

# Never Too Young or Too Old: Helping Employees of All Ages to Plan for Retirement

---

PEBA's 28th Annual Forum  
Tuesday April 20, 2010



# Speakers



**Trisha Brambley, President**  
RESOURCES for Retirement  
215.860.4811  
Trisha@ResourcesForRetirement.com



**Linda Robertson, CFP, ChFC, MSFS**  
Senior Financial Planner  
Financial Finesse, Inc.  
Linda.Robertson@financialfinesse.com  
310.802.6855

# Story of Retirement ...



# Story of Longevity ...



## In the US ...

- Over 96,000 Centenarians<sup>1</sup>
- Half of all babies born in 2007, likely to live to age 104.<sup>2</sup>

# Retirement lasting 20, 30 or even 40 years

HAPPY RETIREMENT

# Work, bills, credit debt, family, interests, chores, and oh yeah...



# My Retirement Plan

to invest  
INVEST  
etc.  
in-ve-  
invest-  
ceremonial  
invested  
sense 1) 2. an  
invested c) anyth  
investment fu  
securities the fu  
and distribu



**Spends less than  
one hour  
determining rate  
and investment  
selection**

# Obstacles



**Enrollment** - I'll get around to it

**Increases** - Maybe later

**Investing** - I have no idea what to select

**Rebalance** – What's that?

# Question



# Objectives

1. How and why segment the employee population?

2. What have employees been doing to save?

3. What do employees need to help them save?

4. What can you do to help your employees save?

# How and why segment the employee population?



# Silent Generation (1925 – 1945)

- **Grew up during WWII**
- **Raised when simple things were rationed**
- **Prefer status quo**
- **Have money to spend**
- **View themselves as active people who are in the prime of their lives**
- **Majority are retired**



# Baby Boomers (1946-1964 )

- **The “Me” generation**
- **Personal growth is a key goal, over achieving, independent**
- **Struggle with work-life balance**
- **Enjoys the outdoors, exercise, gardening, health conscious**
- **Likes adventure travel**
- **Online shopping is popular**



# Generation X (1965-1977)

- **Survived a hurried childhood**
- **Embrace risk and prefer free agency to loyal corporatism**
- **Philosophy “no guarantees”**
- **MTV, media savvy**
- **Into healthy food and alternative healthcare**



# Generation Y (1978 – 1989)

- **Largest consumer group in history**
- **Volunteer in communities**
- **Sept 11 and the shootings at Columbine**
- **Raised in comfort and with the internet**
- **Pragmatic and hard-working**
- **“Gaming” is popular throughout the diverse span of ages**



# What have employees been doing to save?



What kind of help have workers been using?  
Are they better off?



