Minutes of the October 9, 2026, Financial Advisory Roundtable (FAR) Meeting

Present:

FAR Members: Ashley Bacon, Ricardo Caballero, Takis Georgakopoulos, Fiona Greig, Atif Mian, Andrew Morton, Maureen O'Hara, Thomas Philippon, David Thesmar, Joanna Welsh

FRBNY: Chair: John Williams, Ozge Akinci, Kartik Athreya, Kristian Blickle, Nina Boyarchenko, Nicola Cetorelli, Fulvia Fringuellotti, Tomas Jankauskas, Tom Kliitgard, Eric Lewin, Stephan Luck, Rick Ostrander, Julie Remache, Or Shachar

Summary:

The Financial Advisory Roundtable ("FAR") discussed structural shifts in global asset supply and demand, and their implications for interest rates, capital flows, and financial stability. Members addressed the following questions:

1. What are the current dynamics of global asset supply and demand? What are the main forces driving this shift?

2. What are the implications for global interest rates and capital flows?

3. What risks or vulnerabilities arise if major surplus countries reduce their foreign asset accumulation or redirect flows regionally? What fills the gap in demand for U.S. assets, and how does this affect their prices?

4. How might capital reallocation affect developed financial markets? Emerging markets? Does it transmit through expected cash flows or discount rates?

The meeting included two presentations: (1) Atif Mian presented a saving-glut framework linking the rising income shares of high-saving households and persistent foreign saving surpluses to macroeconomic imbalances; (2) Fiona Greig discussed how retirement plan design, employment, and investor behavior shape U.S. retail asset demand, drawing primarily on Vanguard data. These presentations were followed by an open discussion of the agenda topics.

Structural trends in savings and their economic implications

FAR members discussed a framework in which rising income shares of households with high saving propensities can lead to desired savings exceeding investments. In this framework, high savings rates can be accommodated through greater investment, household borrowing to finance consumption, government borrowing to support spending, or a contraction in economic activity.

Members considered the view that private borrowing before the global financial crisis, and government borrowing afterward, had absorbed part of this saving pressure. They discussed the risks associated with relying on continued debt accumulation to sustain demand.

Members also discussed international current account imbalances, particularly the growth of foreign saving surpluses in the early 2000s. They considered how capital flows from surplus economies had helped finance U.S. deficits and whether the U.S. could continue to absorb these surpluses without increasing global economic or financial vulnerabilities.

Members discussed continued demand for dollar-denominated assets in the context of ongoing net capital in-flows to the U.S. Some observed that foreign investors left a substantial share of their dollar exposure unhedged. Economic challenges in other developed economies and the limited availability of substitutes for dollar-denominated contracts were cited as factors supporting the dollar's international role.

The discussion also examined price adjustment through lower real interest rates and higher asset valuations. Members considered whether households that borrow against rising asset values could be especially vulnerable to higher real interest rates or a reversal of asset price gains.

Some members expressed concern that investors were becoming less willing or able to absorb risk, particularly duration risk. Members noted that even in the most recent AI investment cycle, aggregate capital expenditures have not been unprecedented by historical standards. They subsequently discussed whether the recent increase in AI spending would increase overall investment or displace investment in other sectors.

Retirement accounts and asset demand

FAR members discussed the growing importance of retirement accounts in U.S. household investing. Over the last couple of decades, assets in individual retirement accounts (IRAs) had grown faster than assets in defined contribution plans, reaching approximately $18 trillion in 3Q2026, compared with $14 trillion in defined contribution plans.

Members discussed how payroll contributions, automatic enrollment, and default investment options shape retirement saving and asset allocation. The increasing use of target-date funds was associated with more age-appropriate equity allocations and less participant-directed trading. Members considered the implication that retirement asset demand may respond more to employment and income than to short-term market price movements. Job losses could therefore reduce retirement contributions and asset demand, even when market declines have little effect on investor behavior.

Members also discussed the treatment of retirement assets when workers leave an employer. The Vanguard data presented indicated that 28% of workers whose employment had ended cashed out their accounts and 25% rolled assets into an IRA. Rollover proceeds can remain in cash for months, often because investors do not realize that the funds have not been reinvested. Members considered whether qualified default investment alternatives for IRAs could reduce the effects of inattention and improve retirement outcomes.

The discussion also covered trading behavior and equity concentration, noting that few retirement plan participants actively trade, and exposure to the ten largest U.S. stocks had increased across age groups.

Some members described a broader international shift in retirement portfolios toward equities. They discussed whether such reallocations, together with increased issuance of long-duration corporate bonds, could reduce demand for government debt at prevailing yields and put upward pressure on government bond yields.

Some FAR members viewed fixed income investors as more price-sensitive than equity investors, citing difficulties that certain AI-related companies had faced in raising high-yield debt.