

Gen U: Are We the Lab Rats of Retirement?

How to plan and prepare for uncertainty as we age



By Dr. Joseph Coughlin, Director of the MIT AgeLab

You may not know it but you are a lab rat. Don't be shocked or offended, you have lots of company. Nearly two-thirds of those who joined the workforce in the 1980s, and everyone since then (this means you X'ers, Millennials, and Gen Z), are part of a grand experiment in retirement.

The experiment began four decades ago with the disappearance of defined benefit plans, along with the financial certainty they offered, and the birth of promising, but less certain, defined contribution plans, e.g., 401(k)s. However, over the last 40 years, uncertainty in retirement has evolved to include far more complexity than just your finances—giving birth to a new generation, Generation U, Generation Uncertain. A new generation requiring a new type of retirement advice.

Unlike other generations that are defined by their birth year, Generation U is best defined as those that will not enjoy the retirement income certainty of defined-benefit programs that provided a monthly pension check to many people of our parents' and grandparents' generations. Instead, we unwitting members of Gen U will be at the mercy of the ebb and flow of markets.

That said, not all of Gen U have participated in a 401(k) program. Over the last decade, the number of gig workers has increased by an estimated 6 million people.¹ According

to the US Department of Labor, 55 million people may be gig workers. That's about 34% of the labor market.² The rise of Gen U gig workers means far more people may be facing an uncertain financial future.

It's not financial uncertainty alone that characterizes Gen U's retirement future, it's the context of how life itself in older age will be far more uncertain than it was for previous generations and how most are unprepared to navigate longevity. The novel life and social context that Generation U is retiring into demands a new type of holistic advice to help them successfully navigate longer life and life in retirement.

Good News. You're Likely to Live Longer Than Your Parents

Bad news, you don't know how long and whether your lifespan will outlive your wealth span. Statistics suggest that more than half of us will make it past 85-years old. Have you saved enough? An equally important question is, have you planned for all the things necessary to live a quality life well into your old age?

Planning to work longer to extend your wealth span? Great idea. How's your health? How's your loved one's health?

In Decent Health, Living Longer Is a Gift, So What Will You Do With All That Time?

How will you cash in your longevity dividend? As I have written in previous articles, retirement is one-third of your adult life. Time with grandchildren, travel, 3,000 rounds

of golf, and a few cruises will not fill 8,000 days of today's retirement. During every previous life stage, you have had parents, coaches, counselors, advisors, supervisors, and even books to advise on 'what to expect when...'

Where are you seeking advice today on how best to live in older age?

Your parents had defined-benefit plans (aka pensions) that promised guaranteed income. They had something else that was even better. They had you.

Each successive generation since baby boomers has had fewer children contributing to record low birth rates. Even those households with children may find that their adult children are too busy or live too far away to provide support. The MIT AgeLab's CareHive Consortium research has found, adult child caregiving and support includes phone calls to say "hello" as well as help with the increasingly arduous tasks of home maintenance, transportation, grocery shopping, healthcare, and much more.

Sadly, the largest group of people filing for divorce are the oldest members of Generation U, couples over 50-years old. Yes, the so-called gray divorce is real. Divorce is more than a financial factor, it's a tectonic shift in how most people planned to live in older age. Just when near-retirees thought they would have more time to spend with their spouse—they and their partner find they are spending that time finding separate places to live.

Where To Live?

That choice is now more complex and uncertain. Choosing where to live is no longer a choice between brochure-based

visions of beaches, golf courses, and bikeways. Climate change should now be a consideration in retirement planning. Gen U is set to live a long time—long enough to experience many storms, rising waters, and heat events threatening more than just property but also our very wellbeing.

At Some Point, Many People Will Be Living Solo

Singlehood, divorce, widow or widowerhood, and critical health issues contribute to a rising number of older people living alone. That being said, few members of Generation U have had a conversation with a financial professional (or anyone) on how they will live alone in older age, let alone how to identify the services they will need and how to pay for them. Have you considered who you would trust to aid you in your home as you age and the financial burden that may come with it?

Yes, Gen U, we are the lab rats of longevity and the new retirement. You will be the first to show succeeding generations how to plan, prepare, and live in unprecedented uncertainty. Whom do you turn to for advice? Where do you find trusted information that helps you anticipate challenges you have not considered? Even if you are financially secure, or even wealthy, do you know how you will navigate the new context of life in older age? This is the new frontier of longevity planning, not simply today's practice of retirement planning.

Next Step

Talk to a financial professional. They can help you plan for both the financial and non-financial aspects of today's longer retirements.



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Sources

¹The gig economy has ballooned by 6 million people since 2010. Financial worries may follow, CNBC, 2/4/20

²U.S. Labor Secretary supports classifying gig workers as employees, Reuters, 4/29/21

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