

Can I Ever Retire?: The Effects of COVID-19 on Financial Security

MARCH 2020

Definitions

Target Date Funds: Also known as “lifecycle funds” or “target date retirement funds,” these are mutual funds that invest in a variety of assets including stocks and bonds. The portfolio mix of these funds shifts over time, becoming more conservative as the fund ages and approaches the target date.¹

Fast Facts and Figures

- As of the fourth quarter last year (2019:Q4), households held \$27.1 trillion in employer-sponsored retirement plans.²
- Total household assets as of 2019:Q4 showed U.S. households held \$34.2 trillion in equity securities and \$10.9 trillion in debt securities.³
- Twelve percent of adults would have difficulty paying current bills with an unexpected \$400 expense.
- A study by Northwestern Mutual found that roughly 33 percent of Baby Boomers have \$25,000 or less saved for retirement.⁴
- Fifty-four percent of households have a defined contribution plan like a 401k. Thirty-three percent of households have an Individual Retirement Account (IRA). (See Figure 1 for more details.)
- Thirty percent of individuals older than age 45 in the U.S. have no retirement savings.
- As of 2019:Q4, Americans held a total \$14.15 trillion of debt:⁵
 - \$9.56 trillion in mortgage balances
 - \$1.33 trillion in auto loans
 - \$0.93 trillion in credit card debt
 - \$1.51 trillion in student loans
 - \$0.39 trillion in HE revolving
 - \$0.43 trillion in other types of debt
- As of 2019:Q4, the 40-49 aged cohort in the U.S. held the most debt.⁶ (See Figure 3 for more details.)
- As of 2019:Q4, 1.1 percent of mortgages were 90+ days delinquent and 8.4 percent of credit card payments were 90+ days delinquent.⁷ (See figure 4 for more details.)

¹ U.S. Securities and Exchange Commission. *Target Date Funds*. <https://www.investor.gov/introduction-investing/investing-basics/investment-products/mutual-funds-and-exchange-traded-6>

² 2019 Investment Company Fact Book. Retrieved March 19, 2020, from https://www.icifactbook.org/ch8/19_fb_ch8

³ Federal Reserve. Financial Accounts of the United States: Retrieved from https://www.federalreserve.gov/releases/z1/dataviz/z1/balance_sheet/table/

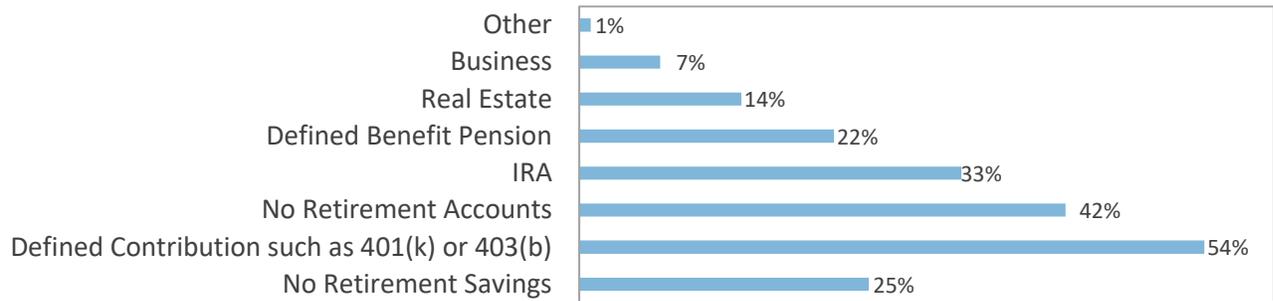
⁴ 1 In 3 Americans Have Less Than \$5,000 In Retirement Savings (2018). Newsroom | Northwestern Mutual. Retrieved March 19, 2020, from <https://news.northwesternmutual.com/2018-05-08-1-In-3-Americans-Have-Less-Than-5-000-In-Retirement-Savings>

⁵ Federal Reserve Bank of New York (2020). *Quarterly Report on Household Debt and Credit*. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf.

⁶ Federal Reserve Bank of New York (2020). *Quarterly Report on Household Debt and Credit*. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf.

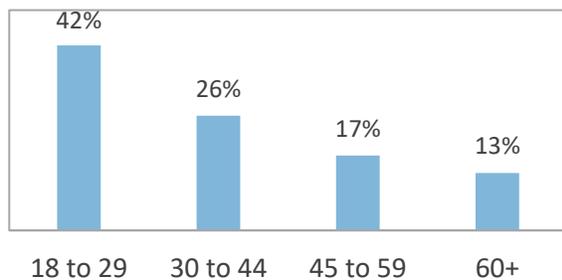
⁷ Federal Reserve Bank of New York (2020). *Quarterly Report on Household Debt and Credit*. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf.

Figure 1: Percentage of Non-retirees with Saving Accounts ⁸



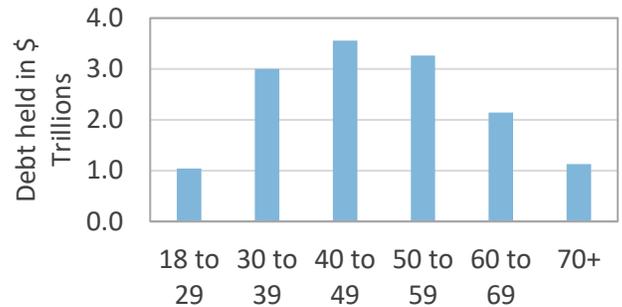
*Respondents can provide multiple answers. Source: Federal Reserve Board of Governors

Figure 2: No Retirement Savings by Age Group of Non-retirees ⁹



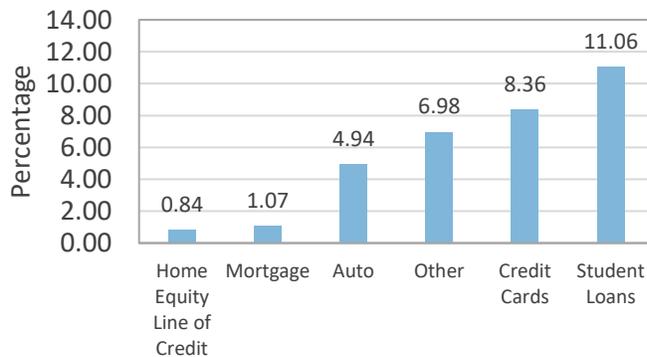
Source: Federal Reserve Board of Governors

Figure 3: Debt Held by Age Cohort ¹⁰



Source: Federal Reserve Bank of New York

Figure 4: Percentage of 90+ days Delinquent by Loan Type for 2019:Q4 ¹¹



Source: Federal Reserve Bank of New York

Figure 5: Market Returns - Year to Date as of 3/20/2020

Asset	2020 Return YTD
US Stocks (S&P 500)	-28.7%
European Stocks (Euro Stoxx 50)	-32.0%
Asian Stocks (ASX 200)	-27.9%
World Stocks (MSCI ACWI)	-29.4%
U.S. Total Bond Market (BND)	-1.6%
Gold	-1.2%
Oil	-63.3%

Source: Bloomberg

⁸Federal Reserve (2019). *Report on the Economic Well-Being of U.S. Households in 2018*. <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

⁹Federal Reserve (2019). *Report on the Economic Well-Being of U.S. Households in 2018*. <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

¹⁰Federal Reserve Bank of New York (2020). *Quarterly Report on Household Debt and Credit*. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf.

¹¹Federal Reserve Bank of New York (2020). *Quarterly Report on Household Debt and Credit*. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf.