Reality Check

With numbers not boding well at all for peoples' golden years, employers are taking a more aggressive approach to educating employees about saving for retirement.

BY JULIE COOK RAMIREZ

Baby boomers who can't retire are in almost every organization. Stung by the recession, many have watched as their 401(k)s have plummeted. Others have plundered their retirement savings to make mortgage payments or help their kids go to college or stay afloat. The result: Thousands are psychologically ready to retire, but financially unprepared and unable.

That was precisely the situation faced by Fayetteville Public Schools in Fayetteville, Ark. Teachers were unable to move on after decades in the classroom because they had relied too heavily on the state's teacher-pension plan to fund their retirement. Just 8 percent of the district's 1,500 employees participated in the 403(b) plan, which had long been available to them, leading to dozens of burned-out teachers with no choice but to remain on the job.

"The most troubling thing is ... in each case, we've got up to 150 kids with a teacher who's mentally checked out, who's ready to go," says Greg Mones, director of human resources. "That's going to affect the quality of the instruction they get."

Keeping more seasoned teachers on the payroll is also financially draining for the district, as the salary structure is set to increase based on years of experience.

Recognizing the strain this trend placed on the budget, Fayetteville began offering early retirement incentives. A "great number of teachers" took advantage of such buy-out programs, says Mones, but the cost was enormous, adding up to millions of dollars. The district recognized it needed a new approach. The answer lay in helping staff recognize the gap between their state-funded pension plans and how much they would actually need to retire.

Fayetteville is certainly not alone in its challenges. Across the country, employers have stood by as employees approached and passed retirement age, with no end in sight or under discussion.

"With the decline in pensions [and] defined-benefit plans, it's becoming apparent that people have been woefully deficient in putting enough aside to meet their retirement goals," says Kent Allison, partner and national practice leader in the financial education practice at PwC in New York. "The average 401(k) balance is $25,000. Among those over the age of 50, it's only $100,000. It's in no way sufficient to replace what historically was provided by a defined-benefit plan."

Taking Action

At least working boomers are catching on to their encroaching dire straits. Thirty-seven percent of 1,700 working American adults nationwide cited not being able to retire on time as their top concern, according to PwC's *2012 National Financial Wellness Survey*. That's an increase of 19 percent in just one year. Not surprisingly, more than half (53 percent) of employees said they plan to retire later than they had previously planned. Sixty percent of those individuals said they were delaying retirement because they hadn't saved enough.

"The number of calls we get from employees specifically around retirement planning is at an all-time high and it has been trending up for the last couple of years," says Liz Davidson, CEO of Financial Finesse, an El Segundo, Calif.-based provider of financial education, coaching and counseling programs. "It is the No. 1 priority of employees across the board."

Despite this growing awareness, most boomers don't know where to turn, says Brent Hines, founder and chairman of Foundation for Financial Wellness, a Greenwood Village, Colo.-based nonprofit organization. They have a good idea of where they would like to receive such information, however.

"When asked, U.S. employees will tell you they need financial education and, overwhelmingly, they say they would like to receive that education through their employer," says Hines. "There's a huge need and an enormous opportunity for employers to deliver financial, and specifically retirement, education."

For their part, employers seem to be recognizing this opportunity, although just how many have gone so far as to institute financial-retirement-education programs remains in question. Some surveys claim around 80 percent of employers have such programs in place, while others place the number much lower, at 20 percent and 25 percent, says Allison. He believes the discrepancy can be chalked up to a difference in how the surveying entities define financial-retirement education.

"Some companies provide an extension of the services that are provided by their retirement-plan administrator with the goal of getting more people into the plan and diversified properly; others simply mail out materials and call it education," says Allison. "Still others are adopting a financial-wellness approach, where they are getting under the hood and doing what many companies do at the executive level, but for the masses, providing a very specific, targeted, personalized guidance based on the individual's needs."

It would be safe to say that Intersil, maker of high-performance analog, mixed-signal and power-management semiconductors, falls into the latter category. Upon his arrival 18 months ago, Benefits Manager David Robertson found nearly 30 percent of the 500 employees working at the company's Palm Bay, Fla., headquarters would be eligible to retire in three to five years. The company had already been auto-enrolling employees into its 401(k) at 6 percent, so participation was high. However, plan balances were pathetically low, averaging just $170,000, which wouldn't take an employee very far into retirement. Working with Intersil's retirement committee, Robertson set out to devise a financial-retirement-education program that would help employees feel confident in their decision to stop working.

Initially, Intersil assumed one vendor would be able to meet its needs. Upon putting the program out to bid, however, it became clear that no single vendor would be able to give the company the far-reaching solution it desired. Therefore, it decided to take an unorthodox approach and adopt a three-vendor solution. The resulting program, dubbed Wealthy Living, was just rolled out in July. It relies on Financial Finesse to serve as the "point company," holding on-site meetings and giving employees someone to call for one-on-one consultations.

Alpharetta, Ga.-based Financial Soundings Investment Advisor provides personalized advice by looking at participants' balances, ages and earnings to come up with individualized investment recommendations. A third vendor, San Francisco-based Boulevard R, gives Intersil employees access to Retiremap, an interactive tool that allows them to model how much they are going to need for retirement, while taking into account upcoming expenditures and other anticipated sources of income.