# What kind of Help Do They Use?<sup>3</sup>

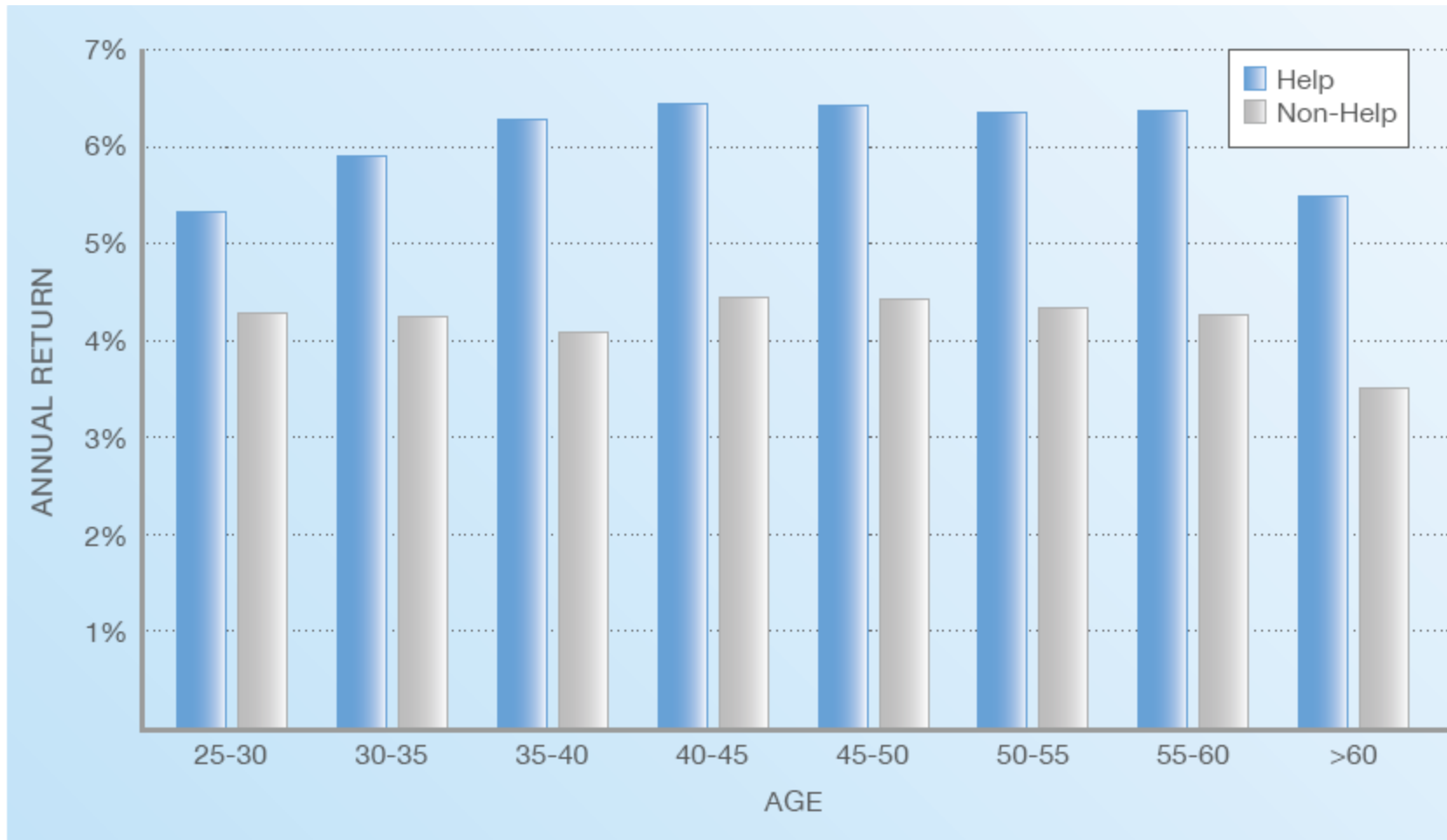


# Non-Help



Have inappropriate risk levels & make poor asset allocation decisions.<sup>3</sup>

# Median Returns<sup>3</sup>



# Help by Generation<sup>3</sup>

	Target-Date Funds	Managed Accounts	Online Advice
Generation Y (under 30 years old)	16.9%	5.4%	7.6%
Generation X (30—44 years old)	8.0%	9.3%	6.4%
Boomers (45—64 years old)	6.4%	13.7%	4.5%
Retirees (over 65 years old)	4.8%	12.4%	1.3%

# Investor Behavior

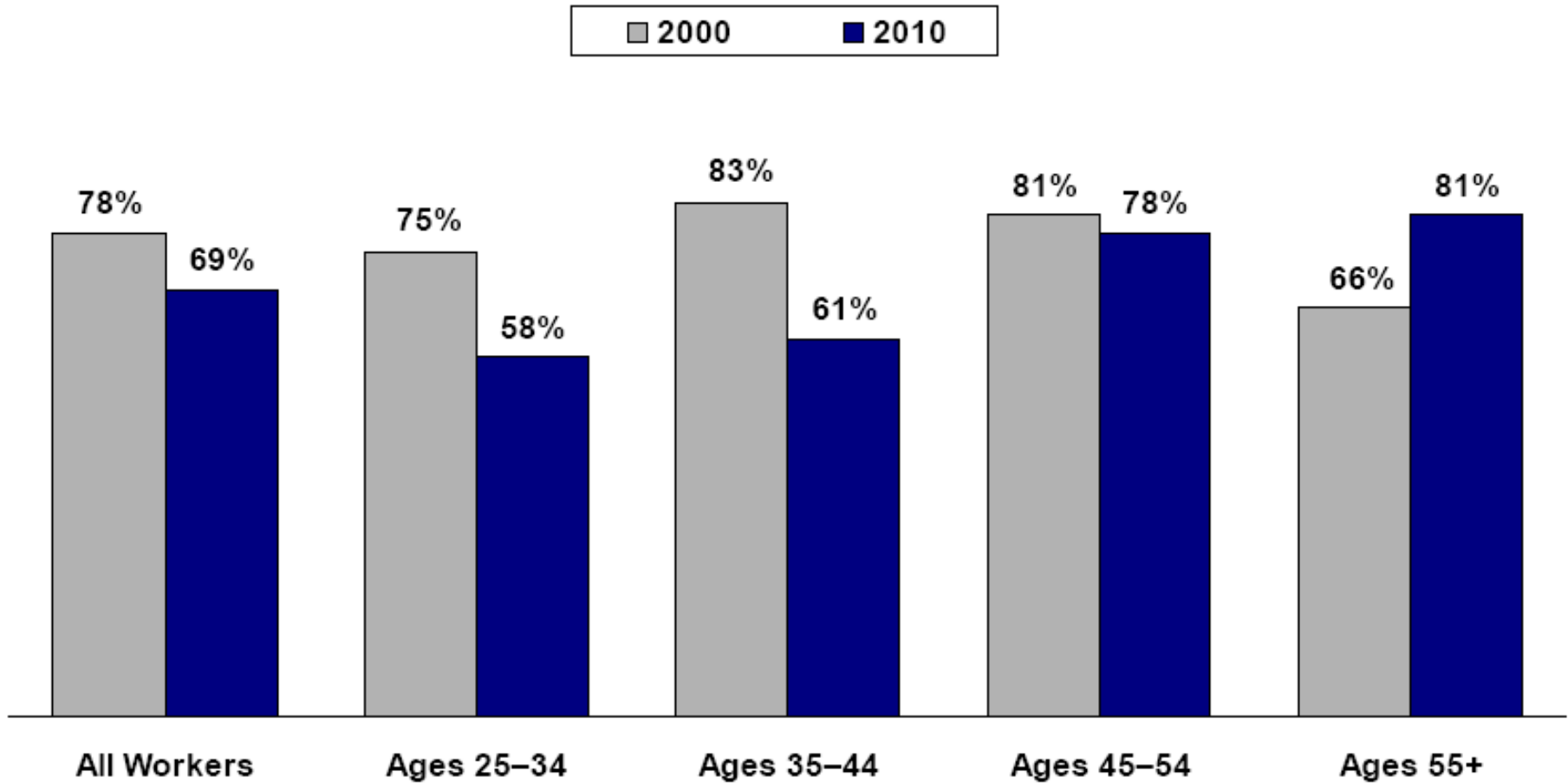


# Investor Behavior

- Not saving or delaying saving
- The cost of retiree health care \$200,000+<sup>4</sup>
- Workers with less than \$10,000 in savings grew to 43% in 2010<sup>5</sup>
- 16% are confident in ability to save enough for a comfortable retirement<sup>5</sup>



