



Retiree Reflections: Seven Ways Employers Can Do More to Help Workers Prepare for Retirement

by **Catherine Collinson** | *Transamerica Institute and Transamerica Center for Retirement Studies®*

How are retirees financially faring? Only 18% are very confident that they will be able to maintain a comfortable lifestyle throughout retirement, according to findings from a 2018 survey of more than 2,000 retirees conducted by nonprofit Transamerica Center for Retirement Studies (TCRS).¹

The retirees surveyed are relatively young at age 71 (median), and most are in good or excellent health. They are enjoying life and pursuing their retirement dreams. However, they are financially vulnerable. Among the retirees who are fully retired, more than half did so before age 65 and were deprived of additional time in the workforce to earn income and benefits—and save for retirement.

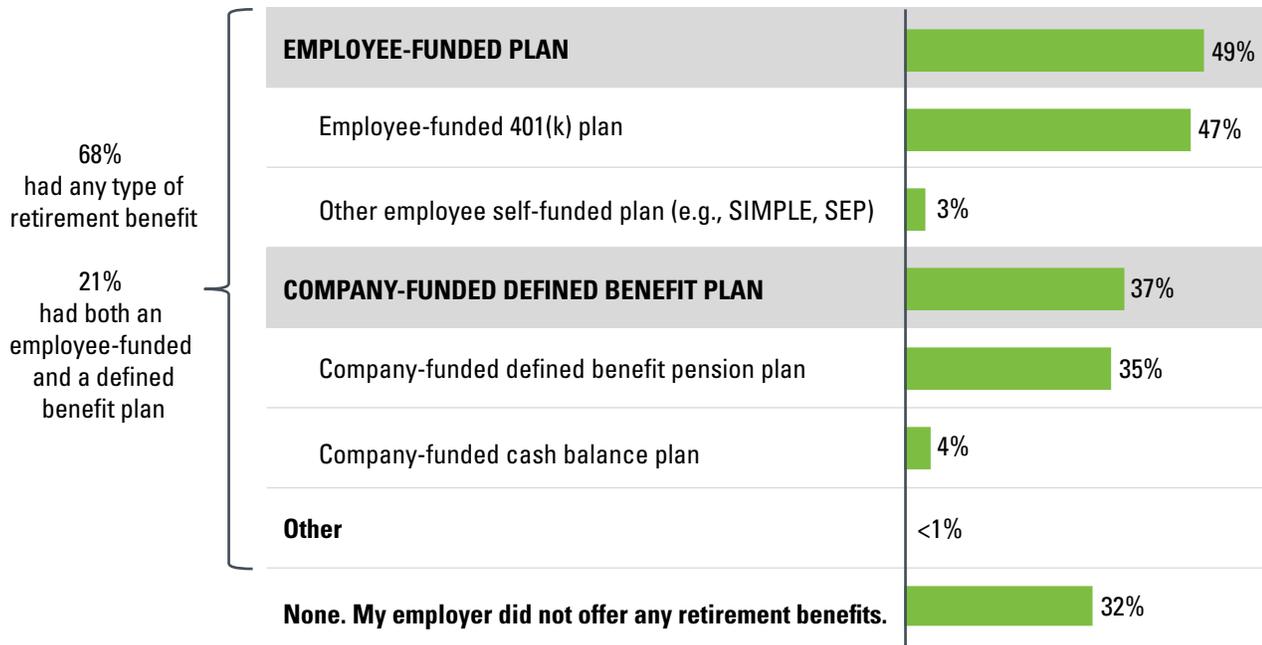
A common theme emerges that employers could have done more to help them prepare for retirement. Many of the workplace retirement savings plans and features available today did not exist decades ago when retirees were entering the workforce. Nevertheless, a closer examination of retiree experiences through the lens of current employee benefit offerings, based on findings from the TCRS 2017 survey of more than 1,800 employers, illuminates seven specific ways that employers can do more to prepare their employees for retirement.

1. Offer a Retirement Savings Plan

Offering an employer-sponsored retirement plan, including a defined contribution (DC) plan, is one of the most effective ways to help workers save for retirement. When today's retirees entered the workforce approximately a half century ago, defined benefit (DB) plans were more prevalent and 401(k) plans had not yet been invented. By the time that 401(k)s became available, current retirees' careers were already well underway. Looking back on their experiences, less than half (49%) of retirees participated in an employee-funded plan,

AT A GLANCE

- Many retirees are financially vulnerable, with one survey showing that only 18% are very confident that they can maintain a comfortable lifestyle throughout retirement.
- Offering an employer-sponsored retirement plan is one of the most effective ways employers can help workers save for retirement.
- Employers also should consider offering a variety of benefits to promote long- and short-term financial security and being an "aging-friendly" employer.

FIGURE 1**Participation in Retirement Benefits for the Majority of Working Career (Retirees)**

Only responses greater than 1% shown.

Retiree base: All qualified respondents.

Question 1180. Which of the following retirement benefits at your employer(s) did you participate in for the majority of your working career? Please select all that apply.

