

## Research Roundup

By Editorial Staff    Sun, Nov 30, 2025

*We feature two deep-dive research papers on private credit. One is from Victoria Ivashina of Harvard Business School and the other from a team that includes Amir Sufi, co-author of "House of Debt" (U. of Chicago, 2014.) Plus two papers on combining income annuities with private savings and a paper on the domino effect that TDF reallocations can inflict on the bond market.*



**“Optimizing Retirement Financial Strategies: Integrating Annuities, Defined Contribution Plans, and Long-Term Care Costs.” Vanya Horneff, Raimond Maurer, Olivia S. Mitchell, and Julius Odenbreit. [NBER Working Paper No. 34460](#), November 2025.**

These researchers present evidence that counters the common belief that only the healthiest individuals with the most optimistic longevity expectations should buy life-contingent income annuities. This paper asks and answers three questions:

- Should retirees plan to finance their nursing home costs by selling retirement-plan assets or by annuitizing some of their tax-qualified savings?
- To what age should income from QLACs (qualified longevity annuity contracts) be optimally delayed, given wide variations in individual incomes, gender, mortality expectations, health risks and bequest motives?
- Income annuities can offer either fixed or variable payout rates; should payouts from the two kinds of annuities therefore commence at different ages?

Based on their review of current regulatory and tax rules, as well as evidence on variations in health status and financial accumulations among retirees, they conclude that “better-educated retirees would do well to annuitize part of their 401(k) assets as they can benefit from longevity protection and earn the survival credit.”

On the other hand, “The least educated tend to have little wealth and are at greater risk of entering nursing homes at earlier ages, so they prefer to keep their assets liquid in order to better manage unexpected health care and LTC expenses.” The authors aver that “our results provide clear guidance about when to purchase these annuities, how much to purchase, and when the deferred benefits should start.”

**“Target Allocation Funds, Strategic Complementarities, and Market Fragility,” Chuck Fang and Itay Goldstein. [NBER Working Paper No. 34509](#), November 2025.**

The equity price crash that followed the White House’s “Liberation Day” announcements of

huge protective tariffs on America's trading partners was itself followed a few days later by a spike in long-term Treasury bond yields. A new NBER paper explains why.

It has to do with the rebalancing imperatives of target date funds (TDFs) and other target allocation funds (TAFs). To maintain their target allocations after equity prices dropped, managers of these funds-of-funds sold bonds and bought equities. In doing so, they forced managers of the underlying bonds funds to sell bonds too.

"TAFs are expected to again double in size over the next decade. Moreover, the bond portion of TAF holdings is expected to increase, due to an aging population. As a result, we should expect to see even more cross-market transmission through TAFs and the impact on stock-bond correlation will likely increase even further in the future," the authors concluded.

**"The Lending Technology of Direct Lenders in Private Credit." Young Soo Jang, Dasol Kim, and Amir Sufi. [NBER Working Paper No. 34500](#). November 2025.**

This paper examines the scope and implications of the growth of the "private credit," "direct lending," or non-bank loan industry. The volume of non-bank lending has grown ten-fold to an estimated \$2 trillion since the Great Financial Crisis of 2008, the paper shows. Of that amount, 75% has gone to private equity-backed companies. Some of these loans are then bundled into collateralized loan obligations (CLOs) whose senior tranches are increasingly purchased by annuity-issuing life insurers.

The paper asks whether and by how much the direct lending business is likely to grow and whether it will continue to replace bank lending. It suggests that direct lenders and banks often collaborate on customized loans to high-risk borrowers. The authors touch briefly on the risks that that alternative investments might pose for life/annuity companies or their policyholders.

**"The Role of Private Debt in the Financial Ecosystem," Victoria Ivashina. [NBER Working Paper No. 34426](#), October 2025.**

"Today's private debt market is highly competitive and dominated by a small number of very large players. Most of these are alternative asset conglomerates—such as the "big four": Blackstone, Apollo, KKR, and Carlyle—that operate across a wide range of investment strategies beyond private debt. Private credit funds represent just one segment of the many funds they manage," notes the author of this paper.

Those four companies are also heavily invested in the annuity-issuing life insurance business

(as owners of insurers or as their investment advisers). The overlap makes this paper useful reading for anyone interested in understanding where life insurers fit into the larger context of the private credit business that has grown so much since the 2008 financial crisis.

The author believes that private lending is a positive economic force. But she also identifies its risks: concentration, opacity, and high leverage. “The specific concern,” she writes, is “that, through a complex set of transactions, the same underlying cash flow stream supports a higher burden of leverage. Consequently, a negative shock to that cash flow could destabilize all of the related structures.”

**“On the Optimality of Deferred Public Annuities,” Liran Einav and Amy Finkelstein, [NBER Working Paper No. 34384](#), October 2025.**

Retirement scholars have recommended that Americans delay their first Social Security payments (until age 70, ideally) and live on 401(k) savings if they retire before then. In this paper, the authors claim that, from an efficiency perspective, Americans would swap their Social Security credits to buy government-issued deferred income annuities. The deferral period would be proportionate to their life expectancies and accumulated savings.

“The optimal path of Social Security benefits for an individual who has retired with a stock of wealth, faces stochastic mortality, and has no access to annuities and no preferences for bequests... is a deferred annuity in which the government annuity pays out zero for some periods and a constant amount after that,” the authors write.

“The individual will optimally front-load their consumption out of their initial wealth, and will gradually lower their consumption rate until [they run] out of their own wealth and [hit] the Social Security payment rate at [time]  $t^*$ , at which point they are on a constant consumption rate and consume their Social Security payment.”

“The government would look at your savings and life expectancy and set a date for your Social Security benefit to begin,” co-author Einav told *RIJ*. “This would be the most efficient way for the government to apply your benefit to you. Instead of people taking their benefits willy-nilly.” But “it’s not a policy recommendation,” he added. “We’re not analyzing data or making empirical findings. We’re making a theoretical point.”