GENERATION CARE

Helping Younger Workers Plan for Longer Careers and Retirement

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Foreward

Every generation views their challenges at work as unique, even unprecedented. The Generation we explore in this white paper, workers under the age of 35 who have had their early careers shaped by the extraordinary economic, social and public health disruptions of the pandemic, are no different, except that they are also undoubtedly correct.

Even before the pandemic, major workplace trends such as the rise of gig work, the lengthening of careers, and the decline in job tenure were reshaping the American workplace. Those were major changes to be sure, but the events of the first two years of this decade—the COVID pandemic, disruptions and changes in work practices, the Great Resignation, global instability, and challenging economic conditions—have been unlike anything modern workers have experienced before.

Over the last year, the Longevity Project has undertaken an effort, sponsored by Corebridge Financial, to understand how young workers have reacted to these unprecedented conditions and how they can be better supported as they navigate what will be longer, more complicated, and less predictable careers. We have, as part of an effort with the Stanford Center on Longevity, explored at length the idea of a 60-year career, and it is not always easy to imagine what these younger workers will need between now and 2080. But it will be a critical challenge to find ways to help workers have longer, more balanced and more flexible careers and help them secure their retirements.

Our research has included a series of focus groups convened by the Longevity Project, interviews with more than a dozen experts on work and retirement, and age-based findings from a national survey conducted by Corebridge Financial in April 2022. In this effort, we have tried to understand the changing attitudes and expectations of today's workers, how the work environment might evolve in the coming decades in light of longer and more volatile careers, and what the financial services industry and government can do to help workers navigate these increasingly complex and uncertain conditions.

Even in these challenging times, this rising generation has shown that they are acutely aware of their responsibilities: to their families, their communities and to themselves. The pandemic has exposed the importance of caregiving and strong family networks, and this generation has also shared in the push to improve communities through greater diversity and inclusion. Younger workers also understand that they have a responsibility to care for themselves. They have less faith that employers and government will take care of them, placing greater expectations on themselves to plan their careers and to hone the skills necessary to flourish in this complicated age. Because of this sense of wide-ranging responsibilities, we have dubbed this cohort Generation Care.

We don't think Generation Care should have to go it alone. In this report, we lay out some of the emerging needs of this cohort and hope to further the conversation on how to help them manage their complicated future.

Generation Care

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About the Longevity Project. We foster research and public conversation to build awareness of the implications of longer life and bring together leaders from business, government, and the social sector to plan for the transitions in health care, retirement planning, the future of work, and more. Together with our lead content collaborator, the Stanford Center on Longevity, and other leading nonprofits, think tanks, and media organizations, our goal is to support a new awareness of the longevity challenge and support change so that people around the world can live healthier, more secure, and more fulfilled lives.

At Corebridge Financial, we proudly partner with financial professionals and institutions to make it possible for more people to take action in their financial lives, for today and tomorrow. Formerly AIG Life & Retirement, we are one of the largest and most established providers of retirement solutions and insurance products in the United States, with a long and proven track record of serving our clients. Corebridgefinancial.com

Major social and economic events like the Great Recession have been shown to have considerable impact on the outlooks of early career workers: affecting how they view careers, what they value in work and life, and how they think about planning for retirement. Such is the case today for younger workers whose views of work have been shaped by the instability and uncertainty of the pandemic. This white paper will explore the changing perceptions of work, job tenure and work-life balance; new appreciation for the need for caregiving and lifelong learning throughout the life course; and changing goals for retirement.

What do younger workers think about their prospects around work and retirement?

