Creating a Retirement Dashboard for the United States

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I. Introduction

Navigating the American retirement system is not easy. Planning for retirement is a complicated and uncertain exercise and unbiased information is often difficult to separate from sales pitches. Because most workers change jobs, and hence retirement plans, multiple times during their working lives, developing a comprehensive picture of one's retirement resources can be challenging. In addition, even successful retirement saving strategies can be undone rapidly if funds are withdrawn before retirement, even if there are good reasons for such withdrawals.

Workers across the world face similar problems. To help address these issues, some governments and pension providers have created pension registries—websites where people can see in one location all their retirement benefits, including Social Security, employer-sponsored or "occupational" plans, and individual retirement accounts (IRAs), and including contact information for the administrator of each plan or account. Other countries have gone further and developed national, online retirement "dashboards"—websites that include a registry and also offer expanded functions such as recovering and consolidating lost accounts, projecting estimated retirement income, expanding financial literacy, and providing or referring unbiased financial advice to users.

In this policy brief, we discuss a retirement dashboard for the United States. A dashboard would be a tool that could reduce the strain that our complex retirement system imposes on households. An effective dashboard could help employees and other savers, employers, recordkeepers, asset managers, plan providers, and the government, all of whom have an interest in ensuring that workers understand and manage their retirement savings appropriately.

The private sector does not currently provide such a dashboard and is unlikely to be able to do so. Fintech applications typically help retrieve only those accounts the user is already aware of and often charge for their services. Some applications can search data bases, but recordkeepers and asset managers may be reluctant to allow access to possible competitors. Moreover, we believe a national online retirement dashboard should have standard features, avoid conflicts of interest, and be available to everyone free of charge. For-profit providers are unlikely to provide free dashboards – especially for people who are not their clients – and keeping private-sector dashboards conflict-free, otherwise consumer-protective, and with standard disclosures and other features would be a challenge. Accordingly, while the private sector could conceivably provide a dashboard, we believe it would be most effectively and reliably provided through a website sponsored or co-sponsored by the federal government.

II. How a Dashboard Could Help People Meet the Challenges of Retirement Planning

People must make decisions about their retirement income far in advance, but each person passes through life only once. Thus, everyone is a novice in preparing for retirement, and any insights must be learned from the actions or advice of others. This section reviews several ways a dashboard could help by providing unbiased, practical information during people's working years, as they accumulate retirement savings.[1]

A. Finding and Consolidating Lost Accounts

1. Background

The most common purpose of a retirement dashboard is to include a registry showing users all their retirement benefits and enabling them to find lost or missing accounts from

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[1] Dashboards could also help people navigate the process of converting retirement savings into income, a topic we leave to future research.

previous jobs. The U.S. Bureau of Labor Statistics reports that people between ages 56 and 63 in 2016-17 held an average of more than 12 jobs in their lives, including, on average, nearly 5 jobs between ages 35 and 52.[2] As a result, workers may have to keep track of multiple retirement plans from past jobs, some of which may date back several decades. While plan sponsors' widespread use of automatic enrollment in recent years has greatly expanded participation, one by-product is numerous small accounts belonging to former employees, who often are unaware that the account exists because it was established without requiring them to take any action.

Finding lost or missing accounts or participants is not easy. Several federal agencies offer resources, and states maintain unclaimed property data bases, but – separately and in the aggregate – they are far from comprehensive. As a result, it is difficult to estimate the number of lost accounts or the associated balances. A 2014 Government Accountability Office (GAO) report found that in the previous nine years, workers had left about $8.5 billion at their previous employers in more than 16 million accounts of $5,000 or less.[3] Including larger accounts, GAO estimated that workers had left behind 25 million accounts. The report does not estimate total lost balances.

2. How a Dashboard Could Help

Improving portability could prevent many accounts from being lost in the future but would not help locate accounts that are already lost. American workers could more easily find and recover lost accounts if an easily navigable website housed a data base that included the existence and current location of all their accounts and explained how to claim and consolidate those accounts. To that end, a bipartisan bill, the Retirement Savings Lost and Found Act, would

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[2] U.S. Bureau of Labor Statistics (2019).

[3] Government Accountability Office (2014).

create an online national "lost and found" data registry and search tool to help savers locate inactive accounts, including current contact information for plan administrators maintaining the accounts.[4] This could create a data source for a national dashboard.

