

RETIREMENT PLANNING COMMUNICATION ACROSS GENERATIONS

By Julia Bluemle

In today's multi-generational workforce, it is becoming increasingly important for employers to adapt to different communication styles and preferences. Four generations, often identified by their familiar monikers, simultaneously represent the present-day workplace population: Veterans, born between 1922 and 1945; Baby Boomers, born between 1946 and 1964; Generation X, born between 1965 and 1980; and Generation Y, born between 1981 and 2000. Their work ethics, values, views on work/life balance, communication, and leadership styles vary widely. To communicate, Veterans generally prefer the formal memo, Baby Boomers an in-person meeting, and Gen X and Gen Y prefer direct, immediate information by e-mail, voice mail, and text.

Studies show that employees lose one hour of work each day due to financial stress. Also, since employees' wealth accumulation and plans for retirement are 70% to 80% tied to their company plans, more emphasis is needed on both plan design and communication for all generations in the workforce. How a company communicates to each group simultaneously with personalized information can determine a retirement plan's success for the plan sponsor as well as for the employee, but one message is crucial for everyone: employees need to become more involved in their company's plans, whether defined benefit or defined contribution, for wealth accumulation and financial security.

The conventional communication approach for Baby Boomers and Generation X includes group education, telephone contact, and website information. For Generation Y, financial planning/wealth attainment is often communicated by unconventional methods such as fragments on YouTube, iPad apps, social media, video conferencing, and texting. Companies need to consider regulatory and compliance factors before incorporating the latest methods to communicate plan design.

Patrick McAllister, Vice President of Wells Fargo Retirement Services, affirmed that companies can measure successful retirement plans by several factors, including investment performance, maximum employee participation and contributions in 401(k) plans, and participant diversification among appropriate investments. Employees can measure plan success if they have accumulated enough retirement savings (80% pre-retirement income replacement) to enjoy a financially secure retirement, have appropriate diversification to weather market swings, and fully utilize the plan's benefits.

A Putnam Investments study determined that the investment industry needs to re-focus on the drivers most impacting retirement wealth, which are (in order): employee salary deferral rates, asset allocation/diversification, and individual fund performance. Plan sponsors also need to provide age-appropriate strategies and rebalancing tools to help plan participants better manage risk.

To achieve maximum plan success and health, plan sponsors should consider solutions that include automatic enrollment, enrolling all participants who have not previously joined the plan, setting a higher default percentage for automatic enrollment participants, using an opt-out approach, and setting a higher annual increase for automatic escalating deferrals.

The 2011 Retirement Confidence Survey (RCS), conducted by the Employee Benefit Research Institute (EBRI), found that in 2010, with the recession acknowledged as over and increasing signs of economic improvement, Americans' confidence about retirement was stabilizing. However, although the stock market was going up and unemployment was going down, 50% of workers and retirees said they were *not very confident* or *not at all confident* they will be able to live comfortably in retirement, almost double the response in the year 2000. The analysis showed the decline came almost entirely among people with financial assets of less than \$100,000.

Almost 50% of workers in the survey are offered a workplace retirement savings plan, such as a 401(k), and 36% report they are currently contributing. The likelihood of contributing to a plan is higher for workers age 35 and older than for workers age 25-34.

More workers plan to delay retirement, citing the poor economy, a lack of confidence in Social Security or the government, or a change in their work situation. Ironically, the RCS does not find proof that Americans have started changing their behavior about preparing for retirement yet.

Employers should consider these facts when re-tooling retirement benefit plan designs.

What Workers in All Generation Groups Want to Know

The EBRI reports that 60% of workers in an employer retirement plan said they would find the following information very valuable:

- How much they should save now to maintain their current lifestyle after they retire
- How much retirement income they can expect from the money they currently have in their retirement account
- How much retirement income they can expect from their account if they continue saving at the current rate

Younger Workers' Priorities

In a study by the American Savings Education Council and AARP on preparing for the future and looking at the financial state of Gen X and Gen Y, 90% of young adults agree *at least somewhat*, and just over 50% *strongly agree*, that they have financial goals. Asked to identify goals from a list of potential objectives, 75% report “advancing one’s career” and “earning more money.” Following closely behind on the list of life priorities are saving for retirement, minimizing stress, and paying off debt.

Among those in Gen X and Gen Y who are employed, the most important workplace benefit is health insurance, followed by matches or contributions to a retirement savings plan, and a retirement savings plan in general (with or without a company match).

Adjusting Pension Plans to All Generations in the Workforce

Using multi-media, specially-designed programs can target employee needs at all stages of career and life (early, mid, and late). Employers should determine the scope: retirement education vs. financial education. They can also determine delivery channels by company demographics and emphasize the importance of starting early, using a combination of personalized assistance, seminars, and web-based tools. Companies can access technology that involves incorporating spouse/partner assets and income and providing assistance in making involved business decisions.

Employers who offer more in-depth financial planning tools and assistance to their employees benefit in various ways: workers have an improved understanding, appreciation, and use of company benefit plans; they are more loyal and likely to stay; and they are more productive.

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