# % of Workers Saying They Have Saved for Retirement 2000 & 2010<sup>6</sup>



# Reported Total Savings and Investments<sup>7</sup>

■ Less than \$10,000

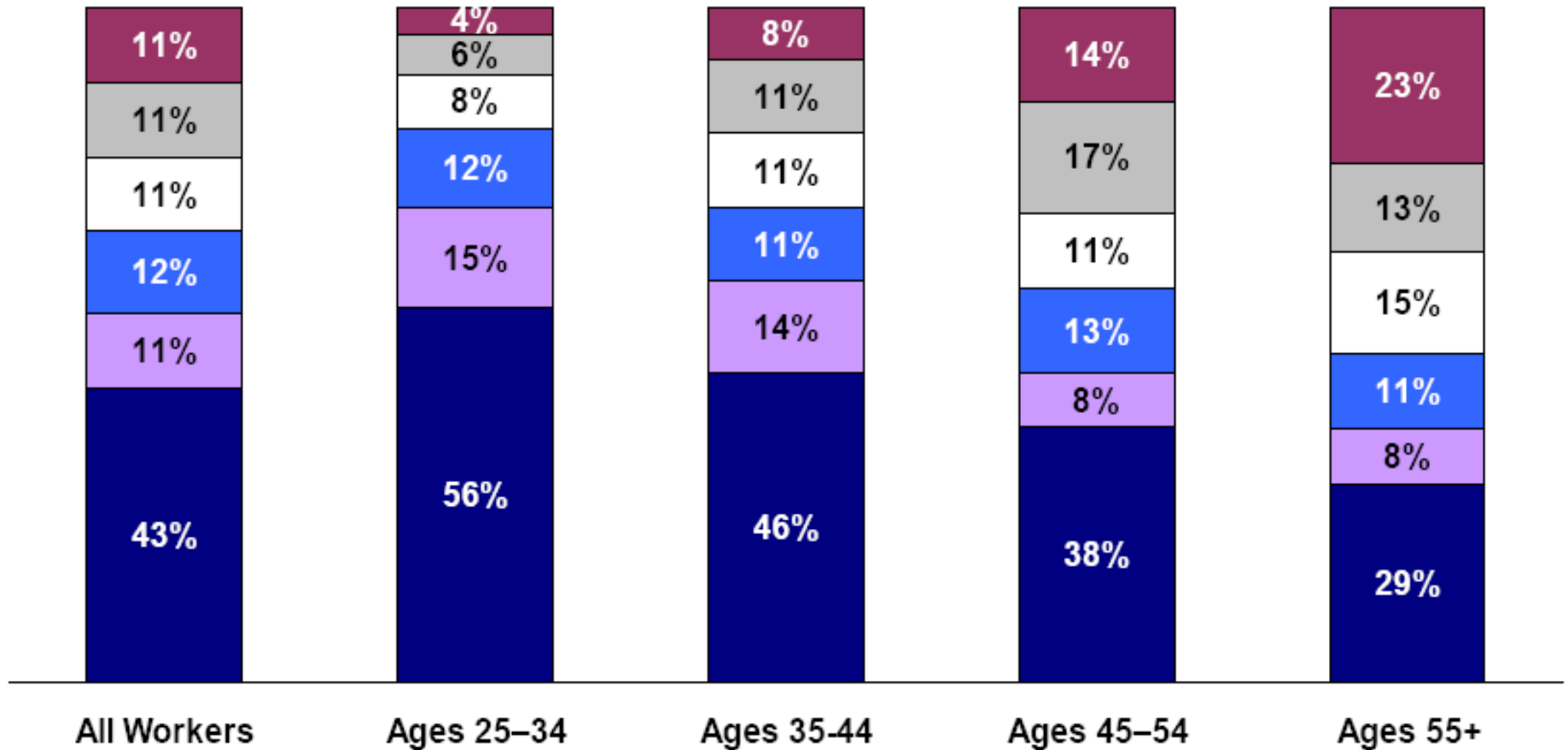
■ \$10,000–\$24,999

■ \$25,000–\$49,999

□ \$50,000–\$99,999

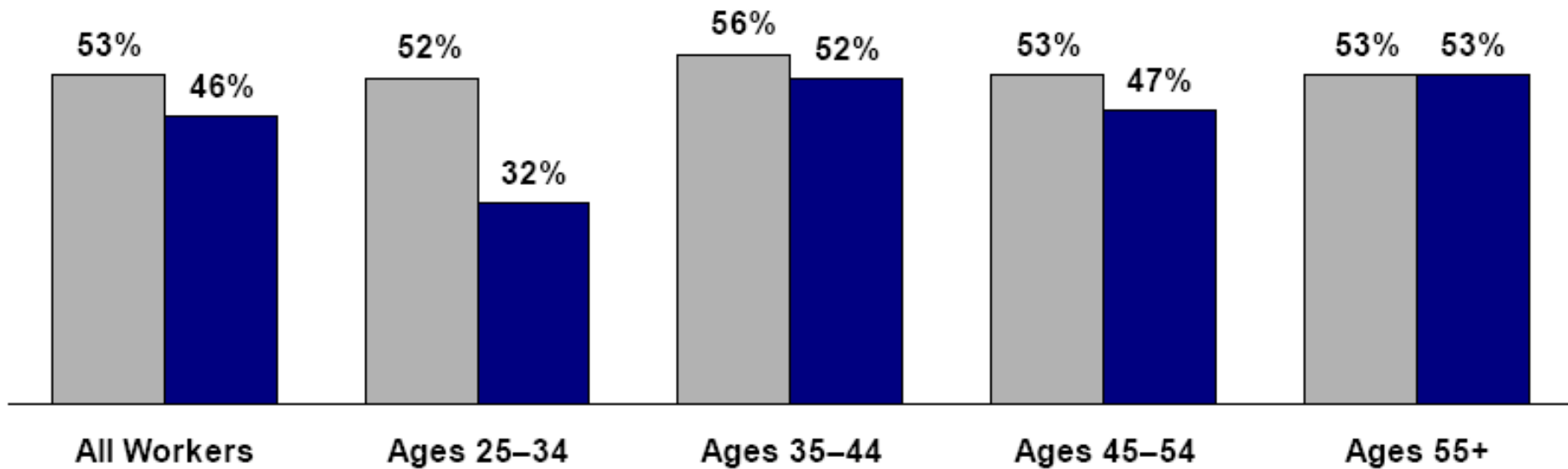
■ \$100,000–\$249,999

■ \$250,000 or more



# % of Workers Having Tried to Calculate How Much Money They Will Need to Save for Retirement<sup>6</sup>

■ 2000 ■ 2010



# Investor Behavior

- Failure to properly allocate and diversify
- Over invest in company stock.
  - Remains the single largest holding for participants, average 36%.<sup>8</sup>



# Investor Behavior

- Failure to rebalance
  - Only about 18% rebalance<sup>9</sup>
- Cash out



# Investor Behavior

- Among those over age 60<sup>10</sup> ...
  - 72% are putting off retirement are doing it for financial reasons.
  - Other reasons:
    - Enjoy their job
    - Health insurance
    - Might be bored



# Financial Finesse Reports

*research on financial trends*



# Financial Finesse Reports

*research on financial trends*