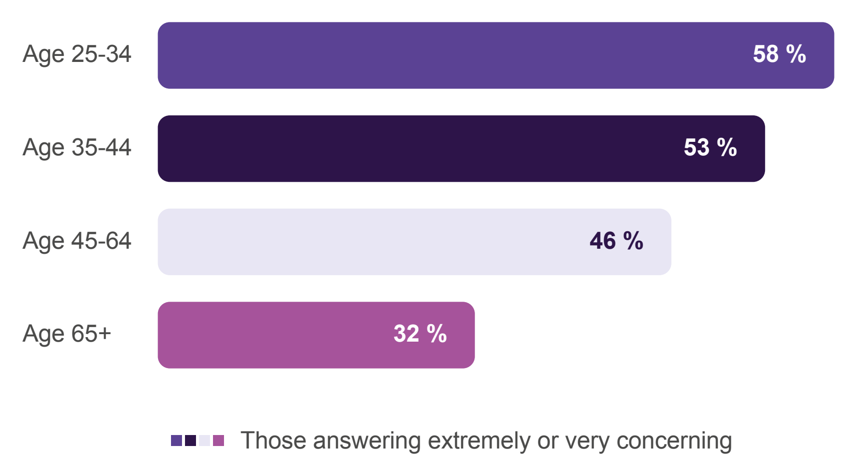
We wanted to find out how younger workers are feeling about their prospects for careers and retirement in our current environment. Context is critical, as our inquiry has taken place in perhaps the most uncertain period in modern American history, a period marked by the pandemic, political instability at home and abroad, challenging economic conditions, and the overhang of generational issues like climate change. We in the natural course would expect to see attitudes reflect the troubling times and we were not disappointed in that respect.

Here is what younger workers (those age 25-34) told us.

Younger workers recognize they may need to work longer than their parents and they don't particularly like it. Improved life expectancy across the globe is one of the great achievements of the last century and people are increasingly looking forward to living to 100. In the Corebridge Financial survey, 58% of respondents age 25 – 34 said that they had a goal of living to 100. But with longer life expectancy has come longer careers. In the United States, the number of employed workers over the age of 65 has increased 117% in the last 20 years and that figure is only likely to continue to increase—in part because better health supports working longer and because more years of work may be necessary to support longer retirements.

Perhaps not surprisingly, the concept of longer careers is not universally embraced, especially by younger workers who are coming of age in a particularly precarious work moment. 58% of younger workers report being extremely or very concerned about adding 10 years to work life, compared to 45% of all adults. That is a particularly telling statistic given that many younger workers recognize that this question is not just a hypothetical and that they will likely need to work longer to support their 100-year life.

If you were to live to 100, how concerning is the idea of having to add 10+ years to your working life?



"Sometimes I feel like I'm never going to be able to retire."

Younger workers care deeply about work-life balance. In the context of longer careers, work-life balance is even more important. In the survey, we asked respondents what is important to them in choosing employment. The top factor for younger workers, not surprisingly, is money, with 74% rating it as important (1 or 2 on a scale of 5), but work-life balance was statistically equivalent at 73%. They rated work-life balance as more important than other factors such as healthcare and benefits, purpose and passion, culture, advancement opportunity, and having a challenge. This is consistent with the ethos of the Great Resignation, where many workers sought greater work-life balance in new jobs.

Experts we consulted told us that they expect work-life issues to become even more salient in future years as people seek to manage longer careers against personal, family and community obligations.

Younger workers see recession and inflation eating away at their job prospects and the possibility of a secure retirement. Rapid inflation, plus the threat of a recession, has cast a shadow over this rising generation. Much like the generation of workers who entered the job market around the Great Recession, the current crop of younger workers is seeing opportunity affected by broader macroeconomic conditions. Unlike the Great Recession, there are positives in the economy, namely demand for labor in a tight job market, but they are offset by the difficulty for many younger workers to obtain affordable housing, handle spiraling prices and manage consumer debt, including (and especially) student debt. 73% of younger workers reported being extremely or very concerned about the impact of inflation on their retirement plans – compared to only 48% for older cohorts.

"I just don't think that we're getting paid as much, relative to inflation and everything. You know, we're not making enough. We might be making more than our parents did, but we're really not … They had their careers during these golden years, where you could easily make enough to put away and have a comfy retirement. I don't think that's going to be the same for my generation."

They believe that caregiving and other social responsibilities will be a large part of their lives.

The pandemic has brought home to many workers the increasing responsibilities of modern life, whether that is to others in their community or to their families as caregivers. The number of people involved in family caregiving – already approaching 50 million before the pandemic – skyrocketed over the last few years. Younger workers are keenly aware of these responsibilities, with fully 80% indicating that they expect to become caregivers during the next "several years."

"I don't know if I would ever be able to take off time … I think it would be more of a situation where I'd have to quit my job."