Combining accounts can simplify people's portfolios and save fees, especially on small or inactive accounts. But investors can be deterred from consolidating accounts by investment firms that are reluctant to lose the assets under management.

B. Reducing Pre-Retirement Leakage

1. Background

The loss of retirement income from pre-retirement withdrawals that are not rolled over to another plan or an IRA appears to be quite large.[5] Public policies aim to reduce such leakage by imposing withholding taxes and penalties.

Nevertheless, participants, especially those with lower balances or lower income, and younger participants, often need or want use of the funds immediately.[6] According to a 2009 GAO report, 89 percent of leakage occurs because of cash outs at termination of employment.[7] A study by researchers for the Joint Committee on Taxation found that, in 2014 alone, 20 percent, or $65.5 billion, of withdrawals from DC plans and IRAs went to pre-retirement-age people.[8] Pre-retirement withdrawals of retirement savings can, of course, be necessary in some

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[4] The bill was introduced in the Senate as S.2474 by Elizabeth Warren (D-MA) and Steve Daines (R-MT), and in the House of Representatives as H.R.6540 by Suzanne Bonamici (D-OR) and Jim Banks (R-IN). It includes a requirement that plan administrators update the registry annually on changes in the location of employees' retirement benefits.

[5] Argento, Bryant and Sabelhaus (2015), Goodman et al. (2019), Munnell and Webb (2015).

[6] Bryant, Holden, and Sabelhaus (2011), Burman, Coe, Dworsky, and Gale (2012), and Burman, Coe, and Gale (1999).

[7] Government Accountability Office (2009). See also Savings Preservation Working Group (2019), Alight (2019).

[8] Goodman et al. (2019).

circumstances. Some liquidity also encourages plan participation by assuring potential savers that they can access their retirement savings in the event of financial hardship.

2. How a Dashboard Could Help

Because most leakage occurs at job changes, reforming the rollover rules and practices—including expansion of automatic rollovers and automatic portability—would likely have the greatest impact. Dashboards could play a meaningful supporting role in reducing leakage by helping people understand the short- and long-term consequences of cashing out their funds and the ways to preserve savings through retention or rollover.

C. Providing Useful and Unbiased Financial Information

1. Background

The shift in the retirement system from pensions to 401(k) retirement savings plans and IRAs has placed a heavy burden on savers to make key financial decisions. The spread of automatic features has eased this burden for many people and expanded participation but does not substitute for financial literacy.[9] And because financial literacy generally is lower among groups with less access to financial resources—including Black and Hispanic Americans and women—providing better resources for them may also help address racial, ethnic, and gender disparities in wealth.[10]

Financial advisers often improve outcomes for retirement savers but too many have allowed their own financial interests to bias their advice. During the Obama Administration, the DOL promulgated rules intended to ensure that retirement investment advisors act solely in the best interests of their client. But a court decision and action by the Trump Administration

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[9] See, e.g., Orszag, Iwry, and Gale (2006) and Gale, Iwry, John, and Walker (2009).

[10] Federal Reserve Board (2020).

overturned the rules. Therefore, a considerable need for more unbiased and widely available retirement planning advice remains. This is particularly true because many financial advisors are not interested in serving people who do not have substantial net worth.

2. How a Dashboard Could Help

The United States offers more types of retirement information programs than any other country in the Organisation for Economic Cooperation and Development.[11] These include websites, awareness campaigns and events, comparison tools, pension statements, calculators, simulators, retirement planning seminars, and counseling services. The Treasury Department heads up a 22-agency federal government-wide Financial Literacy and Education Commission. Collecting these resources, or links to these resources, on a single site that contains an individual's financial information could make them easier to find and increase usage.

III. An American Dashboard

As summarized in Table 1, other countries have already built retirement dashboards with particular objectives in mind. A U.S. dashboard should seek to address demonstrated problems in our retirement system. We provide an ambitious list of objectives, below, ranging from core functions to more aspirational possibilities. Policy makers may reasonably choose to prioritize particular problems, addressing the most urgent first and phasing in solutions for other issues over time. We believe the following goals should be central:

- *Help people find and retrieve inactive accounts and lost benefits*

- *Provide a comprehensive picture of all retirement benefits*

- *Facilitate consolidation of accounts where appropriate*

- *Serve as a central source of educational material and other unbiased information*

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[11] OECD (2016).