- Trend analysis research is compiled by tracking calls into our Financial Helpline Service, which is available to over 500,000 employees from more than 300 organizations.
- Retirement preparedness data is compiled by tracking usage of our Online Financial Learning Center, which provides employees with a personalized financial education plan and analysis of their current financial wellness.

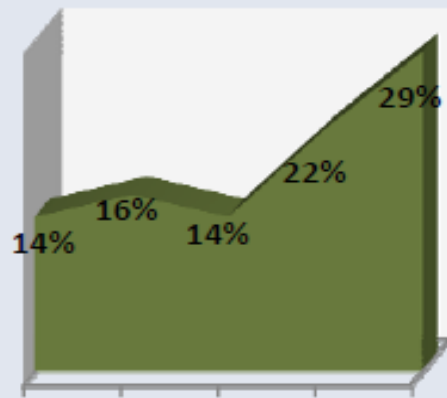


# 2009 Year in Review

## Key Trends

Employees took more control of their finances.

Budgeting and savings calls reached an all time high in 2009.

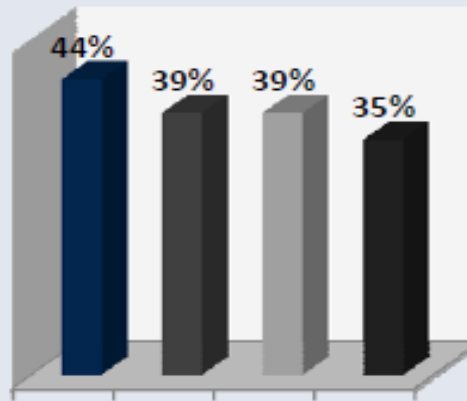


2005 2006 2007 2008 2009

Percent of calls about budgeting and saving  
(Previous five years)

Employees are beginning to recover.

Debt calls decreased in 2009.

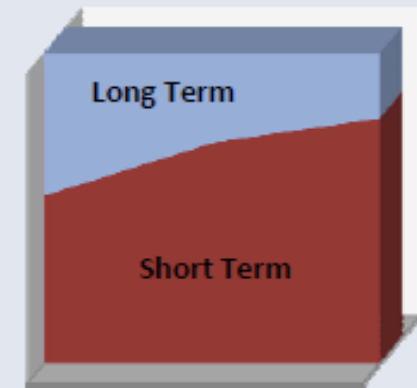


q1 q2 q3 q4

Quarter over quarter change in debt related calls  
(Previous four quarters)

Employees are still focused on short term financial issues.

In 2009, long-term planning was less of a concern than in prior years.



2007 2008 2009

Split between short-term calls vs. long-term calls.  
(Last three years)

