less than \$400 per month.<sup>29</sup>

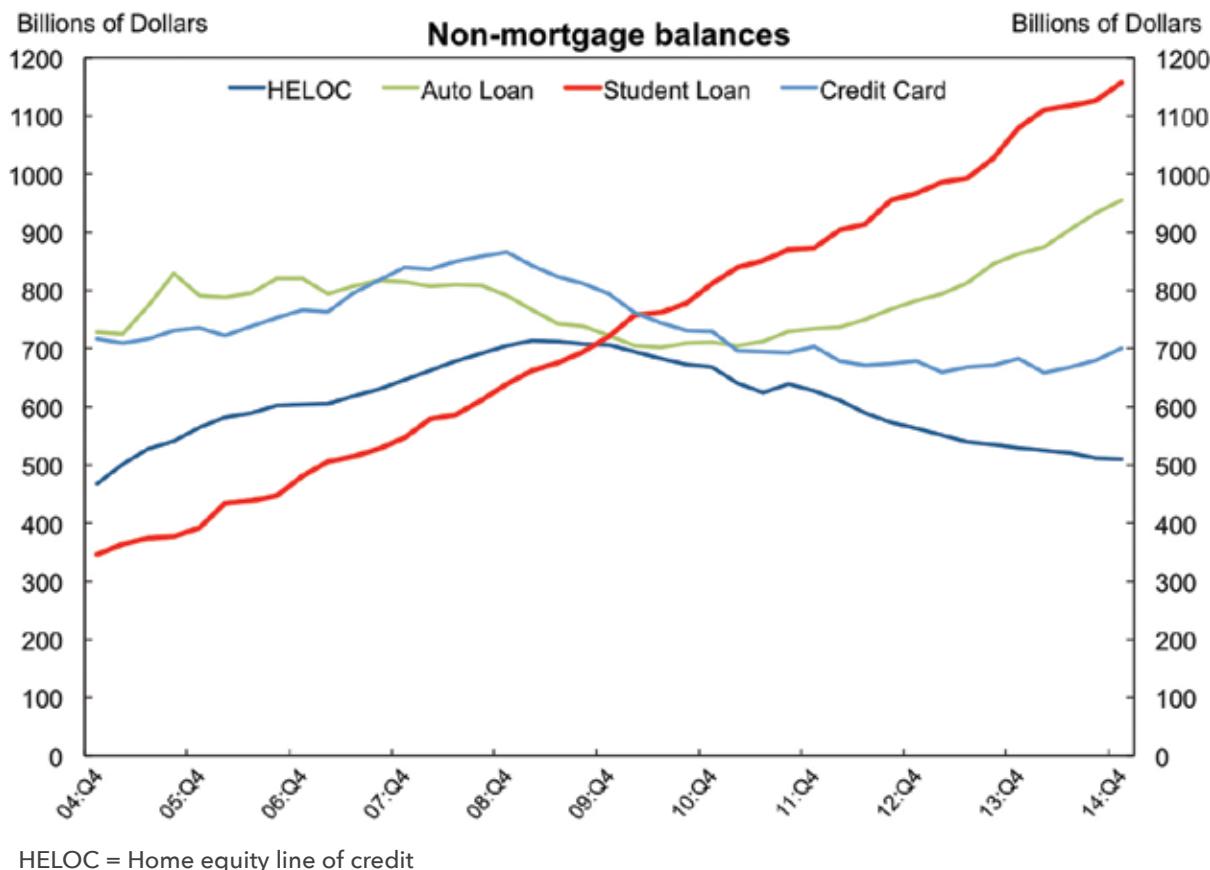
## 4. Student Debt

Aside from home mortgage debt, student debt is now the largest category of consumer debt and is a potentially growing threat to household financial security and wealth. As of the end of the second quarter of 2015, student debt accounted for nearly one-third of all non-mortgage household debt, with **\$1.19 trillion** outstanding (compared to \$1.01 trillion for auto loans and \$703 billion in credit card debt).<sup>30</sup>

The Federal Reserve Bank of New York reports that between 2004 and 2014, the number of student borrowers rose by **89 percent**, while average balances grew by 77 percent.<sup>31</sup> At the end of 2014, the average outstanding student loan balance was around \$26,000, while the median balance was about \$15,000.

The explosion of student debt is not limited to the young. In fact, says the Federal Reserve Bank of New York, “[t]he number of borrowers over 40 increased at twice the pace of the number of borrowers under 40,” while the number of borrowers over age 60 grew nine-fold. More than one-third of student loan balances are now held by borrowers over age 40.<sup>32</sup> All told, student debt has more than doubled since 2007 and has grown at a pace that far outstrips the rate of growth for other categories of consumer debt.<sup>33</sup>

FIGURE 3



Source: Andrew Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, “Student Loan Borrowing and Repayment Trends, 2015,” Federal Reserve Bank of New York, April 16, 2015. Available online: <https://www.newyorkfed.org/medialibrary/media/newsevents/mediaadvisory/2015/Student-Loan-Press-Briefing-Presentation.pdf>.

Even more concerning are the rates of student loan delinquency and default. At the end of the first quarter of 2015, 11.5 percent of student loans were 90 days or more past due, compared to 8.4 percent for credit cards and 2.5 percent for mortgages.<sup>34</sup> Moreover, except under rare circumstances, student debts cannot be discharged in bankruptcy.<sup>35</sup>

African-American and Hispanic borrowers and students at private, for-profit colleges were also more likely to fall behind on their loans. A Federal Reserve survey found that 14 percent of black student borrowers and 18 percent of Hispanics were behind on their loans, versus 4 percent of whites.<sup>36</sup> In addition, 16.4 percent of student borrowers attending private, for-profit colleges were falling behind on their debts, versus 5.8 percent of borrowers attending public institutions.