Younger workers do not trust institutions to respond to their concerns and needs. With all the change and uncertainties of the past few years, it is little wonder that trust in institutions has declined. For our purposes, this means that younger workers place less trust in the government and their employers to solve long-term work and retirement issues for them, while recognizing the need to exercise more autonomy over their own personal futures. This has far-reaching implications, according to experts. Among these implications is the pressure it applies to the government and financial services sector, who will need to create more tools and opportunities for workers to make knowledgeable decisions for themselves.

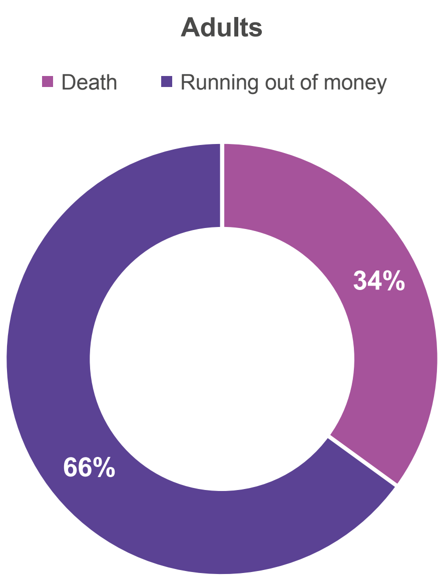
"The number of people involved in family caregiving – already approaching 50 million before the pandemic – skyrocketed over the last few years."

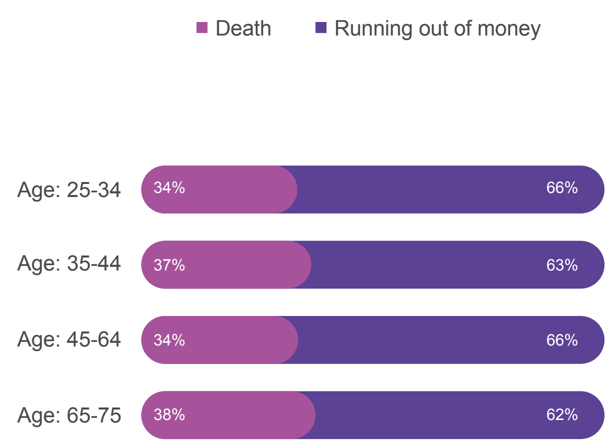
"[Younger workers] want to find something where if they move, it would be their call, not the employer's call—a job where they can control whether or not they want to stay where they are"

- Tim Taylor, Managing Editor of the Journal of Economic Perspectives: workers

Younger workers (ages 25-34) are nearly twice as likely to say they fear running out of money (65%) than they fear death (35%).

Which of the following do you fear more?





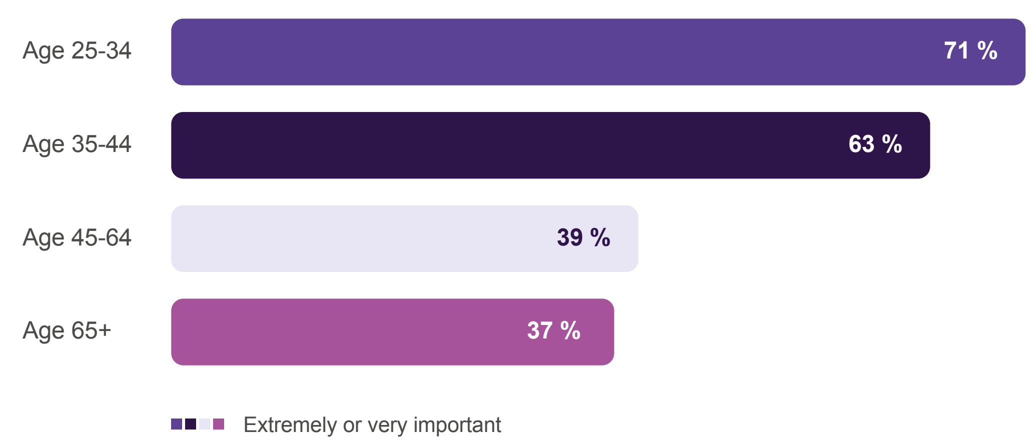
Source: Survey on longevity, retirement, and the future of work, by Corebridge Financial.

What do younger workers want?