Source: Transamerica Center for Retirement Studies survey.

such as a 401(k) or similar plan, for the majority of their working years. Even fewer (37%) participated in a DB plan. About one in five (21%) participated in both an employee-funded and a DB plan, and 32% of retirees were not offered any retirement benefits (Figure 1).

Retirement income and household savings are low among retirees. However, the disparities are extreme between those who participated in a retirement plan for the majority of their working careers compared with those who did not. Among those who participated in a plan, the estimated median household savings is \$148,000, compared

with \$4,000 among those who did not. (*Household savings* includes individual retirement accounts (IRAs), 401(k)s, 403(b)s, bank accounts, brokerage accounts, etc., and excludes home equity.) The annual household income of retirees who participated in a plan (\$43,000 estimated median) is almost twice as much as those who did not (\$14,000 estimated median) (Figure 2).

Expanding retirement plan coverage to all workers continues to be a top priority among industry experts and policy makers today. Solving this issue requires a two-fold approach: (1) encouraging all employers to of-

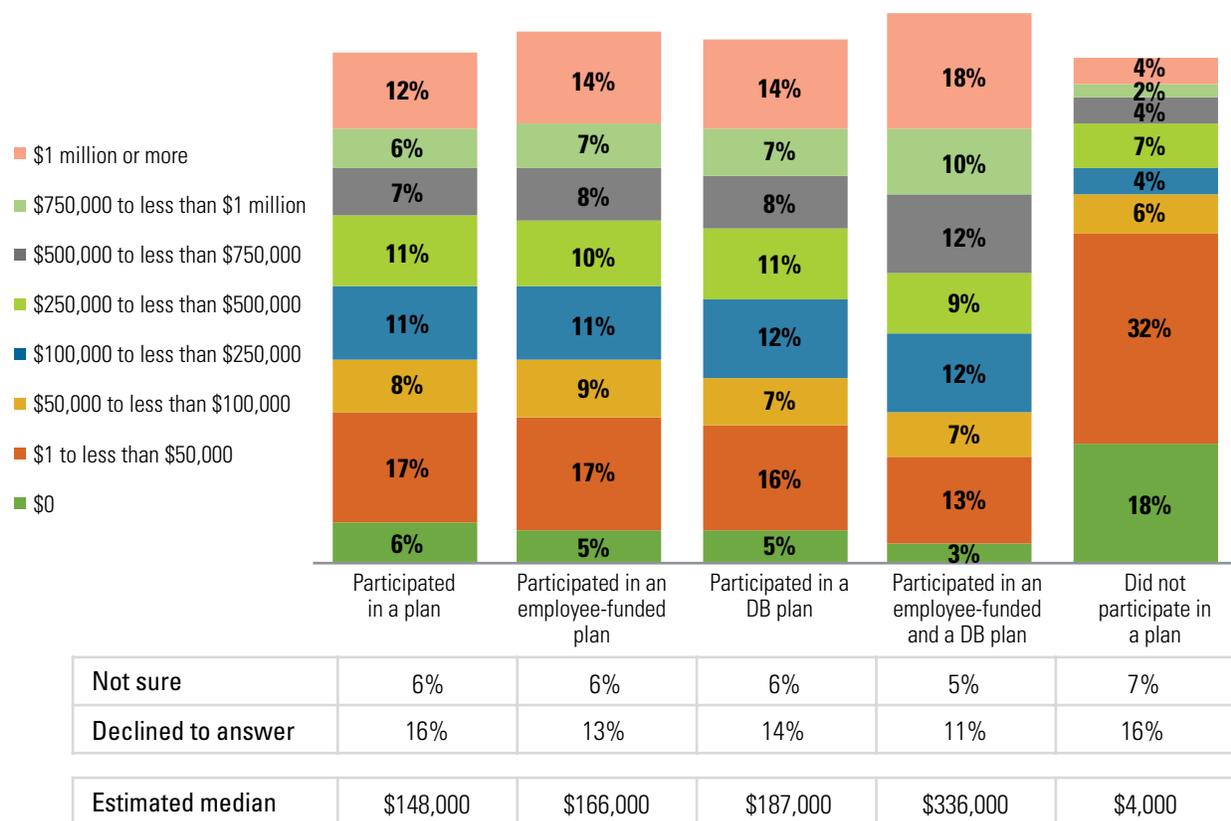
fer plans and (2) encouraging all plan sponsors to extend plan eligibility to include part-time workers. The TCRS survey of employers found that 65% offer a 401(k) or similar plan and, among them, only 41% extend eligibility to part-time workers (Figure 3).

Concerns about cost top the list of employer reasons for not offering an employee-funded plan (58%). Cost concerns and the high turnover rate among part-time employees are the most often cited reasons for not extending eligibility to part-time workers (both 42%).