## Student Debt in 2014:

- Average balance: \$26,000
- Median balance: \$15,000
- Share of balances held by borrowers over age 40: 35%

Source: Federal Reserve Bank of New York

## 5. Short-Term and Emergency Savings

But if Americans are unprepared for the long-term challenge of retirement, they are equally unprepared to absorb a short-term financial shock, such as the loss of a job, an illness, or an unexpected repair expense.

### 47 percent of Americans say they can't cover an unexpected expense of \$400 with savings.

Source: Federal Reserve 2014 Survey of Household Economics and Decisionmaking

In its 2014 Survey of Household Economics and Decisionmaking, the Federal Reserve found that **47 percent** of Americans said they either could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money.<sup>37</sup> At the same time, a significant share of households said they or someone in their household had experienced a financial hardship the previous year. Among the **24 percent** of Americans who experienced a hardship, 35 percent said they suffered a job loss in their household, 29 percent had their work hours cut, and 37 percent had a health emergency.<sup>38</sup>

Health emergencies are an especially significant source of financial distress for many Americans. The Federal Reserve's survey also found that as many as

**31 percent** of Americans—including 30 percent of Americans who have health insurance—decided to forego needed medical care because they didn't have the cash on hand to pay for treatment.<sup>39</sup>

The lack of short-term and emergency savings is also prevalent up and down the income ladder, including into the upper reaches of the middle class.

A 2015 JPMorgan Chase Institute study examining financial volatility among US households estimated that “the typical middle-income household” needs **\$4,800** in liquid assets as a buffer against financial ups and downs.<sup>40</sup> But the study also found that the typical middle-income household falls short of this amount by \$1,800. Another analysis by CFED finds that as many as **43.5 percent** of US households were “liquid asset poor” in 2011, meaning that they lacked “sufficient liquid assets to subsist at the poverty level for three months in the absence of income.”<sup>41</sup>

For lower-income families, the lack of flexible savings leads to the greatest risk of significant hardship. According to research by Summit participant J. Michael Collins, associate professor and faculty director of the Center for Financial Security at the University of Wisconsin-Madison, and his colleague Leah Gjertson, low-income households face a greater likelihood of confronting major material hardships—such as falling behind on their mortgage or rent, having their utilities or phone disconnected, skipping necessary medications, or experiencing food insecurity—than those who have some sort of financial cushion.<sup>42</sup>





## II. ROOTS OF THE NEW INSECURITY: THE EROSION OF WORK, THE RISE OF VOLATILITY, AND THE INADEQUACY OF POLICY AND MARKET RESPONSES

Why are Americans in such rough financial shape?

At the 2015 Financial Security Summit, three interconnected factors emerged as explanations. The first is that for many Americans, the bedrock of financial security—employment in a good, stable job—is far less likely today than in the past.

"If we look across the broad sweep of time from the middle of the 20th century to the present," said Summit participant Katherine Newman, provost and senior vice chancellor for academic affairs at the University of Massachusetts-Amherst, "the jobs that used to place people in the middle class are now paid less, are less secure, and are less likely to carry benefits."

This erosion of job quality has in turn led to financial volatility—the second gale-force factor now buffeting American households. For many households up and down the income ladder, alarming spikes in both income and expenses are the new normal.

The third factor is the gap between what Americans need to survive and thrive in the changing economy and what public policy and financial markets currently offer. Americans today lack the supports and tools they need to manage the volatility they face and re-anchor on more solid ground. Instead, Americans find themselves adrift, if not drowning.



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**- Katherine Newman**, provost and senior vice chancellor for academic affairs at the University of Massachusetts-Amherst



## 1. The Erosion of Work

"Work is our initial fundamental distribution system," said Summit participant Maureen Conway, vice president and executive director of the Aspen Institute's Economic Opportunity Program. "Work is central to the American Dream."

Yet the nature of work has shifted radically in today's globalized economy. Even as the global economy becomes more interconnected, workers and employers are increasingly disconnected from each other.

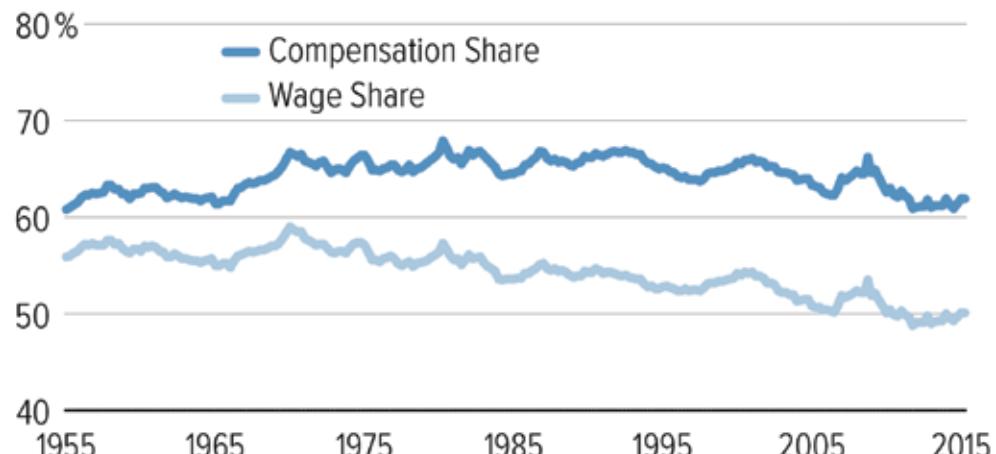
Work is not only less secure than it once was, its rewards have also diminished. "The entire distribution of lifetime earnings has shifted downward," said Summit participant William Spriggs, chief economist for the AFL-CIO.