This generation faces a very different work environment than previous generations and recognizes the need for additional tools and services to help them navigate this new era of work. At the top of their wish list are tools and skills that will help them manage their

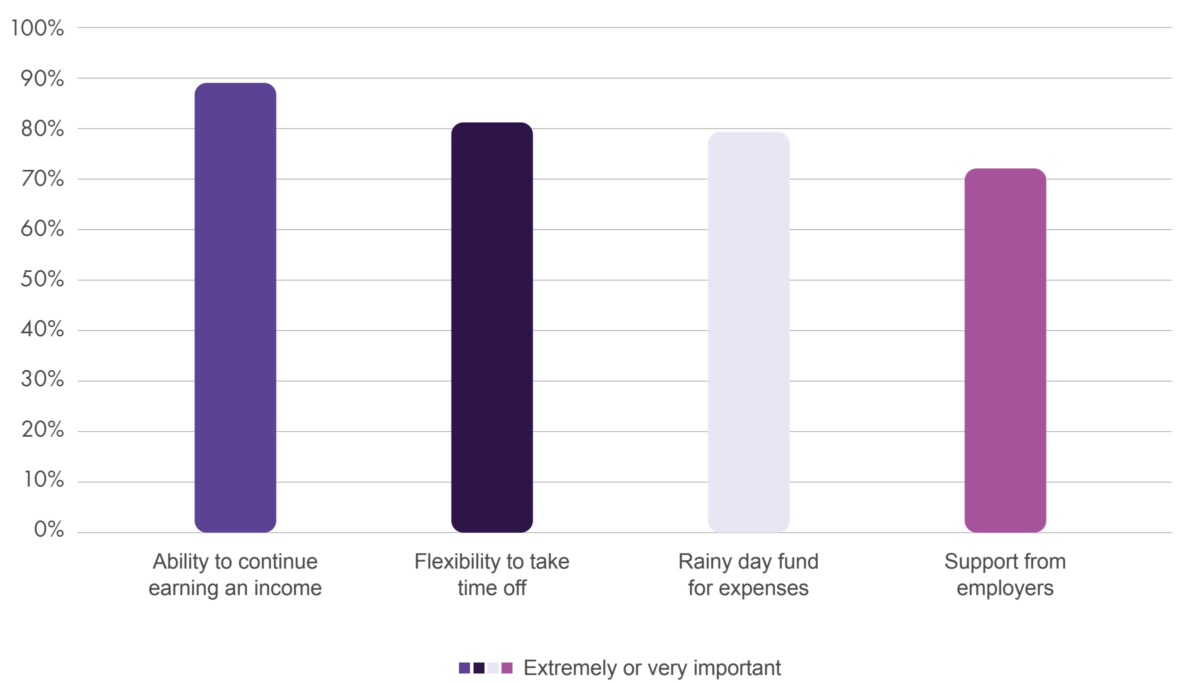
Younger workers want continuous training and learning opportunities. They are looking at longer and more volatile careers, in which they are likely to have many different jobs and often multiple identifiable careers. The Corebridge survey shows that they are keenly aware that their early life education will not sustain them for careers that will likely run a half century or more. As a consequence, they say that “continuous education or professional training” is critically important to them. Seventy-one percent of younger workers cite it as extremely or very important, almost twice as many as mid-career workers. But it is not clear to younger workers where they will obtain that lifelong learning, with a bare plurality hoping that their current employers will step up, and low numbers expecting the private sector (29%) or government (26%) to fill this critical need. Cost (56%) and time (50%) are both frequently cited by young workers as barriers to filling their needs for continuous training and lifelong learning. Timothy Taylor, an economist who has studied these issues in the context of his role as the managing editor of the Journal of Economic Perspectives, reported to us that all this has changed how students are preparing for careers.

How important is continuous education or professional training to you?