# Employee Financial Stress

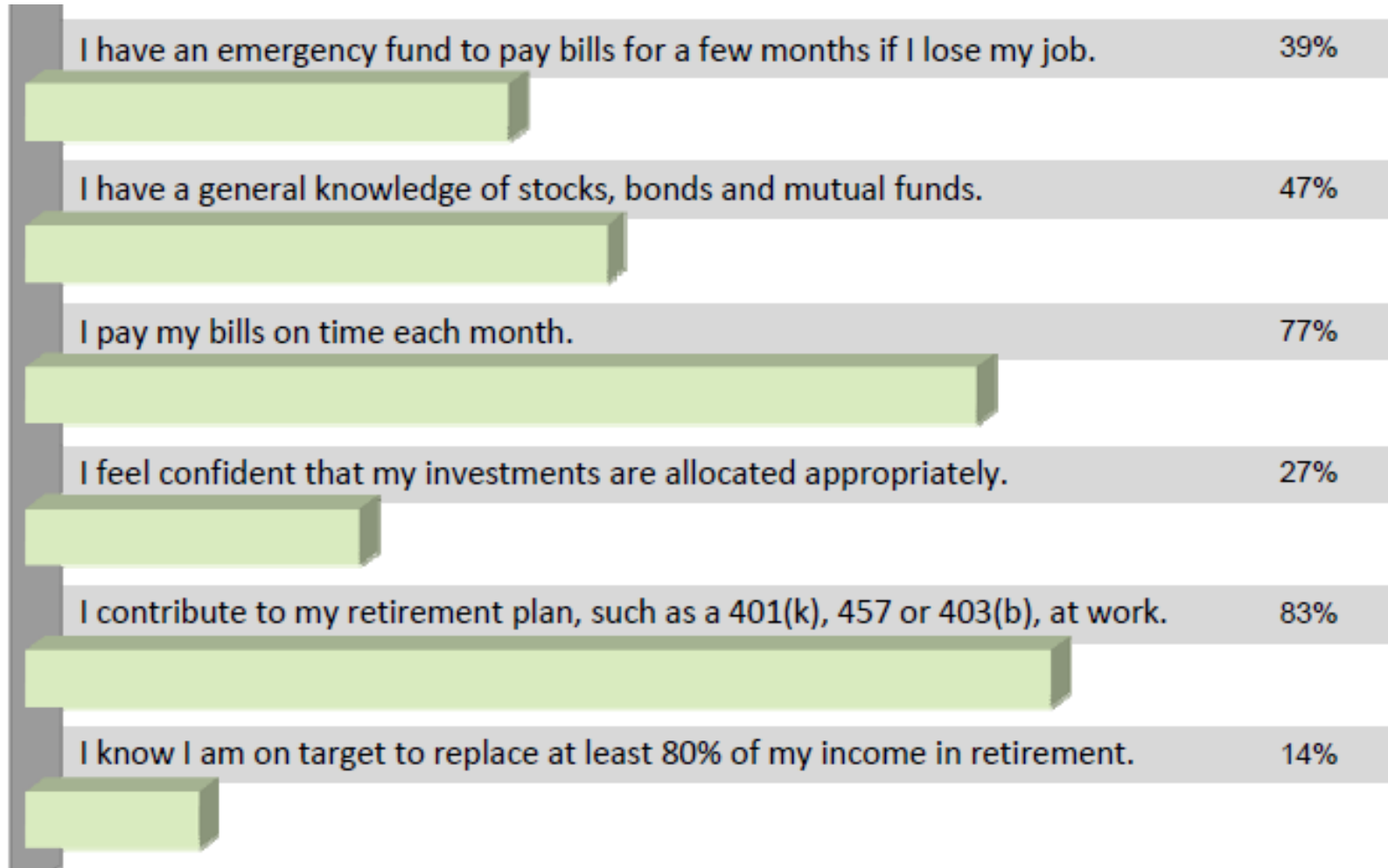
*In 2009, employees remained seriously concerned about their finances with:*