The share of national income being paid in compensation (wages and benefits combined) has sharply declined over the last 15 years and is now near a 50-year low.<sup>43</sup> And even though the nation's economic output grew by 14 percent from the second half of 2009 through 2014, the typical household's real income was **1.5 percent** below where it was in June of 2009,<sup>44</sup> according to Bernstein.

FIGURE 4

### Declining Shares of Labor Income

Wages and compensation as a percentage of national income



Source: BEA (NIPA Table 1.12)

Source: Jared Bernstein, On The Economy, <http://jaredbernsteinblog.com/>.

While a variety of forces account for the decline in household incomes—a growing gap between productivity gains and wages, the decline of unionization, the disappearance of “middle-skill” jobs—one major factor leading to middle class stagnation is underemployment.

Although the national unemployment rate continues to show steady signs of recovery, the official statistics fail to capture hidden weaknesses in the labor market, said Summit participant Aparna Mathur, a senior fellow at the American Enterprise Institute.

The official unemployment rate does not include, for example, the **1.9 million** Americans “marginally attached” to the labor force in September 2015, including 635,000 “discouraged workers” who have stopped looking for jobs.<sup>45</sup> Another 6.0 million Americans were what the Bureau of Labor Statistics calls “involuntary part-time workers”—people working part-time jobs because they cannot find full-time work. “People are taking poor-quality jobs, and they are stuck there,” said Mathur.



**“Women are concentrated in jobs that don’t offer a retirement plan, and because of unequal pay during their working years, whatever they do have is less.”**

- The Hon. Tom Harkin

Despite an improving economy, the overall US workforce participation rate has continued to decline, standing at **62.8 percent** in September 2015.<sup>46</sup>

These trends mean that fewer Americans now work in what are traditionally considered “good jobs” with access to employer-sponsored benefits. For many workers, the traditional system of employer-sponsored retirement benefits is either unavailable or failing, and the shift of responsibility from employers to employees has left many workers to sink or swim with predictable results.

One particular challenge is the lack of access to retirement savings plans in medium and smaller firms. According to research by Summit participants Jamie Kalamarides and Bennett Kleinberg of Prudential Retirement, just **50 percent** of Americans

working at firms with 100 or fewer workers have access to an employer-sponsored retirement plan—compared to 89 percent of workers at firms with 500 employees or more.<sup>47</sup> Smaller firms, said Kalamarides, are hampered by cost and administrative burdens, as well as the fiduciary responsibilities that come with plan management.

The lack of benefits is particularly damaging for women and minorities, who tend to work at smaller firms. In 2011, according to Prudential, smaller firms (those employing 500 workers or fewer) provided more jobs for women than larger firms—30.3 million versus 25 million—and employed more Asian-American, American-Indian, and Hispanic workers as well.<sup>48</sup>

“Women get a double whammy,” said Harkin. “Women are concentrated in jobs that don’t offer a retirement plan, and because of unequal pay during their working years, whatever they do have is less.” Moreover, Harkin added, women’s lower earnings mean they receive smaller benefits from Social Security.

According to an analysis of Census data by Wider Opportunities for Women, “Retired, elder men report typical annual incomes nearly 75 [percent] higher than typical retired, elder women’s income (**\$24,794 compared to \$14,225**).”<sup>49</sup> As a result, older women are much more likely to live in poverty than older men. Women’s greater comparative longevity also means they are more likely to outlive their savings. Census data show that **11.6 percent** of women over age 65 were living in poverty in 2013, compared to 6.8 percent of older men.<sup>50</sup>

Likewise, African-American and Latino workers are also more likely to earn less and to work for employers who do not offer retirement benefits. A May 2015 study by the National Council of La Raza, for example, found that only **6 percent** of Latino

**"If the Uber driver is his own CEO... many people are going to be ill-equipped for this shift."** – Bob Weinberger

workers in California save in employer-sponsored retirement savings plans.<sup>51</sup> "It's a moral imperative that we solve this," said Kalamarides.

A final development adding to the uncertainty faced by today's workers is the rise of the "gig economy," exemplified by the armies of freelancers now working under the auspices of Uber, Airbnb, TaskRabbit, and other new platforms.

A survey by the Freelancers Union estimates that as many as **53 million** Americans—34 percent of the workforce—are freelancing.<sup>52</sup> This figure includes not just 14.3 million Americans who are moonlighting to supplement other jobs, but an estimated 21.1 million independent contractors working in the contingent economy. While these jobs might offer flexibility and opportunities for entrepreneurship, many workers for whom the contingent economy is their main source of income also face enormous risks, including erratic hours, potentially low wages, and the absence of workplace protections—as well as lack of access to employer-sponsored benefits.

"Employers are no longer a sufficient delivery point as the contingent economy grows," said Wartell. A 2013 survey by TD Ameritrade found that among the growing ranks of self-employed Americans, just **8 percent** were regularly setting aside money for retirement, and 28 percent weren't saving for retirement at all.<sup>53</sup>

"If the Uber driver is his own CEO," said Summit participant Bob Weinberger, a senior fellow with the Financial Security Program, "many people are going to be ill-equipped for this shift."

## 2. The Rise of Volatility

The erosion of full-time, well-paying jobs with benefits, along with the rapid rise of the gig economy, help explain why so many American households are grappling with the growing phenomenon of financial volatility—large and often unexpected monthly spikes and dips in both household income and expenses that Summit participants flagged as an especially urgent concern.