- *Help people plan*

- *Help reduce unnecessary leakage from the retirement system*

To work effectively, a retirement dashboard should have certain key attributes. It should be easy to find, access and use. It should be available free of charge. It should require data standardization so that information from different providers can be compiled and provide users a complete picture of their retirement benefits. It should be secure. It should require participation from all retirement plan providers, as is the case in most other countries with dashboards.

In its 2014 report, GAO recommended that a national dashboard be a governmental undertaking, involving, at the very least, the U.S. Departments of Labor, Commerce, and the Treasury. The government would need to ensure participation and cooperation by all providers, supervise the site, and develop and enforce rules. None of this requires that the government host the site—in some other countries, for example, organizations formed by public-private collaboration host the dashboards.

IV. Assessing the Dashboard

The experiences to date with dashboards in other countries suggests that dashboards could help alleviate some of the difficult problems that retirement savers face. That said, establishing a dashboard would entail significant challenges, albeit ones we believe can be surmounted.

A. Scale and Complexity

The U.S. private retirement system is much larger and more diverse than those in countries that currently have dashboards.[12] This will make the establishment of a U.S.

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[12] Private pensions and retirement plans hold more than $28 trillion in assets for the benefit of over 90 million individuals. About two thirds of retirement assets are held among more than 700,000 401(k), pension, and other

retirement dashboard difficult, especially given the need for universal participation among plan sponsors, recordkeepers, asset managers, investment firms, and others.

B. Industry opposition

Efforts to develop a dashboard should continually invite input from all stakeholders and carefully consider legitimate concerns. Recent efforts to reform the U.S. private pension system to better serve the interests of American workers by making rollovers between plans easier and faster, making consolidation of accounts less problematic, and making investment advice less conflicted and clearer, faced well-financed political opposition from sectors of the financial services industry. Many in the industry will feel threatened by a dashboard.

C. Cyber-security

Cyber-security safeguards and protections are obviously essential to getting users to participate. Dashboards in other countries have shown that security risk can be managed effectively. One way to reduce such risk is let users use a dashboard to request information from participating providers and quickly assemble a comprehensive picture of the individual's resources. Once the user has reviewed and perhaps copied or transmitted the information to a secure, personal destination, the information would disappear from the dashboard.

D. Funding the costs

Plan providers will face compliance costs in adhering to compulsory data standardization and security standards, staffing this operation, and developing internal guidelines to comply with dashboard regulations. Especially at the outset, government may have to subsidize some of these costs with temporary tax credits or other approaches. Because use of the dashboard can be

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employer-sponsored retirement plans, while the remaining third is held in some 46 million individual retirement accounts (Investment Company Institute (2019, 2020), Employee Benefits Security Administration (2018)).

expected to increase gradually, costs per user might be high at first; but with robust marketing, usage should grow, and per-user costs can reasonably be expected to decline over time.

V. Conclusion

The American private pension system—a market-based public-private joint venture often driven by the financial interests of competing investment and recordkeeping firms—needs to place a higher priority on making life easier for savers. While automatic features have made huge strides in simplifying enrollment, saving, and investing in plans that use them, the retirement system remains fragmented and complex, and requires decisions that most people are not equipped to make.

Savers could benefit from a retirement dashboard—a single website that they can be confident is operated solely in their interest. The emergence and popularity of dashboards in other countries, and the demonstrated need to assist savers in managing their own retirement planning strongly suggest that U.S. policy makers should make it a priority to develop a retirement dashboard for American workers. Of course, the U.S. can view existing registries and dashboards as instructive examples for developing its own version. As a first step, a feasibility task force, like the one GAO recommended to DOL, could build relationships with the teams that built and manage foreign dashboards.[13]

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[13] Government Accountability Office (2019).

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Table 1. Retirement Dashboards and Similar Facilities in Other Countries

	User access	Data access	Objective	Functions	Financial support
Australia	Digital ID	Central database	Finder service	Rollovers, consolidation	Government general revenue, pension industry tax
Belgium	Digital ID	Information	Finder service	Projections	Government general revenue
Denmark	Digital ID	Live requests	Information	Projections	Pension providers voluntarily
Israel	Credit card number	Data clearing house	Finder service	Document transfer, update contact information, private financial advice	Government general revenue, participant charges
The Netherlands	Digital ID	Live requests	Information	Projections	Pension providers, per participant
Sweden	Digital ID	Central database	Information	Information sharing, (new features in development)	Government general revenue, pension providers

Sources: Government Accountability Office (2014)*,* U.K. Department for Work and Pensions (2018), and Lindley (2019).