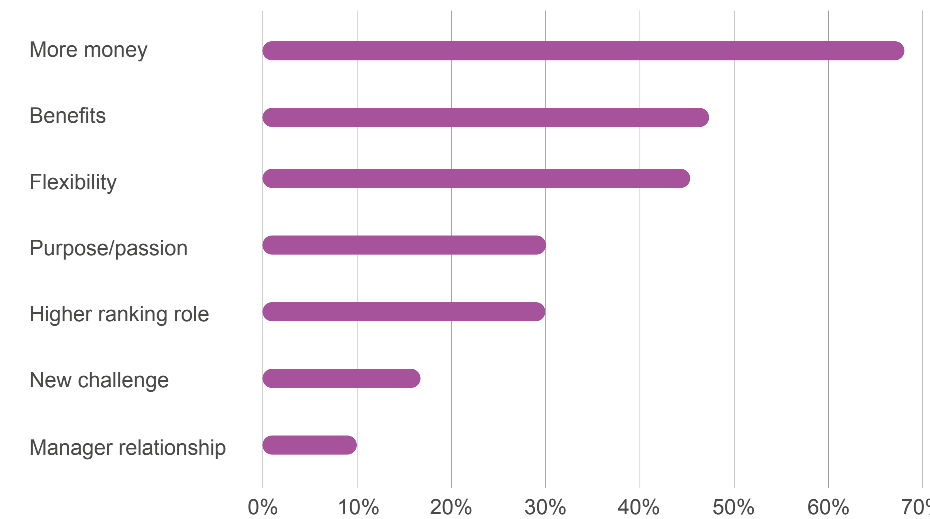
Younger workers want caregiving support and financial flexibility. They are keenly aware of caregiving responsibilities. Tina Haley, a Senior Vice President and Head of Product at Corebridge Financial, observed that because of the pandemic, younger workers are more conversant than prior generations in the intensive commitments often required of family caregivers and the potential for caregiving to disrupt careers. In consequence, they recognize that numerous work accommodations will be desirable and necessary to balance work and family commitments. Flexibility to take time off, rainy day funds, and support from employers are broadly cited by younger workers as important to their ability to manage caregiving responsibilities.

How important is the following in planning for caregiving?



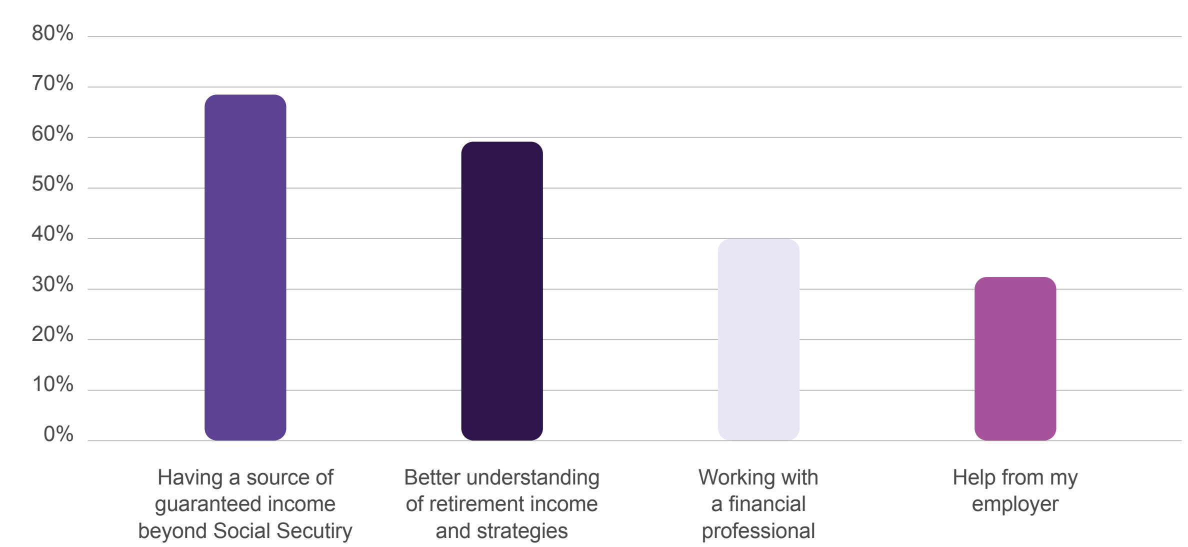
Younger workers want better work-life balance and flexibility. The desire for "work flexibility" has bubbled up as a critical want of younger workers. Forty-five percent reported that "flexibility at work" would be a top reason to look for and take another job. Flexibility ranks lower than more money and equivalent to benefits, but substantially higher than a new challenge, a higher-ranking role, a better boss, or to follow a passion or purpose. In public diction, this is often discussed in the context of remote work–and surely that is a piece of it–but it also reflects the understanding of younger workers that they will need greater flexibility from employers to deal with caregiving, training needs and the many unexpected challenges of modern life.

