

Retirement Readiness Report

Helping older employees get ready to retire successfully

A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.

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Welcome to the eighth issue of the *Retirement Readiness Report*, offered as a free resource, to help you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

If you missed issues #1 thru #7:

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

Next month:

When retirement comes unexpectedly

Are employees and employers in sync about the need for advice at retirement?

According to a recent industry study by MetLife, the answer is “No” – and we are inclined to think that in some ways the gap is bigger even than their report suggests.

The MetLife 7th annual *Employee Benefits Trends Study*, released in April, shows that only 16% of employers identify retirement education as a top strategy, while nearly half of employees say they would be interested in having access to financial advice at work. Among older employees – the main focus of the *Retirement Readiness Report* – the interest level is 55%.

This is a big gap, and there are some obvious issues, both regulatory and budgetary, that are slowing down the creation of new offerings in this area. But there is another issue that we have discovered ourselves, though not through a scientific survey, so we can't offer solid data on it. But see if this sounds familiar to you:

Financial planning is expensive, and the need is greatest at the highest levels of management, where income and assets generate complex questions revolving around issues such as stock options, estate planning, and family and charitable trusts. So the focus should be on offering planning and advice at the executive level.

The need, as expressed in this fashion, is valid enough, but the idea that the rank and file, let alone middle management, do not also need advice is 180° off-base.

True, the most affluent employees do need advanced forms of expert advice. But they can easily afford to hire their own advisors, they are accustomed to working with such experts in the course of their daily work, and so they often already have a personal advisory team in place, especially by the time they are ready to retire.

We ordinary folk, however, are not accustomed to this kind of support, and cannot easily afford to hire independent financial consultants. If we get personal financial advice, it's usually from a friend or family member who is probably not an expert, or from an advisor who makes money by selling or managing financial products, and whose advice may be colored by that fact.

The reality is that the *lower* the employee is on the income scale, the more likely she or he is to need financial advice, especially at retirement.

The main reason for this is simple: most people in the bottom 70% or so in income are at some risk – many of them at great risk – of running out of assets in retirement. The most affluent in your organization probably run very little risk along these lines. Yes, helping them optimize their investments or minimize their taxes is beneficial to them, but honestly, it's icing on the cake. In retirement, most of your lower- and middle-level employees (and probably, some of your upper-middle managers as well), have

the cake itself at risk, and maybe even the plate it is sitting on!

The longer someone is retired, the more likely that something will go wrong, and that financial resources will grow thin. The length of life is unpredictable, as is the quality of one's health (and the health of one's partner, if there is one), and as are outside factors like investment results, real estate prices, taxes, family crises, and so on.

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Considering that opportunities for financial losses mount during retirement, and possibilities for increasing one's income dwindle with age, the importance of making smart decisions and establishing appropriate plans at the time retirement occurs, is clearly very strong, for employees who have any real risk of depleting their assets.

Yet, in this dangerous financial environment, most retiring employees are, quite literally, helpless. Not having retired before, and lacking the expertise even to understand what some of the issues are, let alone how to resolve them, they are poor advisors to themselves, and they rarely have access to good advice from others. Those who are most at risk, who most need help, are least likely to get it, from their employers or from anyone else.

With the economy somewhere near the bottom of the trough, now is not a practical time for most organizations to be committing new money to benefits-related projects. This is a pity, because now, when people are retiring in vast numbers – often involuntarily, and without any specific preparation or planning for it – is when people need this kind of help the most.

So the failure of employers to provide advisory help, especially to their older employees, is another tragedy added to everything else that has been going bad lately.

As we pointed out in *Retirement Readiness Report #5* (March 2009), it is possible to offer useful help to older employees at little or no cost to the employer. But if, even so, you cannot address this problem in your current environment, you can at least start planning for that blessed time when business returns to normal and budgets open up again.

The need and desire for help among older employees is not going away. On the contrary, the Baby Boom bulge is only starting to hit retirement age, and the biggest waves are ahead of us. We all know that, and it's a big reason why we write this report, and probably why you read it.