So far, 20 percent of Intersil employees have taken advantage of the company's new offerings. That doesn't mean Robertson is satisfied, however. Recognizing the need to provide access to a "trusted financial adviser," Robertson plans to add a fourth vendor to the program in the first quarter of 2013.

"Employees get to the point where they are getting ready to retire and they've done all this other stuff for their 401(k), but they realize they need some actual sit-down help if they need additional life insurance or long-term care insurance," says Robertson. "That gets into the classic certified financial-planner situation."

Intersil's approach can be described as "financial wellness," a concept currently taking the financial-retirement-education industry by storm. At the heart of financial wellness is the belief that retirement planning cannot be looked at in a vacuum, but must be part of a much broader, holistic approach that encompasses the individual's entire financial well-being.

"Everything is interconnected," says Davidson. "In order to get people to a place where they are saving enough for retirement, you have to meet them where they are and help them with their day-to-day money management, paying off that high-interest-rate debt, freeing up money that would go to creditors, to then being able to increase what they are investing for retirement."

"If you design the process so the easiest thing for [employees] to do is to save the right amount in the right mix of investments, it will be a huge relief for them."

—David Hatter, Arista Consulting Group

Customized Solutions

Boomers aside, there is also a growing recognition of the need to reach out to younger employees so they can remedy the situation before it reaches the crisis point. That may be easier said than done, however, as employees in the early years of their careers have other financial priorities—such as buying a house, raising children and saving for their college educations. At that point, retirement seems such a distant reality, it's just not on their radar screen. Increasingly, employers are recognizing it's in their best interest to put it there.

In Lowell, Ark., transportation giant JB Hunt Inc. has been working with New York-based Bank of America Merrill Lynch to provide financial-retirement education to its workforce of 16,500, based on a life-stage approach. According to Sylvie Feist, director of communication consulting for institutional retirement at Bank of America Merrill Lynch, one of the centerpieces of the financial powerhouse's strategy is the Advice Access online-asset-allocation tool, which makes savings and investment recommendations based on an individual participant's financial situation.

"The Advice Access tool looks at their age and their salary and takes into account other investments they have if they choose to plug that information in," says Mark Greenway, senior vice president of human resources at JB Hunt. "It then makes an asset-allocation recommendation for them that they can either take as a one-time recommendation or set it on autopilot where it continually rebalances for them."

JB Hunt supplements the offering with a call center, along with a number of targeted mailings, on-demand videos and custom-made tools, such as flip-top table charts managers can keep in their desks to help them better explain how the 401(k) plan works, should an employee ask.

After just two years, participation rates in JB Hunt's 401(k) plan soared, from 50 percent to nearly 80 percent. That's quite a feat for a company in which 80 percent to 85 percent of employees are truck drivers, generally a hard audience to reach. The company has also been able to alleviate any concerns over liability by having employees rely on the Advice Access tool to recommend asset allocations for them.

"We've drawn some clear lines that we don't say, 'You should be in guaranteed interest-rate products or you need to be in mutual funds or you need to own a bunch of JB Hunt stock,' " says Greenway. "Having ... a tool that makes recommendations for them really takes the monkey off our back."

While the move toward this type of education is strong, not everyone is sold on the practice of providing extensive resources to help employees make investment decisions. According to David Hatter, president of Arista Consulting Group in Alpharetta, Ga., and a member of United Benefit Advisors, a "very small percentage of employees" truly desire such a rigorous approach to financial education. The rest—roughly 90 percent—are likely to be overwhelmed by an intensive educational effort. He recommends employers focus their efforts on the "path of least resistance"—that is, eliminating any hurdles that come between the employee and the plan.

"If they have to go online, read a book, fill out a form, sign a form, make a phone call or wait on something, each one of those things is a hurdle," says Hatter. "If you design the process so the easiest thing for them to do is to save the right amount in the right mix of investments, it will be a huge relief for them."

That's exactly the approach taken by Fayetteville Public Schools, where the benefits committee decided to align with a sole 403(b) provider and encourage new teachers to set up their retirement accounts during orientation. Previously, new hires had been given a list of five or six providers, but then were left to their own devices to contact a local broker or agent, which few did.

"That just wasn't happening," says Mones, "so we knew we needed to bring it in-house and make it as easy as possible for new teachers to sign up while they are here."

After the district extended the program to current employees, enhancing it with financial supplemental retirement planning seminars, Fayetteville Public Schools saw participation in the 403(b) plan soar—from 8 percent to 90 percent.

According to Mones, the program has proven so incredibly successful because it has achieved exactly what Hatter recommended. It has removed the barriers that kept the vast majority of employees from participating while retaining the option for those who wish to play a more extensive role in determining their own retirement investments.

"That option is available for the small percentage of employees who want to be heavily involved in it, but for the majority, they want that simplified approach where they know a professional is looking at their investments and making those decisions for them."

Send questions or comments about this story to hreletters@lrp.com.