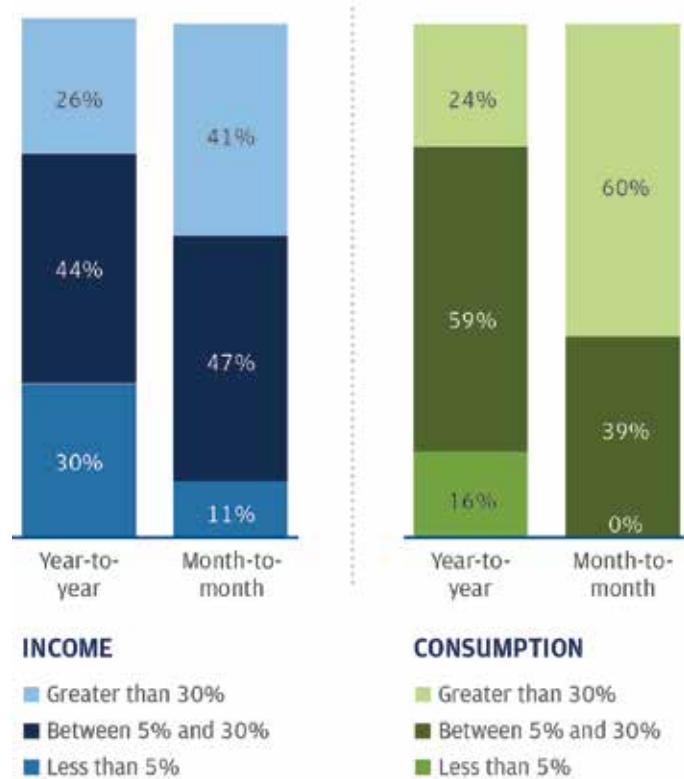
For example, the **US Financial Diaries** project, led by Summit participants Jonathan Morduch of the Financial Access Initiative at New York University and Rachel Schneider of the Center for Financial Services Innovation, discovered that the average family experiences either an income or spending spike of greater than 25 percent for as many as five months out of the year.<sup>54</sup>

Likewise, new research by the JPMorgan Chase Institute, based on a sample of more than 100,000 account holders, finds that **41 percent** of customers experience fluctuations in income of more than 30 percent on a month-to-month basis and that 60 percent of people experience average monthly changes in consumption (i.e., spending) of greater than 30 percent.<sup>55</sup> As many as 26 percent of the households in the JPMorgan Chase study see a greater than 30 percent change in their income from year-to-year, while 24 percent see a greater than 30 percent change in their spending.

FIGURE 5

### AVERAGE ABSOLUTE VALUE OF CHANGES IN INDIVIDUAL INCOME AND CONSUMPTION ON A YEARLY VERSUS A MONTHLY BASIS (2013–2014)

Percent of individuals



Source: JPMorgan Chase Institute, "Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals," May 2015. Available online: <https://www.jpmorganchase.com/content/dam/jpmorganchase/en/legacy/corporate/institute/document/54918-jpmc-institute-report-2015-aw5.pdf>.

"That's like adding or subtracting a housing budget from one year to the next," said Summit participant Fiona Greig, director of research for the JPMorgan Chase Institute.

Although volatility exists at all income levels, lower-income households have far less capacity to manage these ups and downs. Spikes in income and expenses are not only more common for low-income households, they often do not coincide. "They're working hard to try to align income and spending," Morduch said. "They're holding off on important spending needs; they may not be going to the doctor; and they may not be taking care of important expenses until they have the income. Or they may be hustling to earn more income."

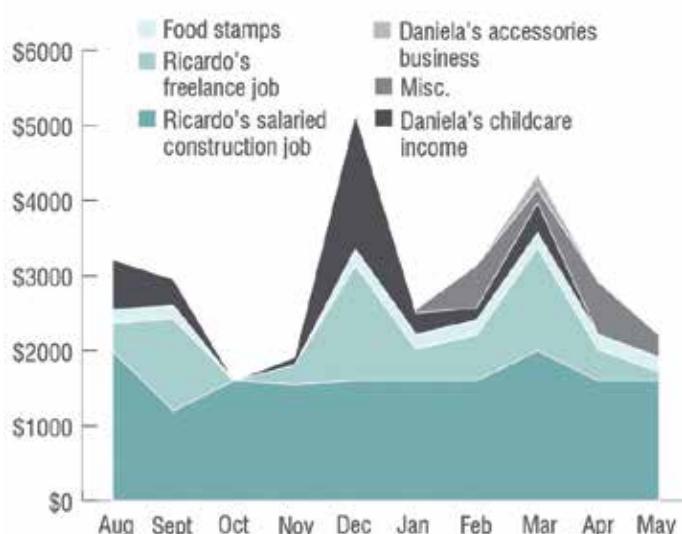
While some of the volatility stems from simple phenomena, such as extra paydays during "five-Friday months," refunds at tax time, and end-of-the-year holiday spending, much of it is also the result of growing labor market instability. Research by US Department of the Treasury Assistant Secretary for Economic Policy (and 2014 Summit participant) Karen Dynan and her co-authors Douglas Elmendorf and Daniel Sichel finds that household income has become "noticeably more volatile" since the early 1970s, due largely to increasing volatility in hours worked and in earnings.<sup>56</sup> A study by the Economic Policy Institute estimates that as much as **17 percent** of the workforce have irregular work schedules, including on-call hours and split and rotating shifts.<sup>57</sup>

Among the 240 families followed by Morduch and Schneider are the "Garzas," who exemplify the impact of these emerging trends. While the Garzas earned an average of \$2,850 a month—well above the poverty line for a three-person household—they also experienced extreme fluctuations in income and expenses from month-to-month resulting from the patchwork of full-time and part-time jobs sustaining the household.