Which of the following would be most likely to make you consider a job change?



Younger workers want help planning for a more complicated work and retirement plan. If there is one word to describe the situation for younger workers, that word is "complexity." Longer lives, longer and more varied careers, and the need to save for caregiving and training, creates additional challenges for financial planning. Forty-five percent of younger workers are very or extremely confident they won't outlive their money, but that means that 55% are not so confident. As a consequence, this majority recognizes the need for additional planning help, whether that be from financial advisors, employers, or just from a better understanding of financial products.

Which of the following would make you feel more confident about having the amount of money you will need to live comfortably for as long as you live?



Ways to help workers navigate longer and more complex careers.

Our goal in this effort has been to understand how younger workers are responding to crucial changes in work and retirement. Reasonably, younger workers have expressed considerable concern about instability in the workplace and uncertainty in retirement, but they have also been thoughtful about the tools they will need to help chart a path towards longer and more balanced careers and more stable retirements, and toward a life where they are more engaged with their families and communities.

We believe that the government and the private sector can work toward providing more flexibility and programs that help younger workers be better prepared financially, as they face more complex and varied career paths than previous generations. This includes planning for ongoing learning and re-skilling, and retirements of potentially long lengths. Current programs, such as employer-sponsored 401k and 403b plans, and 529 plans for higher education, are crucial building blocks for younger (and older) workers to prepare for longer, more varied and more complicated careers.

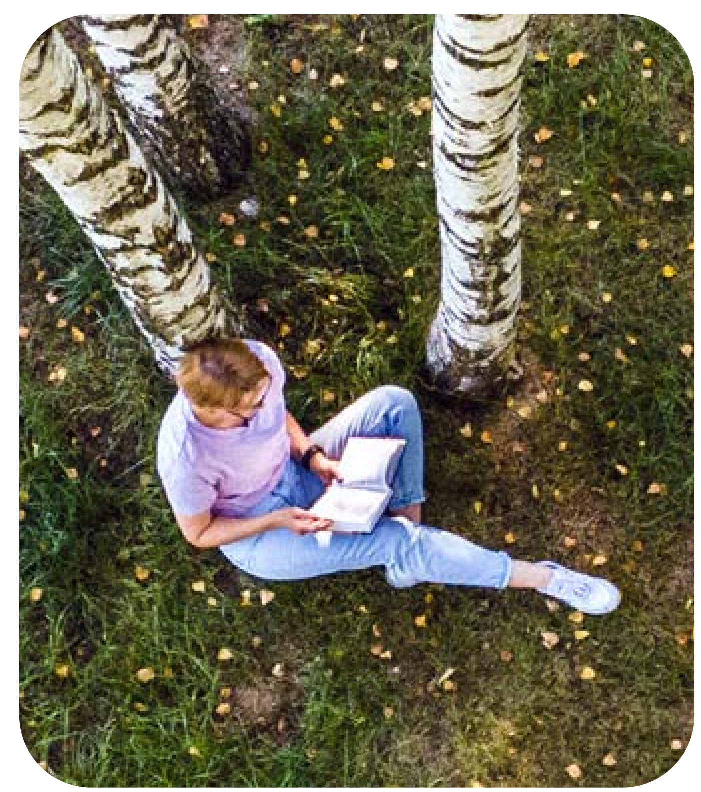
In a sense, younger workers are already running ahead of our funding system. Our current funding for longer life is built around the 20th century notion of a three-stage life: the linear progression from education to career to retirement. But younger workers are in effect telling us that they do not expect that their lives will conform neatly to the three-stage life. Among the many things they foresee is the need to support lifelong learning, caregiving and emergency preparedness, and the need for phased retirements. It is a vision of a more flexible career and it requires more creativity in financing to accomplish it.

In this section, we explore the current state of thinking around key financial tools, and we urge decision-makers and product innovators to collaborate to find ways to develop these supports for longer, more complex, and more balanced careers. In particular, we track the areas where younger workers told us that they are particularly concerned.

Support and incentivize lifelong learning.