Recommended Reading for Employees Getting Ready to Retire

Audacious Aging, edited by
Stephanie Marohn

\$29.95 (Elite Books, 2009)

Notice: We do not sell books, or have any financial stake in recommending them.

We recommend this book with a little hesitation. It's a collection of

40 brief essays by different authors, and there is something that will be helpful, even valuable, for just about everyone. But just about everyone will probably find something off-putting as well.

Audacious Aging is the outcome of a project in which essays on aging – and particularly on positive and even adventurous approaches to aging – were solicited from multiple authors. Some were approached for their fame (e.g., Helen Gurley Brown, Sen. Robert Byrd, Dominick Dunne, Lena Horne, George McGovern, Gloria Steinem, Dick Van Dyke), and others for their widely recognized (or not so widely recognized) expertise on aging in general or on certain aspects of it.

This combination makes for a curious but stimulating mixture, and for wildly different points of view. The main common element is that all of the authors see the older years as a time to grow, strive, and make the most of the experience and wisdom one has acquired. If you can't get inspired by any of these people and their messages, you just aren't going to get inspired. As we said, just

about everybody who would even be tempted to read such a book will find at least a few, and probably quite a few, new insights that are informative, motivating, or both.

Still, there is New Age tone to many of the essays that will at times annoy some readers. Our own "baloney meter" frequently darted into the yellow and red zones as we read these essays. Although some are marvelous, others are suspect (our bell went off, for example, at every reference to quantum physics), and some are simply vapid. Yet, we suspect, there are plenty of people who would have picked an opposite list from our own as the best among the group.

That, in fact, is one of the strengths of *Audacious Aging*. Whatever your point of view, there will be some essays to support and enhance it, and others to challenge it.

It is a buffet for the mind, and our guess is that most older employees will find many items here that are savory or nourishing for them.

Featured Website

Ageless in America

<http://www.agelessinamerica.com/>

In *Retirement Readiness Report* #6 (April 2009), we discussed the issue of employees taking on other work, often whole new careers, paid or volunteer, after they retire from your employ. We also reviewed *Boom or Bust! New Career Strategies in a New America*, by Carleen MacKay and Brad Taft. A mutual friend put us in touch with them after that issue came out, and we had a useful chat, in which they referred us to their website, **Ageless in America**. This is a resource your retiring employees (and retirees) should know about.

This site was created by Ms. MacKay and Mr. Taft “to support individuals and organizational leaders in understanding the changes in the American workplace and how best to adapt in order to ensure success.”

They do this partly by offering information and resources directly on the site, and also by providing consulting, training, presentations, and other services (as well

as their books and other materials), described on the website.

The site itself includes a monthly article on an employment-related issue, and it also offers an archive of previous articles. Each month they highlight an “Opportunity of the Month,” describing a line of work that has growth potential in our society today (for June: Fitness trainers, personal trainers, and aerobics instructors). And each month they describe a “Myth of the Month,” which they debunk (in June: “for those that are ‘set’ financially, there is no need to worry about working later in life.”)

In addition to the articles, which are posted on-line, *Ageless in America* also offers a bi-monthly newsletter, *Hot Topics for the Maturing Workforce*, that individuals can sign up for. It answers questions, talks about self-marketing tools, and provides other tips to people thinking about entering or re-entering the workforce.

The site also provides links to other relevant sites, both of a general nature and specifically geared toward finding jobs or providing self-assessment tools.

MacKay and Taft, supported by Philip N. Newbold, co-author of *Return of the Boomers*, bring a wealth of experience, expertise, and insight to the whole field of matching an aging workforce to the needs of a changing America. Many of your older employees, and especially your retirees (if you have a way of keeping in touch with them) would surely benefit from knowing about this site. And you might want to keep tabs on it yourself.

About RetirementWORKS[®], Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Massachusetts, which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be viewed from the retiree’s point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But we do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

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