KEN FIREMAN: I'm Ken Fireman, the managing editor for *SAGE Business Researcher.* And I'm talking with Heather Kerrigan, who has written a report on the retirement gap. Hello, Heather.

HEATHER KERRIGAN: Good morning.

KEN FIREMAN: Let me begin by asking you to give us a basic working definition of the retirement gap. What exactly is it?

HEATHER KERRIGAN: Sure. So essentially, it's the difference between what individuals should be saving to cover their needs in retirement and what they are actually saving at present.

KEN FIREMAN: And that gap is growing, I gather. Is that right?

HEATHER KERRIGAN: It is. It's growing especially as more Millennials are entering the workforce just because they're kind of the generation that's up against most barriers to saving for retirement.

KEN FIREMAN: Right. The main cause of the gap, as I understand it, is the fact that Americans simply aren't putting aside enough money for their retirement. Why is that?

HEATHER KERRIGAN: There are a lot of reasons. Some researchers have found that it's really just as basic as individuals aren't educated on the fact that they should be putting aside money for retirement, or they don't understand what's available to them in their plan. There's been-- some social psychologists have actually looked into a misunderstanding of or just generally being nervous of how to invest those funds. That kind of acts as a barrier to folks entering retirement plans.

Since the-- I guess we'll call it the end of private sector-defined benefit plans, or the end of offering those to employees, that has also really increased the gap. When pensions, an employer offers them, it's easier for an employee to participate. They don't necessarily have to put anything away. But they might have a secure retirement that's offered by their employer. And they can kind of rely on that.

Now that we're in the era of the defined contribution plan, the 401(k), that requires a lot more on the part of the employee. They have to make a decision about what they're going to put away, if they're going to save, and how that money will be invested. And that is a problem for a lot of folks.

KEN FIREMAN: Right.

HEATHER KERRIGAN: And we're also finding that individuals either don't have access to a plan through their employer-- their employer has chosen not to offer any kind of retirement savings account-- or they don't meet the minimum qualifications to participate in it. They don't work enough hours. They don't have enough time with the employer, different things of that nature.

KEN FIREMAN: So there's a lot of moving parts here. It's a complex situation.

HEATHER KERRIGAN: A lot. A lot.

KEN FIREMAN: You mentioned Millennials, which gives rise to another question. Is the retirement gap uniform across generations, or does it affect different age groups in different ways and some more than others?

HEATHER KERRIGAN: Sure. What we're finding right now-- that it's really affecting Millennials more than others. And it goes to that-- a lot of people want to believe that Millennials have avocado toast and latte budgets. And so they're just blowing their money and they're not saving. But researchers have actually found that Millennials are as good, if not better than, other generations at saving their money and that financial planning.

However, the economy that they entered when they started working wasn't very good-- being part-time employment. They're contract or gig workers. They hadn't been with an employer long enough to participate in a plan. They're working 30 hours. And they need to be working 40 to be able to participate. That age group, as well as Gen X-- so a little bit older than the Millennials-- they're also going to be hit, at least right now, with a Social Security issue.

So in 1983, the plan increased ... the full retirement age from 65 to 67 gradually through 2027.

KEN FIREMAN: Right.

HEATHER KERRIGAN: What these individuals-- they're going to be retiring later. So that means that they're not going to have the benefit of as many years of payment in retirement through Social Security.

KEN FIREMAN: Right.

HEATHER But right now, Social Security is also looking at only being able to pay out 75% of benefits by

KERRIGAN: the early 2030s unless Congress does something to shore up that gap.

KEN FIREMAN: Yes.

HEATHER KERRIGAN: So not only are they working longer, they're also going to be getting less benefit from Social Security.

KEN FIREMAN: Right.

HEATHER KERRIGAN: And added to this for Millennials is just rising health care costs, increased longevity, and they are also facing lower returns on their investments than people have in decades past.

KEN FIREMAN: Right. Greater longevity is not bad news. But it does create unintended consequences, I guess, would be the way to put it.

HEATHER KERRIGAN: Exactly. Exactly.

KEN FIREMAN: Now, what are some of the ideas that experts have put forward for increasing retirement savings?

HEATHER KERRIGAN: Sure. Something that goes from the very simple of just providing employees more information on how to participate in a plan, what the benefits of participation in a plan are, and then if they have decided to participate in a plan, giving them a quarterly or an annual statement of what they currently have set aside in that plan and what that actually means once they retire. So if you have $100,000 now, in 20 years, what does that look like? How much more do you need to set aside, or are you doing pretty well?

Some other suggestions have been-- auto-enrollment is pretty popular in the private sector right now. And it's kind of gaining steam in the public sector. And that means that once an employee starts in your company, you automatically enroll them into your retirement plan. And it requires the employee to opt out of the plan rather than opting into the plan. And that kind of, that barrier of having to actually do a written notice to your employer that you don't want to participate, keeps a lot of individuals in the plan.

Now, auto-enrollment plans also are often paired with auto-escalation, which means that at certain points in the employees' tenure with the employer, that percentage is being pulled out of their payroll going into the retirement plan increases. And the idea is that these increases are tied to cost-of-living adjustments, or they're tied to regular pay raises. So the employee never really knows it-- they're not taking a hit personally-- and that more money's coming out of their account.

Some other popular things right now-- they're-- back in 2016, the Department of Labor passed a regulation allowing states to introduce individual-- auto individual retirement accounts for private sector employees who don't otherwise have access to a plan through their employer. And it is a state-administered plan. Money just comes out of the employee's paycheck, as it would in any auto-enrollment plan. And the employer doesn't have as many issues that they have to deal with the setting up the plan. They have some administrative paperwork that they have to do with the state. But by law, the employer does not have to make any kind of matching contribution. So the employer's kind of a little more off the hook with this. It makes it a little bit easier for the employer to offer it.

In 2017, both houses of Congress passed a joint resolution eliminating the regulation. And that was signed by President Trump in May of 2017. The states have-- that have already passed legislation to start the plans have vowed that they're going ahead of them. So Oregon started theirs in March of this year. And they already have about 600 employers signed up, about 31,000 employees, with the hope that it will be rolled out to the full state by 2020.

So the only one is that for folks that are nearer to retirement or actually in retirement, some other suggestions that have been made for them to help them kind of close that gap is actually relying more on looking at their home and their assets. So a lot of folks say, well, my home is going-- I'm going to give it to my children when I pass. This is my estate. And retirement experts have kind of suggested that they look at it as, well, is that more important than how you live in retirement? So can you sell your house and downsize and use the profits or the proceeds to benefit your retirement? Can you use your home equity? Can take out a loan against it to help pay your cost in retirement?

And some states, like Massachusetts in particular, have moved to allowing individuals, once they reach a certain age and a certain-- if they're at a certain income level, they can defer paying their property taxes and use that extra money to cover themselves in retirement. And then whatever is owed to the taxing authority is paid back from their estate when they pass, or it's paid back upon the sale of the home.

KEN FIREMAN: Well, it sounds like there's a lot of interesting ideas out there for dealing with this. We've been speaking with Heather Kerrigan, the author of the *SAGE Business Researcher* report on the retirement gap. Thanks very much, Heather.

HEATHER KERRIGAN: Thank you.