***96%*** reporting feeling stressed about their finances

***32%*** indicating their stress levels were high or overwhelming



# Responses to Online Financial Planning Questionnaire in 2009



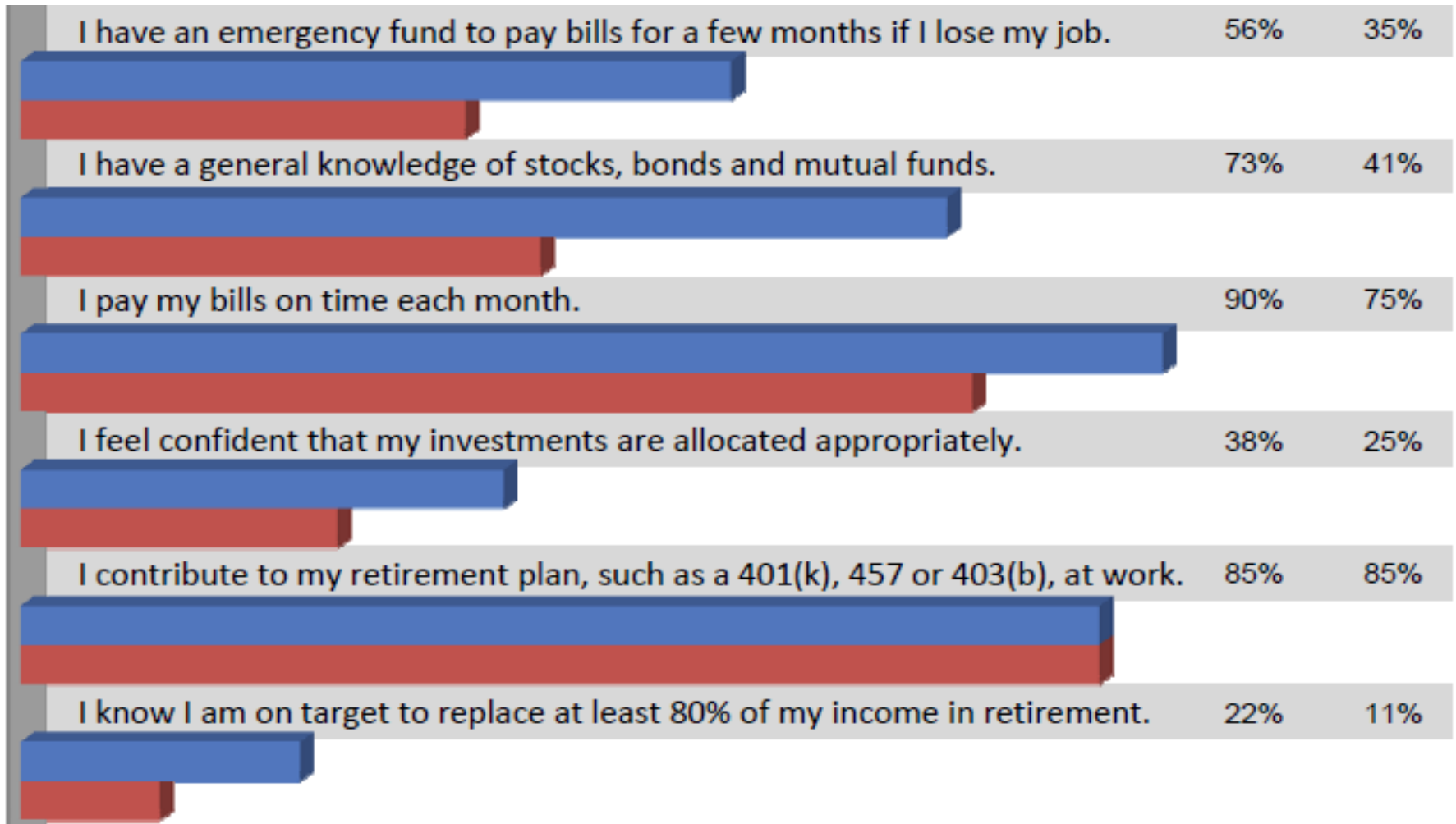
# 2009 Breakdown by Income

Income Range:	Under \$20,000	\$20,000-\$34,999	\$35,000-\$59,999	\$60,000-\$74,999	\$75,000-\$99,999	\$100,000-\$149,999	\$150,000-\$199,999	Over \$199,999
I have an emergency fund to pay bills for a few months if I lose my job.	25.0%	11.7%	25.6%	32.5%	40.2%	51.2%	68.9%	81.4%
I have a general knowledge of stocks, bonds and mutual funds.	16.7%	22.4%	35.3%	45.2%	48.6%	59.4%	71.2%	85.7%
I pay my bills on time each month.	83.3%	47.6%	68.2%	77.1%	82.7%	91.2%	94.8%	98.0%
I feel confident that my investments are allocated appropriately.	8.3%	13.9%	23.2%	26.4%	31.2%	29.3%	37.1%	37.7%
I contribute to my retirement plan, such as a 401(k), 457 or 403(b) at work.	33.3%	66.1%	81.9%	84.4%	88.6%	88.5%	92.1%	92.5%
I know I am on target to replace at least 80% of my income in retirement.	8.3%	7.6%	9.8%	9.0%	15.1%	15.1%	25.9%	29.0%

# 2009 Breakdown by Age

Age:	Under 30	30-44	45-54	55-64	65 or Over
I have an emergency fund to pay bills for a few months if I lose my job.	36.5%	34.9%	45.6%	53.9%	61.5%
I have a general knowledge of stocks, bonds and mutual funds.	41.4%	47.4%	52.8%	54.2%	53.9%
I pay my bills on time each month.	77.2%	73.9%	82.7%	89.5%	92.3%
I feel confident that my investments are allocated appropriately.	22.3%	26.2%	31.1%	34.3%	30.8%
I contribute to my retirement plan, such as a 401(k), 457 or 403(b) at work.	74.8%	83.5%	91.2%	91.9%	92.3%
I know I am on target to replace at least 80% of my income in retirement.	17.4%	13.2%	12.6%	11.8%	23.1%

# 2009 Breakdown by Gender



# Ranking of Financial Priorities, Under 30

## Based on Financial Planning Analysis of User's Financial Situations

Rank	Priority
1	Retirement Planning
2	Money Management
3	Debt Management
4	Investing
5	Taxes
6	Estate Planning
7	Insurance

## As Ranked by Users

Rank	Priority
1	Money Management
2	Debt Management
3	Investing
4	Retirement Planning
5	Taxes
6	Insurance
7	Estate Planning



# Ranking of Financial Priorities, 65+

## Based on Financial Planning Analysis of User's Financial Situations

Rank	Priority
1	Retirement Planning
2	Estate Planning
(tie) 3	Debt Management
(tie) 3	Taxes
5	Insurance
(tie) 6	Investing
(tie) 6	Money Management

## As Ranked by Users

Rank	Priority
1	Retirement Planning
2	Taxes
3	Money Management
4	Investing
(tie) 5	Debt Management
(tie) 5	Estate Planning
7	Insurance



# A Blueprint for Retirement Readiness

***So what do employees need to get them motivated to start focusing on retirement early on in their careers instead of waiting?***



# Framing

Participants not as motivated by replacement ratios as they are by other frames

Showing the estimated account balance at age 65 proved to be the most motivating

The lower the estimated monthly income, the greater the desire to save more, but...the opposite isn't true

# What can benefit all age groups?

- Information, motivation, support
- Auto-enrollment
- Automatic deferral increases
- Help setting savings goals
- Portfolio rebalancing
- One-on-one investment guidance
- Rollover assistance

# Gen Y

- Too indebted to save for retirement
- Although they are optimistic, unwarranted
- 40% have no saving
- Need financial basics
- Glimpse into the amount of money they can accumulate if they start saving today



# Gen X

- Running out of Social Security
- Have less than \$25k
- Need investment basics
- Begin building an understanding of the amount of savings you will need during retirement