On average, the Garzas' income appeared to exceed their expenses. But these averages also masked the often-frequent mismatch between the families' expenses and cash flows. "It's really a problem of illiquidity and ups and downs," Morduch said.

FIGURE 6

### The Garzas' Income Sources



Source: Jonathan Morduch and Rachel Schneider, "Spikes and Dips: How Income Uncertainty Affects Households," US Financial Diaries Issue Brief, October 2013. Available online: <http://www.usfinancialdiaries.org/issue1-spikes>.

### 3. The Inadequacy of Policy and Market Responses

The struggles of families like the Garzas show that American households are increasingly ill-served by a fraying social contract and an insufficient set of financial products and services. While Americans have struggled to navigate a deteriorating economic environment, officials in Washington have too often failed to respond with bold solutions. The financial industry has also been slow to adjust, continuing to offer financial products best suited for those with steady jobs or who work for larger employers. The end result for the Garzas and millions of other families is an outdated set of policies, products, and services that do little to help them reduce the complexity and risk associated with managing their lives in both the short and long term. Left unaddressed, these market and policy gaps threaten to further diminish Americans' ability to achieve financial security, let alone reach their financial aspirations.

For example, one significant gap highlighted at the 2015 Summit is the lack of access to affordable and adequate products that help Americans better manage their finances in the short term. This gap

**According to Garry Reeder, director of consumer protection practice at BlackRock, lower-income households face many more restrictions on how they can access their money and manage their finances—which is the opposite of what they need to manage the greater levels of volatility that they face.**



is especially damaging to lower- and moderate-income households, for whom financial volatility is a particularly dire concern.

Many households are making do within the constraints of the current system, said Morduch, but at a significant cost. "Households are dealing with these ups and down by running overdrafts—deliberately—or by paying bills late deliberately because it's cheaper than going to a payday lender," he said. "A lot of what we think of as bugs in the system are actually features of it."

Many other households, however, are disconnected from mainstream financial services altogether. According to the Federal Deposit Insurance Corporation, [7.7 percent](#) of US households were "unbanked" in 2013, while another 20 percent were "underbanked"—meaning they also relied on alternative financial-services providers, such as check cashers and pawnshops, to meet their banking needs.<sup>58</sup>

A major problem with the current system, said Summit participant Garry Reeder, director of consumer protection practice at BlackRock and former chief of staff at the Consumer Financial Protection Bureau (CFPB), is the "high levels of complexity and rigidity as you go down the income spectrum." Lower-income households, Reeder said, face many more restrictions on how they can access their money and manage their finances—which is the opposite of what they need to manage the greater levels of volatility that they face.

Another major gap explored at the Summit is the role that the tax code plays in exacerbating wealth inequality. Of the [\\$540 billion](#) spent on federal tax programs in 2013 to incentivize individual savings and investment—such as the home mortgage interest deduction and tax deferrals for retirement—the

bottom 60 percent of households received less than 12 percent of the benefits, according to a study by CFED.<sup>59</sup> In contrast, the top 20 percent of households received \$251.4 billion in total benefits—or more than 70 times the benefits received by those in the bottom 20 percent.

As Summit participant and Professor of Law and Public Policy at New York University School of Law Lily Batchelder also observed, new research by Harvard University's Raj Chetty and others finds that subsidies do not result in more net savings; instead they are more likely to cause wealthier savers to shift savings into tax-favored accounts. To increase savings, policy needs to focus on expanding tools to make savings easier and more automatic for those least likely to save otherwise.<sup>60</sup> "What's important is access and defaults," Batchelder said.

In recent years, gridlock in Congress has stalled many promising legislative initiatives to modernize public policy and make it better attuned to Americans' current financial challenges. For example, the retirement coverage gap—which leaves roughly half the workforce without easy access to retirement savings plans—has remained constant for more than a decade, prompting some states to step into the void.

More broadly, said Summit participants, public policy currently lacks a holistic approach to financial security that integrates retirement security, savings policy, and financial-services innovation with the realities of changing labor markets and household financial circumstances.

Crafting this holistic approach is the crux of a new vision for household financial security that emerged from the 2015 Summit.

# III. REIMAGINING FINANCIAL SECURITY: LAYING THE GROUNDWORK FOR A NEW VISION

The dire state of Americans' household finances—and the inadequacy of current public policy—demands urgent action. The failure to re-establish American families on more solid financial ground has potentially devastating consequences for the nation's future economic growth and the health of our democracy.

But to achieve this aim, policymakers need a new vision and framework for household financial security that gives American households at all income levels the right tools to thrive financially. Helping to build that vision and framework, through expert and stakeholder conversations, will be a central objective of the Aspen Institute's Financial Security Program going forward.

The guidelines below are a suggested starting point for this work, synthesized from the insights that emerged from the 2015 Financial Security Summit. These guidelines do not purport to capture every idea offered over the course of the Summit, nor do they advance any specific proposals raised by the Summit's participants. Rather, the goal of this synthesis is to lay the groundwork, in broad strokes, for how policymakers should begin to consider a robust, inclusive financial security agenda for the 21st century.

## **1. Embrace a Comprehensive Definition of "Financial Security"**

A foundational step toward establishing household financial security as a policy priority in America is to converge on a shared understanding of what the term actually means. In January 2015, the CFPB released a report defining "financial wellbeing" as "a state of being where a person can fully meet their current and ongoing financial obligations, can feel secure in their financial future, and make choices that allow for enjoyment of life."<sup>61</sup>

"This includes not only day-to-day control over household finances but the capacity to absorb a financial shock," said Summit participant Gail Hillebrand, associate director of consumer education and engagement at the CFPB. "It also means the freedom to make financial choices, both today and in the future."

