



*different studies are based on incomplete knowledge of actual household behavior. The paper found that: "A simple - assumption-free - calculation of wealth to income by age clearly indicates that households retiring in the future will be less prepared than those in the past." Studies showing that households are saving optimally hinge crucially on assumptions that people are willing to accept declining consumption as they age and that they sharply reduce their consumption when the children leave home. "While other studies have found consumption does not decline early in retirement, new analysis suggests that many will be unable to maintain this pace over their full retirement. The policy implications of the findings are: "Households are more likely than not to be falling short in their retirement preparedness. "Such shortfalls should be taken into consideration as policymakers discuss options for reforming Social Security. "To bolster retirement preparedness, policymakers may want to consider ways to encourage more private saving, such as requiring 401(k)s to adopt auto-enrollment and auto-escalation policies and to apply these policies to current workers as well as new hires.*