# Boomers

- Better protection against losses
- Pre-Retirement counseling
- “Catch-up” Plan



# Silent Generation

- Help managing the 'spend down' phase
- Annuities

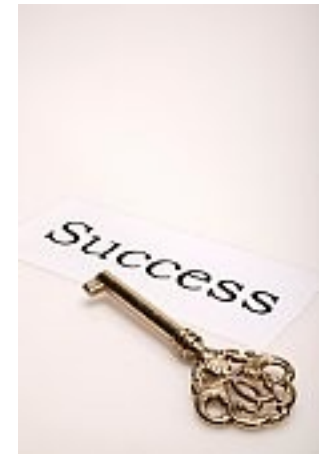


# What can you do?

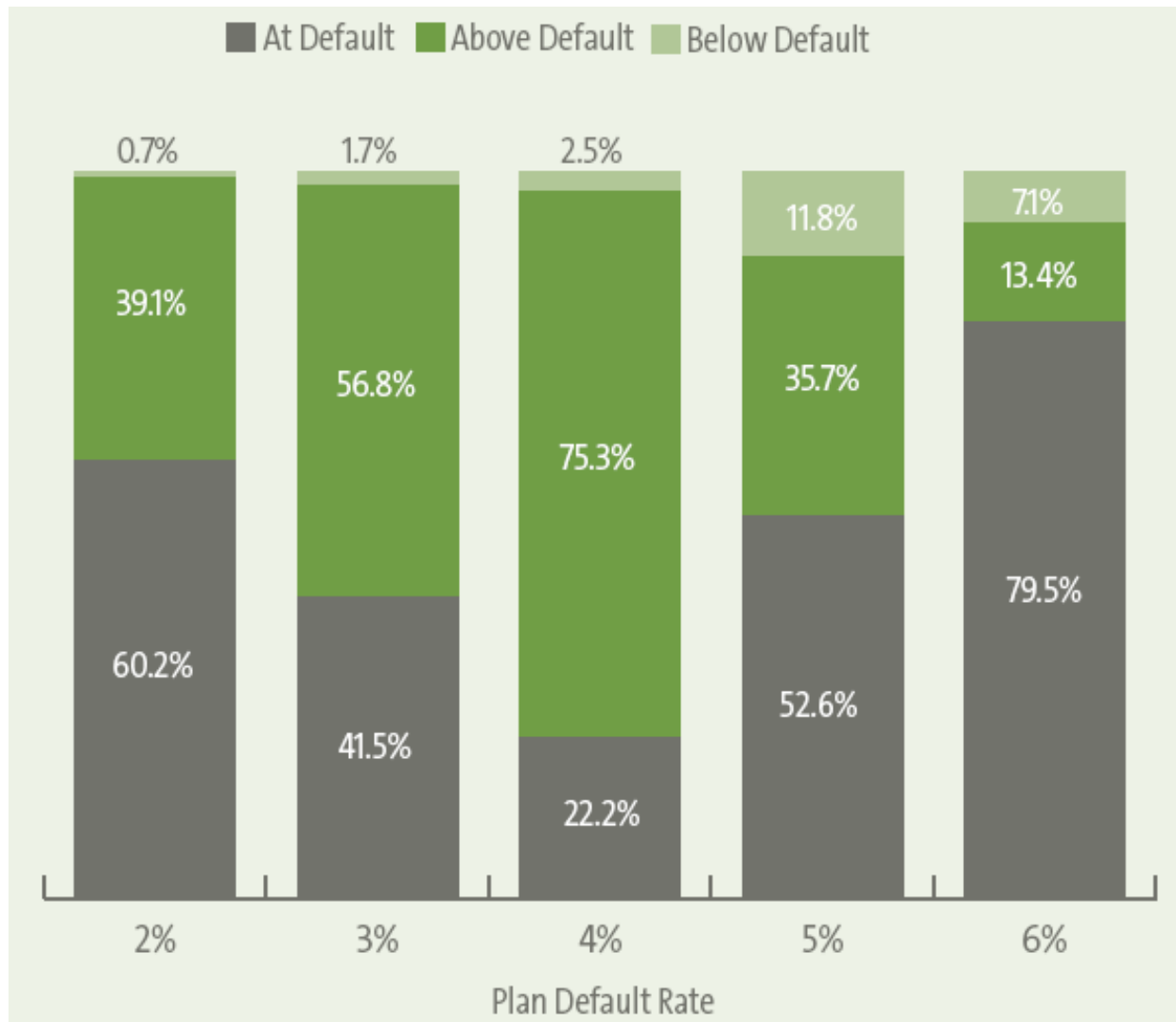


# Blueprint for Retirement Readiness

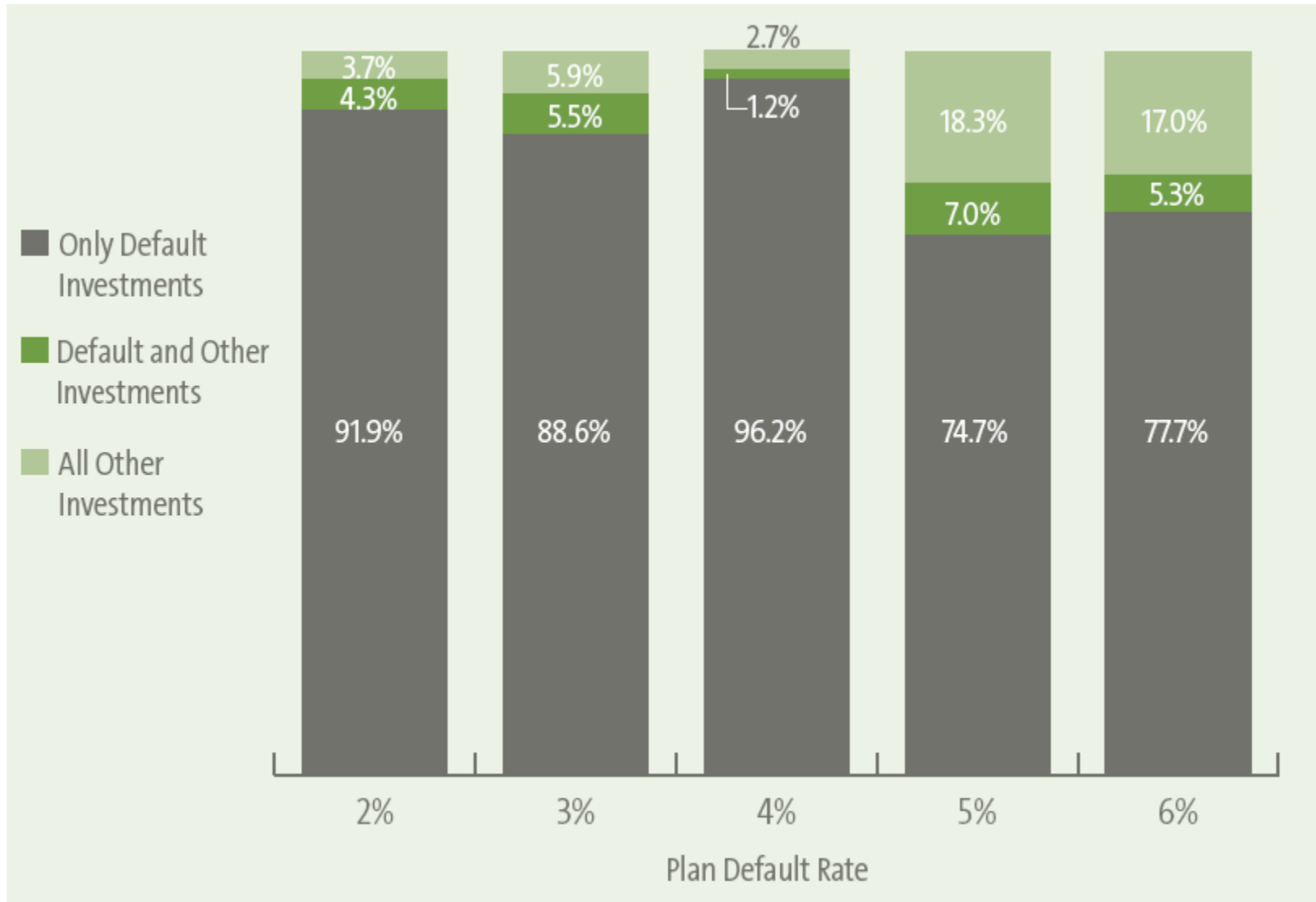
- Plan level analysis
- Risk adjusted returns
- Managed accounts
- Auto enroll
  - *ALL EMPLOYEES, NOT JUST NEW ONES*



# % of Participant Saving At, Above & Below the Plan Default Rate<sup>11</sup>



# Investment Allocations of Automatically Enrolled Participants<sup>11</sup>



# What can you do?

- Auto rebalance
- Targeted communications
- Auto enroll everyone / auto escalation
- Provide counseling against cashing out

# Gen Y and Gen X (Overlap)

- Understand the basics of your plan
- Allow for immediate entry into your plan
- Bump up contributions yearly
- Mentoring
- Technology



# Gen Y and Gen X (Overlap)

- Education about debt
- Reduce spending
- One-on-one support
- Appropriate asset allocation
- Turn key solutions



# Boomers

- Spend down
- Max out on yearly contributions
- Max out on catch-up contributions
- Balance the need to protect assets with the need to invest in equities
- Highly tailored and flexible income support



# Summary

Educate on financial basics

Save more money

Plan automation

Advice – managed accts, TDF, online

One-on-one support to address the specific needs your employees

# Contact Information



Trisha Brambley, President  
RESOURCES for Retirement  
215.860.4811  
Trisha@ResourcesForRetirement.com



Linda Robertson, CFP, ChFC, MSFS  
Senior Financial Planner  