Other market players and Summit participants, such as the Center for Financial Services Innovation and HelloWallet, emphasize the need for an approach that helps Americans overcome financial challenges "now, soon, and later," in the words of Morduch.

Many companies are showing growing interest in offering broad-based financial wellness programs to their employees, which Summit participants said is a potentially powerful way to provide Americans with the wider set of skills and knowledge they need. Moreover, said Summit participants, this interest may also signal the private sector's potential readiness to buy in and promote a broader understanding of financial health and wellbeing.

According to a 2015 survey by Aon Hewitt of large employers, fully **93 percent** said they are "very or moderately likely to create or broaden their efforts on financial wellness topics in a manner that extends beyond retirement decisions."<sup>62</sup>



"[Human resources departments] are thinking much more progressively than ever before about how they can use every dollar for compensation and benefits in a way that maximizes the return for the individual," said Summit participant Matt Fellowes, founder and CEO of HelloWallet.

While policymakers have historically thought of savings policy in terms of discrete goals—such as education savings or retirement security—Summit participants argued that adopting a holistic approach to financial security can lead to policies that better meet the dynamic realities of Americans' financial lives.

This approach would also speak to Americans' aspirations as well as their need for security, said Summit participant Jamal Simmons, a principal at the Raben Group, and it would especially appeal to millennials. "[Millennials] want to start businesses, buy a house, and get a family," he said. "The purpose of acquiring assets is not to be able to relax but to help them achieve."

## **2. Design Policies and Strategies that Improve Short Term Security and Resilience**

Among the many challenges undermining American household financial security, perhaps the most critical emerging concern at the 2015 Financial Security Summit was financial volatility.

In addition to the direct financial impacts described in this report, volatility imposes other costs on US households. "The amount of mental energy that's being spent is enormous," said Schneider. "This is all energy that can be put towards job training, negotiating with your boss, joining a union, or raising your kids. There are so many things that are more valuable for people's wellbeing."

"The next generation of savings policies," says FSP Executive Director Ida Rademacher, "must evolve in totality with other strategies for financial security, such as access to credit and insurance."

At the 2015 Summit, participants focused on three potential strategies for managing volatility: (1) household precautionary savings; (2) private sector financial innovation; and (3) public programs, including social insurance.

### **Precautionary Savings**

While current savings policy tends to focus on Americans' medium- and longer-term financial needs—such as saving for college, a down payment, or retirement—short-term, emergency savings should also become a priority, said Summit participants.

Precautionary savings, said Summit participants, can help smooth the roller-coaster ride of month-to-month volatility, reduce a household's reliance on debt or expensive financial products, and support broader financial goals, including retirement security.

Many households, for example, borrow from or cash out their retirement savings to pay for short- or medium-term expenses, despite potentially heavy penalties. According to research by Summit participant Stephen Utkus, principal and director at the Vanguard Center for Retirement Research and the Pension Research Council, nearly 40 percent of Americans with 401(k) accounts have borrowed from their accounts over the last five years, while defaults on these loans create an estimated **\$6 billion** in annual "leakage" from the retirement savings system.<sup>63</sup>

Greater attention to the need for precautionary savings could lead to innovation—such as a "sidecar" account that would allow workers to set aside funds for retirement and emergency savings, suggested

by Summit participant Debra Whitman, chief public policy officer for AARP. Such an option could provide flexibility in the event of a financial emergency while reducing the risk of depleting long-term funds.

## Financial Innovation

As troubling as the phenomenon of volatility is, Summit participants also saw it as a potential spur to beneficial financial-services innovation, both as a specific strategy for managing financial volatility and more broadly. "We have a lot of opportunity to rethink our financial-services infrastructure in ways that better align with how people engage with their financial lives," said Schneider.

A particular need, said Summit participant Janis Bowdler, head of financial capability and community development at JPMorgan Chase & Co., is affordable financial-services products aimed at lower-income households. "Low-income families are financially savvy and thinking critically about the trade-offs they have to make," Bowdler said. "But current products are not designed for them." "Institutions are not effective in investing in communities of color," added Summit participant Noel Poyo, executive director of the National Association for Latino Community Asset Builders.

Another potentially promising set of innovations involves rethinking the role of credit as a strategy for managing volatility. For example, Collins said he envisions a product that integrates savings, credit, and insurance to help households better absorb financial shocks. This product, he said, could include a "savings bucket" as the "first line of defense;" secured and unsecured lines of credit as a fallback when savings are exhausted; and, as a final recourse, payment insurance, such as the payment-protection plans offered by some credit unions.

A third set of potential innovations involves administrative changes to the timing of payments

and expenses. Though seemingly small, these changes could ultimately have big impacts on reducing volatility in the short term—and at relatively little cost. For example, Summit participant David Blitzer, managing director and chair of the Index Committee at S&P Dow Jones Indices, suggested that mortgage and utility payments could be easily made to coincide with paychecks. "Predictable expenses and payments should be aligned."

Firms could also rework payroll to provide an extra "13th month" of salary at Christmas when expenses typically spike, which Summit participant Jeremy Smith, associate director of the Financial Security Program, said is a common practice in Latin America. "This is a simple, non-financial solution that aligns expenses with income," said Smith.

Given the right push, said Summit participants, private-sector innovation could be a major source of new tools to help households manage volatility.

"The mismatch here is not that the financial-services industry is not innovative or creative," said Summit participant Joshua Gotbaum, guest scholar at the Brookings Institution. Rather, he said, the financial sector has been "much more aggressive and much more innovative in getting people to spend than to save." The right incentives, Gotbaum said, could reverse that equation.

## Social Insurance and Other Public Programs

In addition to what individual consumers and the private sector can do to manage household financial volatility, government also has a critical role, said Summit participants.