Younger workers have identified lifelong learning as an important need in the context of their careers. Kathleen Christensen of Boston College reported to us that workers, especially women, are already moving to longer, more varied careers, with the fastest growing cohort of workers in the US being those over the age of 65. Yvonne Sonsino, a noted expert at global consulting firm Mercer, shared that her 10-year-old granddaughter now has a life expectancy of 104 and that the idea of a 60, 70 or even 80-year career is not out of the question for her and her fellow fourth graders. It is clear that what she learns in high school or college will have declining workplace value a half century onward.

To a certain extent, the marketplace has already responded to this challenge. There are now an estimated one million certificate programs for adults in the US alone, and the rise of remote learning during the pandemic has undoubtedly fostered more opportunities. Programs such as "Purdue for Life," suggest that even some major universities have begun to rethink the importance of adult learning in the context of longer lives and longer careers.



What is not in place is a system that helps workers pay for lifelong learning opportunities. In the United States, employers have been a traditional source of training and adult learning, and in our survey, 60% of workers identified their "current employer" as the logical provider of professional training opportunities. But employer training in this country has been on the decline for some time. From 1996 to 2008, the percentage of workers receiving employer-sponsored training fell 42% and on-the-job training fell 36%. In 2011, Accenture surveyed U.S. employees and found that only 21% had received any employer-provided formal training in the past five years.

Employers will continue to play a critical role in workforce training and development but workers also need new tools to help them fund learning opportunities on their own. Unfortunately, the current level of government support is relatively low, leaving many education seekers without recourse. The federal government, for instance, spends upwards of $180 billion per year on higher education but only $12 billion per year on training and employment programs – less than $75 per worker in the US.

Other countries have tackled the challenges of financing lifelong learning head-on. Singapore has created a program called SkillsFuture, which provides "individual learning accounts" for each citizen over the age of 24 to spend on education and training programs. The government seeds the accounts with a direct subsidy to individuals of $500. In 2021, over 660,000 workers availed themselves of SkillsFuture programming, a remarkable 30% of the active labor force. In 2015, France established individual training accounts that employees can use to pay for 24 hours of training per year for eight years. Businesses fund this benefit with a one-percent tax on payrolls, which gives employees opportunities to learn new skills.

In the United States, 529 plans, while most closely associated with early life education, also can cover lifelong learning, as long as the education is procured through a qualified Title IV institution. A 529 plan can be a powerful vehicle, but experts told us that the current system may be insufficient to support growing needs for lifelong learning and to offset declines in employer training programs. The Lifelong Learning and Training Account Act, sponsored by Sen. Mark Warner of Virginia and Sen. Chris Coons of Delaware, proposes creating a savings account to which employers could contribute to help employees who want to retrain or learn new skills over the course of their careers.

This idea has attracted bipartisan support in Congress in the past. Model legislation has been developed and it has been estimated that 23 million Americans would take advantage of such savings accounts over the course of a decade, which would make the program three times larger than the entire current community college system in the United States. Efforts such as this will be critical to helping younger workers navigate longer and more varied careers.

Support caregiving.

Caregiving and responsibilities to family are top of mind for younger workers, and the direct and indirect costs of caregiving are viewed as a considerable challenge, with good reason. According to AARP and the National Council on Caregiving, the majority (61%) of family caregivers caring for adult relatives or friends worked at a paying job at some point during their caregiving experience, making for an estimated 29.2 million employed caregivers of adults.

The rate of employment is especially high for younger caregivers ages 18 to 49: nearly three in four (72%) report holding down a paying job while providing care for an ill adult or aging family member. More than one in ten (12%) was also a student, either full-time or part-time.

Family caregivers also play a critical role in the social economy, providing upwards of $450 billion of unpaid labor annually. Yet only a tiny percentage of employers provide caregiving benefits of any type, and federal government financial support to family caregivers is typically limited to certain Medicaid recipients and to families of disabled veterans. In recent years, a bipartisan group of Congressional lawmakers have pushed for a Credit for Caring provision, which provides a tax credit to offset certain out-of-pocket expenses associated with family caregiving.

Congress is also currently assessing a proposal to allow workers to withdraw up to $1000 annually, penalty free, from retirement savings plans and IRAs for emergency purposes. This proposal, part of what is loosely dubbed Secure Act 2.0, could help workers respond to a number of unexpected expenses, including caregiving emergencies, an issue of particular importance to younger workers. In the Corebridge Financial survey on Emergency Fund Needs and the American worker, 60% of millennials and 59% of Gen Z respondents reported that starting or growing an emergency fund is of the “highest priority,” and this proposal would help respond to that need. It could also incent greater retirement savings rates by younger workers. Shawn Gallagher, Head of Federal Government Affairs at Corebridge Financial, told us that the company’s survey results indicate that this provision could encourage workers to increase or start their tax advantaged retirement savings, knowing they may be able to access a limited amount of funds, if needed.