Financial Finesse, Inc.  
Linda.Robertson@financialfinesse.com  
310.802.6855

RESOURCES for Retirement is a division of National Penn Capital Advisors, Inc. Ms. Brambley's Securities offered exclusively through NRP Financial, Inc. Member FINRA/SIPC. RESOURCES for Retirement is a division of National Penn Capital Advisors, Inc. Advisory services offered through National Penn Capital Advisors, Inc. NRP Financial is not affiliated with National Penn Capital Advisors, Inc., National Penn Bancshares, Inc., or any of their affiliates. We are not attorneys and do not offer legal advice.

# Sources

1. Bureau of the Census. "Older Americans Month: May 2009.", March 2009
2. ABC News Medical Unit, Most Babies Born Today May Live Past 100, By Joseph Brownstein, Oct 2009
3. Financial Engines & Hewitt, "Help in Defined Contribution Plans: Is it working and for whom?", Jan 2010
4. Center for Retirement Research at Boston College, "What is the Distribution of Lifetime Health Care Cost from Age 65", March 2010.
5. Employee Benefit Research Institute's 2010 Annual Retirement Confidence Survey, March 2010.
6. Employee Benefit Research Institute and Mathew Greenwald and Associates, Inc., 2000 and 2010 Retirement Confidence Survey.
7. Employee Benefit Research Institute and Mathew Greenwald and Associates, Inc., 2010 Retirement Confidence Survey.
8. T. Rowe Price, "Participant behavior, risk and investment performance: The case for plan-level analysis in defined contribution plans", 2009
9. Hewitt, 2007
10. CareerBuilder, "Workers 60+ Putting off Retirement for Financial Reasons", Mar 2009
11. T. Rowe Price, "A Closer Look at Automatic Plan Services: Plan Sponsor and Participant Behavior", Jun 2009.