In particular, Summit participants urged a bolder discussion about the role of social insurance and other public programs in helping households manage risk and volatility.



**"Institutions are not effective in investing in communities of color."**

**- Noel Poyo, Executive Director of the National Association for Latino Community Asset Builders**

**"More than two-thirds of workers without access to a workplace retirement plan are people of color, including 68 percent of Latino workers and more than half of African-American workers."**

- The Honorable John Chiang, California State Treasurer



"We need a new conception of the social contract," said Boshara. "The 20th century was about pooling risk of income loss. In the 21st century, the social contract needs to be about how we pool the risk of asset loss."

Among the potential areas for bipartisan consensus, said Summit participant Jason Fichtner, senior research fellow at the Mercatus Center, are unemployment-insurance reform and possible improvements to the Earned Income Tax Credit, both of which could draw bipartisan support.

"If we can reform these systems and give the asset-poor majority in this country a non-labor-based source of income and assets, we will grow the economy," said Summit participant and CFED Founder Bob Friedman.

### **3. Make Retirement Security for All a National Policy Priority**

While volatility is an emerging concern, the inadequacy of savings and retirement security remains a foundational crisis for American households, especially for lower-income and minority households.

At the 2015 Summit, three major priorities emerged for improving Americans' retirement security: (1) solving the retirement-coverage gap; (2) ensuring lifetime income; and (3) expanding tax incentives for low-income savers.

#### **Solving the Coverage Gap**

While retirement security is a perennial concern, the changing nature of the labor market and the widening coverage gap are added challenges today. As Summit participant Lata Reddy, president of the Prudential Foundation, noted, "how to get benefits to workers with non-traditional employment" is a growing worry, as is covering workers at smaller firms that lack employer-provided benefits.

The lack of access is also a major contributor to the growing racial wealth gap. In California, for example, State Treasurer John Chiang [reports](#) that "more than two-thirds of workers without access to a workplace retirement plan are people of color, including 68 percent of Latino workers and more than half of African-American workers."<sup>64</sup>

One potentially promising avenue highlighted by Summit participants is state-led innovation to provide "auto-IRAs" or other mechanisms for smaller employers to provide a savings plan.

For example, California's [Secure Choice](#) program, Oregon's [Retirement Savings Plan](#) and a similar program in Illinois, are moving forward toward likely rollouts in July 2017. Whitman said at least 12 more states are also laying the groundwork for similar efforts. "Red states, blue states, and purple states are all looking at these options," she said. "It's in states' interest to act. If people don't have enough funds to secure their future, they will tap Medicaid and other public services."

In videotaped remarks, Secretary of Labor Thomas Perez highlighted the need to expand coverage and noted that his staff would be issuing rules to guide state innovation by the end of this year.<sup>65</sup> State Rep. Tobias Read, who shepherded legislation to launch Oregon's plan, said he hoped that with federal guidance, states will eventually develop a "network" of state-based retirement plans, much as they have done with 529 savings plans.

At the federal level, Summit participants noted the Treasury Department's recent launch of [myRA](#), an innovative retirement savings program for both individuals and employers.<sup>66</sup> Among the program's benefits, said Summit participant Mary John Miller, former under secretary for domestic finance at the US Treasury Department, are the ability to set up automatic payroll deductions, the absence of fees, and the use of Treasury savings bonds to provide safe investments. Accounts are also capped at

\$15,000. The intent of the program is not to compete with the private sector, Miller said, but to grow the accounts to a size where they can be rolled over into private, more diversified accounts.

Summit participants also highlighted the potential benefits of reforming multiple employer plans (MEPs) as a way for small businesses to pool their purchasing power. Current law severely restricts such arrangements, said Kalamarides, by requiring a "commonality of interest" among the pool of potential employers, by imposing joint and several liability on each member of the pool (the so-called "one bad apple" rule), and by considering employers as fiduciaries even if they don't control the decision-making of the group.

Kalamarides said small changes, such as removing the "one bad apple" rule and allowing MEPs to transfer fiduciary responsibility to an independent entity would encourage more small employers to offer savings plans to their workers. Kalamarides also noted that bipartisan support already exists for this set of proposals, which was also the top recommendation of the Senate Finance Committee's Savings and Investment Bipartisan Tax Working Group.<sup>67</sup>

### Guarding Against Income Inadequacy in Retirement

The relative inadequacy of Americans' retirement savings, coupled with the decline in traditional pensions and Americans' longer lifespans, means that many Americans are likely to outlive their savings. For many Summit participants, access to a lifetime income stream is an increasingly urgent priority.

"It's imperative to the economy, and it's imperative to individuals to ensure that there's income security and retirement-income security," said Summit participant Karen Elinski, senior vice president and head of government relations and public policy at TIAA-CREF.

The first line of defense, many Summit participants said, is to preserve the long-term viability of Social Security, which provides lifetime income, includes survivors' benefits, and is progressive. "Social

Security is already the perfect retirement plan," said Summit participant Maya Rockeymoore, president and CEO of Global Policy Solutions. According to the Center on Budget and Policy Priorities, **65 percent** of all seniors and 76 percent of seniors over age 80 get the majority of their cash income from Social Security.<sup>68</sup> It also provides 90 percent or more of all income for 46 percent of African-American seniors and 53 percent of Hispanics. "We need to strengthen Social Security," said Harkin.

