

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 eleventh 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 #10:

They're available at:

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

Next month:

Dealing with health issues in retirement.

What kind of employers are interested in providing extra support and advice to their retiring employees?

Why, only the best of course! Like you!

But seriously: some interesting new data out there suggests that the companies whose employees most need this kind of planning support are the least likely to offer it.

A study sponsored by the Boston College Center for Retirement Research was recently made available on the internet (the full text is free at: http://crr.bc.edu/images/stories/Briefs/ib_9-13.pdf). It reports on data collected back in 2006 – which is probably more appropriate than data collected in the past year or so would be, because those were more “normal” times.

The study, ominously titled “Employers’ (Lack of) Response to the Retirement Income Challenge,” was based on a representative survey of employers. While the results were not all that negative, really, they were distinctly mixed. Only about a quarter of employers – of all kinds and sizes – said that they were *unlikely* to provide individual retirement planning support to their employees, though less than one-fifth reported that they were *highly likely* to do so.

What were the key factors that determined which employers did and didn't expect to help their employees in this way?

Not size. Large and small employers were about equally likely to say they expected to be offering retirement planning support.

One of the two largest determining factors – perhaps not surprisingly – is the rate at which the organization is growing. Faster-growing organizations are usually the more successful ones, and they can afford to do more for their employees.

But companies that are not growing, and especially those that are

shrinking, probably should be the first ones to help their older employees. In these companies, older employees are more likely to be losing their jobs through layoffs or early retirement offers – either of which is likely to catch the employee somewhat unprepared.

Furthermore, compensation has probably been held down, or even reduced, in stagnant or shrinking organizations. Benefits are likely to have flattened or been cut as well.

So, while the majority of older employees in almost *all* organizations need advice and support as they approach retirement, those in slow-growing or declining organizations need it more. But the data says that they are much less likely to receive it.

The cost of providing such advice is an issue of course, but as we have discussed elsewhere, low-cost or zero-cost options are available, and even if they are not ideal, surely are better than nothing at all, in these cases (see *Retirement Readiness Report #5*).

Another factor that correlates with the intention to offer planning support to employees is the ratio of older to younger workers. This was the one clearly good sign in the results we are passing along: companies with more older workers are more intent on helping them. So cheers to all of you who fit into this group.

But the other determining factors seem to work the wrong way, as we saw with the company growth factor.

“The companies whose employees most need this kind of planning support are the least likely to offer it.”

Companies with higher proportions of rank-and-file workers, and those with older workers who are unprepared for retirement and would like to work longer, are *less* likely to be receiving advice.

This is a shame, because rank-and-file employees, and those so unprepared for retirement that they are already expecting to work beyond when they otherwise would, are clearly those

most in need of advice. Highly compensated employees may have more complicated finances, and may need help on account of that, but if they don't get help, or don't get the ideal kind of help, they will probably still not run out of money in retirement. Plus they can usually afford to find their own advisors – indeed, they often already have done so.

But lower-earning employees are more at risk, and though they have fewer decisions to make, the decisions they do face are all that much more important. Without decent support (which they are unlikely to get anywhere else, by the way), they can easily turn a salvageable financial situation into a disaster.

The biggest factor in the BC/CRR study, though, can perhaps be categorized as high-tech vs. low-tech. Companies with a lower rate of technological change are much less likely to provide retirement planning support. At the risk of over-simplifying, or patronizing, it does seem likely that employees in jobs that are low-tech are less likely to have the education and technological savvy that

would help them make the right decisions on their own, or at least to find other sources of good information and advice. So again, the people who need help the most are the least likely to receive it.

Although the Boston College report doesn't address the issue, we would like to think that there is another factor that could make up for all of this: the wisdom (and benevolence) of the HR staff, and of management in general.

As we have discussed before, helping older employees plan their retirement is not just a nice thing to do, though it is that, and it is not just a competitive advantage in hiring and retention. But given the enormous investment employers make to the retirement security of their employees – via contributions to Social Security and to pension plans, and sometimes in other ways as well – it only makes sense to help those employees use that investment wisely, instead of accidentally fumbling it away because they do not know what financial decisions to make when they retire.

So perhaps we end where we began. What kind of employers are interested in providing extra support and advice to their retiring employees? Why, only the best of course! Like you!

We hope.

Recommended Reading for Employees Getting Ready to Retire

Retiring as a Career: Making the Most of Your Retirement, by Betsy Kyte Newman

\$19.95 (Praeger Publishers, 2003)

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

Although this book is no longer hot off the press, and it explicitly does not deal with the financial aspects of retirement, it is still one of the very best we have found.

Retiring as a Career is sound throughout, but there are two aspects of it that are particularly impressive.

First, Newman deals directly and sensibly with the retirement tran-

sition itself. The word “Retirement” can refer to the act of retiring, or the state of being retired. Most retirement books deal mostly or exclusively with the latter, but Newman deals with both.

Indeed, if anything, we would say that the emphasis is on the transition, and that most of the discussion about the state of being retired is intended to get the person who is about to retire thinking carefully about what s/he is heading into, and therefore to make the transition smoothly, and to land in a good place.

She also deals with the transition specifically, making a point, for instance, that one seldom if ever sees elsewhere: the importance of having some sort of celebration or retirement “ritual” to mark the transition, rather than just letting people slip out the door on their last day of work. Her discussion on this topic is very wise.

But that goes for the entire book, which is its other most impressive characteristic. Despite its modest size, it covers most of the important non-financial issues in retirement, including many that are

not covered, or badly covered, in most competing publications.

Among the parts we liked best are Newman's discussions of what to expect in retirement, of issues pertaining to couples, of retirement as applied to professional women, of warning signs of retirement stress, of "flunking" retirement, and of retirement as a spiritual journey.

The author also offers useful self-help exercises along the way.

Though listed as "a consultant in management education and career development," Betsy Kyte Newman could just as accurately be described as a "sage." We highly recommend *Retiring as a Career*, especially for your employees likely to take a careful, serious approach to thinking about the rest of their lives.

Featured Website

What's Next

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

This site is neither the typical career change website nor the typical retirement website.

It looks at all career changes, whether to another job or to retirement, as of the same ilk.

"The mission of WhatsNext.com," as they explain on the site, "is to provide information, inspiration and resources for men and women who want to change careers, find more fulfilling work or improve their work-life balance. All are welcome, but there [is] an emphasis on those who are in mid-career or approaching retirement."

Employees making these transitions need to think about "what's next," need some "how to" kind of help, probably need to create some sort of financial plan, and may need to find a financial planner, a life coach, and/or a career counselor. This site offers help in all of these areas, as well as an array of blogs by people who themselves are going through these situations.

The What's Next site offers links to outside resources and unique items of its own. Worth noting are some publications (both currently available and forthcoming, mostly for \$9.95 each) on such diverse topics as becoming a

teacher, managing job loss, starting a food service business, opening a retail store, finding and buying a small business, making the transition from for-profit to not-for-profit management, and others.

Unless you already offer this kind of extensive career and retirement counseling (and perhaps even if you do), you might want to suggest this site to your employees heading for retirement or being offered early-out packages.

About RetirementWORKS[®], Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., 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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