The pandemic exposed the importance of family caregiving in our economy and it seems clear that workers will need additional tools to help them save for this important function. The current proposal to allow workers more flexibility in using retirement savings for emergency purposes seems an important step in that direction.

Generation Care

Help younger workers plan.

More complex and longer careers inevitably means more planning is needed for individuals and families. How does one plan for multiple careers? How does one save for future schooling or the need to take time out of the workforce for caregiving? How does one plan for a retirement that may stretch 30 years or more? Planning in this environment requires financial literacy and access to adequate expertise and tools.

Unfortunately, America lags behind in financial literacy. According to the Milken Institute’s “Financial Literacy in the United States” report, “many US adults lack the basic knowledge and skills required to engage in sound financial decision-making.” This reflects a lack of investment in financial literacy. Only 25 states offer mandated economics courses as a requirement of high school graduation and only six require personal finance classes, even though students who take these classes have been shown to handle their college and credit card debts with greater responsibility.

Compared to peer countries, the US invests comparatively little into financial literacy and financial support. In Denmark, financial education is mandatory for students in grades 7 through 9. In Norway, youth receive financial education through programs that are funded by the national bank. These programs offer interactive learning materials on topics of personal finance with the goal of helping them buy homes and other financial milestones. In Israel, which also ranks high in financial literacy, high schoolers participate in the “Financial Education Month in the School System,” which introduces financial concepts such as banking, investment and general economics.

There have been periodic efforts to enhance financial literacy in the US over the years, both from within the financial services sector and from government. None of those efforts have arrested the long-term decline in financial literacy in this country. One more plea may not make a difference, but educators should take note that the context is changing, with significantly more responsibility being placed on the American worker. As a consequence, help in planning for that more complex future is both warranted and clearly demanded by younger workers.

Having more predictable financial instruments would also reduce some of the increasing complexity and lifetime risk faced by the younger workers of today. More than two-thirds of all younger workers expressed an interest in a guaranteed source of income beyond Social Security, an indication that security and reliability are increasingly attractive to workers in an era of change. Of course, such products exist in the form of annuities, and with the Secure Act (and Secure Act 2.0), policymakers are taking steps to encourage use of high-quality annuities as a way to increase guaranteed income in the marketplace. While these have been positive steps, they have not yet overcome adverse selection in the marketplace – where investors avoid a product even though it provides what they are seeking. Additional steps may be warranted to make reliable guaranteed income products more prevalent in the marketplace and to grow understanding of how they work. It will be important to encourage the development and adoption of guaranteed income products as a way of reducing and sharing the considerable individual risk in the context of longer lives and longer careers.

Conclusion

Younger workers today are facing increasingly complex and challenging work conditions, and it is possible that these conditions will continue to move toward even more complexity in the years to come. Our current system for financing careers and retirement, built for the simpler three-stage life, cannot provide all the planning tools and resources necessary for younger workers to navigate longer careers and longer life.

Our current tools are building blocks, but they need to be augmented with new resources and new flexibility for Generation Care to save and pay for lifelong learning, caregiving and more. In an era of austerity, this may not come from new government spending programs, but new tax-advantaged savings program, workplace benefit programs and professional guidance could undoubtedly help younger workers plan for the future.

About the Study

Corebridge Financial commissioned a survey of 2,202 Americans, ages 25 to75, with household incomes of $25,000 or higher, who were asked questions about living a longer life, retirement planning and the future of work. The findings included in this white paper are from a demographic cut of 176 survey respondents ages 25 – 34, which is 8% of the total survey respondent group. This survey was conducted online by Morning Consult between April 12 – 15, 2022.

About the focus groups

The Longevity Project commissioned the Schlesinger Group to conduct six focus groups over the period February 15 to 17, 2022. Each group were part of a moderated discussion on careers and the potential for longer retirement. The six groups were composed of younger workers, recent retirees, older workers, mid-career women, "great resignation" workers, and people from high income households.