Summit participants also stressed the importance of supplementing Social Security by increasing access to simple and affordable annuities. A 2015 survey by TIAA-CREF found that while **84 percent** of Americans say having a guarantee of monthly income for the rest of their life is important to them, only 14 percent have actually purchased an annuity.<sup>69</sup> Another survey by Prudential found that **51 percent** of Americans invested in a retirement savings plan incorrectly believe that target-date funds include a lifetime income option.<sup>70</sup>

Small changes can increase awareness of the need for adequate lifetime income, said Summit participant Derek Dorn, vice president and senior counsel at TIAA-CREF. For example, the [Lifetime income illustration](#) now available to federal workers—which calculates estimated monthly payments in retirement based on a person's retirement account balance—should be broadly available to all employees, he said. Another option, said Elinski, is to include annuities as a "[qualified default investment alternative](#)"<sup>71</sup> under Department of Labor rules for automatic contributions to retirement accounts.

### Expanding Tax Incentives for Low-Income Savers

A third federal proposal discussed at the Summit was the [USA Savings Match](#), which would expand the existing Saver's Credit by making it refundable (expanding it for families who do not have net federal income tax liabilities) and converting the credit into a matching payment that would be deposited directly into a qualified savings account. "This is one way to turn what's happening in the states into valuable asset building for low-income savers," said Whitman.



**"It's imperative to the economy, and it's imperative to individuals to ensure that there's income security and retirement-income security."**

**- Karen Elinski, Senior Vice President & Head of Government Relations and Public Policy, TIAA-CREF**

**"It costs more to be poor. It costs more to be a woman. It costs more to be black or brown... Financial wellbeing includes a fair and transparent marketplace where people aren't afraid to access a product because of who they are."**

- Maya Rockeymoore, President & CEO Center for Global Policy Solutions



A final way in which federal policy could encourage more investment and innovation in savings would be to change how the Congressional Budget Office (CBO) "scores" the cost of federal tax deferrals for savings. Under current rules, said Summit participant Eugene Steuerle, senior fellow at the Urban Institute, the true cost of tax credits provided to individuals to spur savings are over-estimated. Because the taxes are captured when investors withdraw funds—which typically happens well past the CBO's ten-year budget calculation window—the value of the future revenue is not considered. Changing this approach, said Summit participants, could help clarify what savings programs truly are—cost-effective investments in Americans' financial security.

#### **4. Strike the Right Balance between Education, Advice, and Protection in Financial Markets**

A fundamental—but inevitable—tension in discussions of financial-security policy is the extent to which responsibility rests with consumers versus regulators in financial decision-making.

At the 2015 Summit, participants called for balance. Policy and market leaders have spent decades focused on financial literacy and education, with its emphasis on textbook knowledge of such concepts as budgeting and compound interest. But Americans now need a far more expansive approach. Having the right knowledge has little impact if it does not translate to sound habits and decision-making and if the right products aren't in the marketplace.

"Even a clean and accessible market needs an effective consumer," remarked Hillebrand, also noting that the reality today in financial markets is not yet "clean and accessible." So as important as it is to build educated and effective consumers, Summit participants also cautioned that consumer protection through regulatory oversight deserves

equal emphasis. "Literacy cannot help you fight discrimination," said Spriggs. Nor can consumers overcome structural inequities or the lack of access to appropriate and affordable products.

Households underserved by traditional financial services, for example, are disproportionately low-income and minorities, and they pay disproportionately higher fees. One government study estimated that unbanked and under-banked Americans spent as much as [\\$89 billion](#) on interest and fees for "alternative" financial services in 2012, such as check cashers, title loans, pawnshops, and payday loans.<sup>72</sup> For a typical household that relied on such services, according to the same study, these fees could account for as much as 9.5 percent of a household's income—or the same share spent on food.

"The marketplace is a minefield," said Rockeymoore. "It costs more to be poor. It costs more to be a woman. It costs more to be black or brown... Financial wellbeing includes a fair and transparent marketplace where people aren't afraid to access a product because of who they are."

At the same time, Summit participants also stressed the importance of modernizing the regulatory infrastructure around the provision of investing advice.

While the increasing prevalence of defined-contribution plans means more Americans must make their own investment and planning decisions, "most of the thinking about investment advice originated in the 1930s," said Summit participant Yvette Butler, president of Capital One Investing.

Consumers' current distrust of the financial-services industry is symptomatic of the need for improvement, said Butler. For example, Capital One's 2015 "Financial Freedom" survey found that while [23 percent](#) of investors "don't trust themselves to make trading or other decisions related to their accounts," 58 percent also said that "distrust of the markets and/or financial-services industry is negatively impacting their

confidence about investing.”<sup>73</sup> On the issue of trust, Butler said, “We have a race to the bottom between financial-services institutions and government.”

To help reverse these trends, said Butler, consumers need financial advice that is transparent, in their best interests, and easily accessible.

Moreover, said Summit participant Alex Benke, director of advice products at Betterment, the regulatory framework around investment advice should take into account and encourage technology-based innovations that help consumers. For example, said Benke, Betterment uses what the company calls “behaviorally-driven design and algorithmic

processes” to help manage participants’ money. Moreover, customers receive significant investment guidance and advice through web and technological tools. While these tools have enabled the company to dramatically lower fees for investors, Benke said, Betterment’s business model was also never contemplated under the current regulatory regime, built solely with human advisors in mind.

Ultimately, said Capital One’s Butler, consumers need “the right mix of digital tools, products, and guidance,” which an appropriate regulatory framework can help facilitate.



# CONCLUSION

The anxiety stalking American households cannot be solved without also addressing the underlying financial insecurity now threatening Americans' day-to-day and long-term financial health.

Americans not only need new skills to navigate a more volatile world, they also need the support of a government that offers fresh policies and a market that offers financial services and products that help build, not diminish, household balance sheets and financial wellbeing.

By taking steps now to rebuild the financial security of American households, we can help restore American confidence and ensure the nation's future growth. No task is more vital.

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