

## Future Retirees at Greater Risk of Hardship

This week's AAI **Weekly Digest** highlights these "must-read" AAI articles:



### Future Retirees at Greater Risk of Hardship

Most current retirees appear able to withstand some type of financial shock. Future retirees may have more difficulty doing so due to changes in the retirement system, says a research fellow at the Center for Retirement Research (CRR) at Boston College.

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### Grasshoppers and Ants in Retirement

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. Johnson, Ph.D.,  
CFA, CAIA

According to Aesop's fable, ants gather food in preparation for winter, while grasshoppers play instead. Likewise, humans' spending habits can be thrifty or lavish. Lifetime spending habits,

whether they lean toward thriftiness or spending, can be difficult to break. This leads “ants” to spend less in retirement than they are financially able to. “Grasshoppers” tend to more closely follow economic theory, effectively smoothing their spending patterns between their working and retirement years.

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## Retirement Doesn't Negatively Impact Health

Separate studies of Australian and Danish retirees looked at the impact that retirement has on health outcomes. Neither study found a negative impact.

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## Required Retirement Savings Rate Depends on Age and Income



Saving 15% of income for retirement is a common rule of a thumb. The actual number depends on the amount of replacement income needed, when the worker starts saving for retirement and when they plan to retire, according to the Center for Retirement Research at Boston College.

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Our [Member Question](#) for this week is:

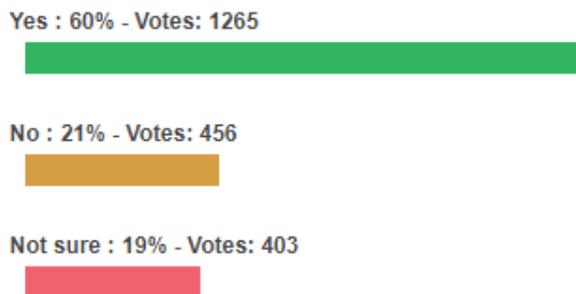
***Earlier this month, President Trump said “the Fed is making a mistake,” in response to the central bank’s campaign to gradually raise short-term interest rates, adding, “I think the Fed has gone crazy.” In response, former Federal Reserve chair Janet Yellen said attacking the central bank for raising rates as it deemed necessary “would politicize the Fed.” She continued, “It would undermine the confidence that the Fed has a commitment to price stability and to politicize it and to undermine that is something that is essentially damaging to the Fed and to financial stability.” With whom do you agree more?***

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**Vote to answer this week's Special Question: *Do you think it is appropriate for a sitting president to publicly criticize monetary policy undertaken by the Fed? Why or why not?***

### Last Week's Results:

Legislation was introduced last week in the U.S. Senate aimed at breaking up the nation's six biggest banks—JPMorgan Chase & Co., Bank of America, Citigroup, Wells Fargo, Goldman Sachs and Morgan Stanley. The "Too Big to Fail, Too Big to Exist" bill would cap the size of the largest financial institutions so that a company's total exposure is no more than 3% of GDP, about \$584 billion today, the bill states. The bill would also address large nonbank financial service companies such as Prudential, MetLife and AIG. These "Too Big to Exist" institutions also would no longer be eligible for a taxpayer bailout from the Federal Reserve and could not use customers' bank deposits to speculate on derivatives or other risky financial activities. Do you support this legislation?



*Poll results are as of 9 a.m. (Central) on Monday. 2,303 respondents.*

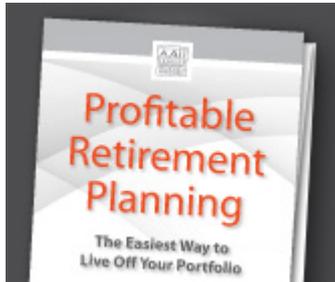


[AAll Survey: Investors Weigh in on Proposed "Too Big to Fail" Legislation](#)

Legislation recently introduced in Congress would require several financial institutions and

nonbanks to divest business units as part of a “too big to fail, too big to exist” effort. We asked our readers whether they agreed with these efforts by the government and whether they feel such moves would protect the economy and consumers.

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### [AAII e-book: Profitable Retirement Planning](#)

This e-book, which is available exclusively to AAI members, was written to help our members achieve a financially secure retirement. The book offers an overview of many of the primary considerations for retirement planning, including: how much you need to save; where your retirement income will come from; what asset classes you should invest in; and what you should take advantage of in your company’s defined contribution plan (if available).

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