

RETIREMENT PLAN PERSPECTIVES

Insights for Your Plan and Employees

Q4 2016



RetireReady: Connecting Across Generations

"Talkin' 'bout my generation . . ." — The Who

Remember the classic rock song "My Generation" by The Who, and their passionate pleas to have their attitudes and behaviors recognized by society? Although the iconic band probably wasn't commenting on the challenges employers face when offering a workplace retirement plan to employees from different generations, there are similarities between the two predicaments. In order to orchestrate a successful retirement plan strategy, plan sponsors need to be mindful of demographic trends, as well as methods they can use to make their plans appeal to the unique needs, attitudes, and expectations of their employee base.

To that end, let's take a look at the three main generational categories, their general characteristics and realities, and how you can make the connection between your retirement plan and each group's behavioral nuances.

Millennials (ages 21–36, born between 1980 and 1995)

Millennials have displaced baby boomers as the biggest generational segment of the workforce. Millennials tend to care deeply about how their work impacts the world around them, and they are keen to work for companies that are committed to philanthropic efforts. They are frequent job-changers, and due to their relatively short tenure in the workforce, they may have difficulty imagining their "future selves" in retirement. Perhaps the most significant characteristic of millennials is their comfort with and reliance on technology; they prefer on-demand access to their information. Millennials are the first generation to have grown up in a world in which a computer was in every household, and cellphones and tablets have always been woven into their daily lives.

Connection strategies for millennials: Try incorporating gamification and behavioral finance themes to help millennials visualize retirement beyond the raw numbers. Offering mobile enrollment and web-based educational tools will cater to their preference for immediate information consumption. Grab the attention of millennials with calls to action through social media messaging, and educate them on the adverse effect of retirement savings leakage.

Generation X (ages 37–51, born between 1965 and 1979)

Gen Xers are in the midst of their working lives and may lack the enthusiasm of the younger millennials. And it's easy to see why—members of Generation X report feeling lucky to have a job, having lived through catastrophic financial events such as the tech bubble burst and the 2008 recession, with its widespread layoffs, collapse of financial conglomerates, and almost overnight depletion of retirement nest eggs. Despite feeling disengaged and overwhelmed, Gen Xers recognize the need to kick-start their savings efforts for retirement, health care, and their children's education. No strangers to technology, members of Generation X are comfortable with web-based platforms and are frequent online shoppers.

RetireReady: Connecting Across Generations *(continued)*

Connection strategies for Generation X: Online communications and campaigns will hit the mark with Gen Xers. Give special attention to financial wellness themes and important life events, and encourage them to include spouses in the conversation (three out of four Gen Xers are married). To help relieve the stress that comes with making major financial decisions, design a simplified plan that streamlines investment choices and makes it easier for employees to take action.

Baby Boomers (ages 52–70, born between 1946 and 1964)

The baby boomers, the second largest of the three main generational categories, have had their vision of retirement skewed over the course of their careers. Their perception of retirement has gone from one of dependence on employers (pensions) and government (social security) to individual responsibility (contributing to 401(k) plans and IRAs). Many boomers have had to delay retirement, realizing that the nest egg they've accumulated isn't enough to cover rising health care costs and the current costs of living. Pragmatic and realistic, members of this generation tend to be far less reliant on technology than younger workers.

Connection strategies for baby boomers: Baby boomers may absorb retirement education best via one-on-one meetings. Focusing on financial planning topics such as health care costs in retirement, how to preserve accumulated wealth for loved ones, and retirement distribution strategies will help boomers feel more at ease as they prepare for their retirement years. Keep communications clear and simple, and deliver them in both print and online formats. Lastly, educate baby boomers about catch-up contributions (for participants age 50 and older) and encourage them to take advantage of that option.

You'll likely find that you have a mix of two, or even three, generations within your employee ranks. Identifying those groups is the first step. Then, reach out to your retirement plan advisor and other service providers for help creating and delivering a plan that benefits your company's generational mix.



Financial Advisors Impact Retirement Preparedness

Financial advisors play an important role in bridging the retirement preparedness gap. Less than half of individuals use an advisor, but those who do see the benefits, according to Prudential Investments' 2016 Retirement Preparedness Survey. Here are some more key findings from the survey:

- Respondents cited a financial advisor as the top source for learning about investing.
- Only 44 percent of respondents use a financial advisor, but those who do are more confident in their ability to achieve retirement savings goals.
- Among pre-retirees, 20 percent look to their employer for resources on investing.
- The top two replies from retirees about what they wished they had done differently were "Save more" (45 percent) and "Started saving earlier" (42 percent).

Encouraging employees to seek the advice of a financial advisor can be an important step in helping them prepare for a brighter financial future.



We Can Help

Contact us if you would like to discuss methods for engaging your multigenerational employee base or ideas for improving your participants' retirement readiness.

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