REFERENCE LIST
February 2016

How Americans Manage their Finances.

February 2016-Anna Rappaport Consulting

Americans are aging rapidly. Meanwhile, the financial marketplace has become increasingly complex due to the new emerging technologies. The convergence of these demographic and technological trends raises questions about the financial experiences of older adults in the years ahead. Nearly half the respondents report that – despite the rebound of the economy – they experienced "major financial stress" within the prior three years. The inability to meet a large unanticipated expense also may signal financial stress. When asked about how hard it would be for them to pay for an unexpected expense of $1,000, fewer than a third of say they could easily pay for this expense. However, that percentage was higher for older adults (39 percent). It is notable that many older adults carry debt – such as credit card, student loan or mortgages – potentially undermining their financial security. Mortgage debt is of particular significance because homes comprise the largest component of net worth of many older adult households. Some financial decisions – such as refinancing a mortgage, managing investments or retiring – are complex and have long-term consequences. As seen in the 2012 Older Adult Survey and confirmed here, a large fraction of respondents do not seek advice when deciding whether to refinance their mortgage or how to invest their retirement savings.

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How do Non-Financial Factor Affect our Retirement Decisions?

February 2016- Center for Retirement Research, Boston College

The brief's key findings are:

- Studies show that financial factors have a statistically significant, but small, impact on retirement decisions.
- So it is not surprising that non-financial factors have a major influence on those who choose to work into their late 60s or 70s.
- When workers retire, they are often being pulled by a desire for other activities rather than pushed by a dislike of work.

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Home Equity: a Retirement Resource.

February 2016- Center for Retirement Research, Boston College

The National Council on Aging (NCOA) has redesigned its website providing information for "house rich but cash poor" older people who want to think about tapping their home equity. Home equity – the house's market value minus the amount owed on the mortgage – remains a largely unused source of income that many older Americans could be putting toward their medical care or to improve their lives.

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401(k) participant behavior in a volatile economy.

January 2016- Journal of Pension Economics and Finance, Cambridge

The booms and busts of the late 1990s and 2000s have taken 401(k) plan participants on a rollercoaster ride. Using data from administrative tax records and household surveys, this paper examines how participants responded to these periods of economic expansions and contractions by documenting changes in 401(k) participation, contributions, and contribution rates from 1990 to 2009. Controlling for earnings, job changes, and other household factors, we find that workers reduce their 401(k) participation and contributions during recessions – suggesting that they may be responding to changes in their expectations about the economy and stock market. We estimate that changes in participant behavior during the Great Recession, in particular, could lower 401(k) assets of the typical 30-year-old by as much as 8% at age 62.

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Forward Mortality Rates in Discrete Time II: Longevity Risk and Hedging Strategies.

January 2016- Pensions Institute

Longevity risk has emerged as an important risk in the early 21st century for the providers of pension benefits and annuities. Any changes in the assumptions for future mortality rates can have a major financial impact on the valuation of these liabilities and motivates many of the longevity-linked securities that have been proposed to hedge this risk. Using the framework developed in Hunt and Blake (2015b), we investigate how these assumptions can change over a one-year period and the potential for hedging longevity risk in an illustrative annuity.

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Basis Risk and Pension Schemes: A Relative Modelling Approach.

January 2016- Pensions Institute

For many pension schemes, a shortage of data limits their ability to use sophisticated stochastic mortality models to assess and manage their longevity risk. In this study, we develop a relative model for mortality, which compares the evolution of mortality rates in a subpopulation with that observed in a larger reference population. We apply this relative approach to data from the CMI Self-Administered Pension Scheme study, using UK population data as a reference. We then use the relative approach to investigate the potential differences in the evolution of mortality rates between these two populations and find that, in many practical situations, basis risk is much less of a problem than is commonly believed.

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Synthesis Paper: The role of actuarial calculations and reviews in pension supervision.

September 2015-The International Actuarial Association (IAA) and The International Organization of Pension Supervisors (IOPS)

Actuarial calculations and reviews provide information that is often viewed as very crucial for risk management and governance of pension funds. As such, among other things, pension fund managers and/or trustees customarily use actuarial calculations and reviews in making funding and investment decisions and in assessing risk exposures. Therefore, calculations and reviews play a significant role in the operation and, ordinarily, in the supervision of pension funds. This synthesis paper briefly describes calculations and reviews, the role of the actuary as well as other different professionals undertaking these calculations.

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