Establishing a plan is more affordable than employers may think. Small

FIGURE 2

Total Household Savings (Excluding Home Equity) by Participation in a Retirement Plan (Retirees)



Retiree base: All qualified respondents.
 Question 1310C1_1a. Approximately how much money does your household currently have in the following? 1. Household savings excluding home equity. Please include IRAs, 401(k)s, 403(b)s, bank accounts, brokerage accounts, etc., and any other savings in your household.
 Source: Transamerica Center for Retirement Studies survey.

employers with 100 or fewer employees may receive a tax credit of up to \$500 per year to help with the startup costs for the first three years of a new plan.

The retirement plan marketplace offers a variety of solutions that can address a diversity of employer needs. Employers that do not have the resources to sponsor a 401(k) plan may be good candidates for setting up a simplified employee pension (SEP) plan or Savings Incentive Match Plan for Em-

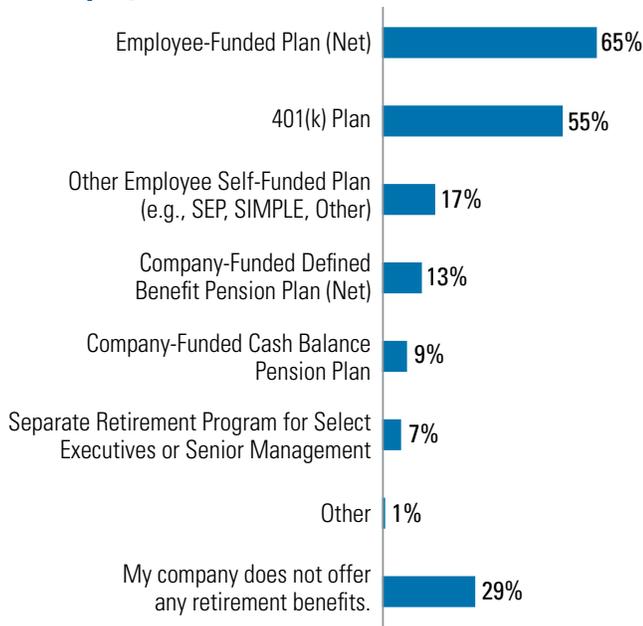
ployees (SIMPLE) IRA. Multiple employer plans (MEPs) also hold promise to help close the gap. The survey found that among employers that said they were unlikely to offer a plan in the next two years, 25% would consider joining an MEP offered by a reputable vendor that handles many of the fiduciary and administrative duties at a reasonable cost.

Whether establishing a new plan or determining how to extend eligibility

to part-time employees in a cost-effective manner, financial professionals and benefit advisors can help employers determine the best solutions for their unique circumstances.

2. Encourage Workers to Actively Engage in Retirement Planning

The financial standing of retirees is a reflection of their time in the workforce, retirement benefits, savings, investment performance, life events, increased life

FIGURE 3**Retirement Benefits Offered to Employees (Employers)**

Employer base: All qualified respondents.
 Question 530. Which of the following retirement benefits does your company offer?
 Select all that apply.
 Source: Transamerica Center for Retirement Studies survey.

expectancy and the extent to which they planned. More than half (54%) of retirees had a retirement strategy before they retired, but only 10% had a written plan. It also should be noted that retirees who participated in a retirement plan for the majority of their working careers (62%) were far more likely to have had a retirement strategy compared with those who did not participate in a plan (38%).

How much better off might retirees be if they had engaged in retirement planning and had a strategy? Retirees who had a written plan before retiring have a total household savings of \$553,000 (estimated median), more than triple that of retirees who had an unwritten plan (\$158,000) and shockingly 70 times more than retirees who did not have a plan (\$8,000). Of course, having a retirement strategy is only one of many factors that contribute to how retirees accumulated their wealth (Figure 4).

It is imperative that employers educate employees about the need to actively engage in retirement planning.

3. Refresh and Promote the Availability of Retirement Education and Advice

Retirees have some regrets. Reflecting on their working years, 73% wish they would have saved more and on a consistent basis, 64% wish they had been more knowledgeable about retirement saving and investing, 50% waited too long to concern themselves with saving and investing for retirement—and 44% would have liked more information and advice from their employers on how to reach their retirement goals.

Educational resources are more readily available today than when retirees were in the workforce. However, the survey findings reveal that employers may not be taking advantage of resources offered by their retirement plan providers. For example, only 51% of plan sponsors say they offer online tools and calculators to project retirement savings and income needs via their retirement plan provider's website (Figure 5).

Education, advice and planning resources are among the most competitive aspects of retirement plan offerings in today's market. Whether starting a plan or monitoring one that is already in place, employers should stay abreast of the latest offerings from their providers to ensure they are taking advantage of them. It is also important that plan sponsors widely promote these tools and resources to their employees, so that they too know they are available and how to use them.

4. Promote Short- and Long-Term Financial Security by Offering a Variety of Benefits

Financial wellness is a term that has relatively recently entered the lexicon of the retirement industry, referring to an individual's financial health, including overall savings, debt and resiliency if faced with a major financial shock.

Retirees are financially fragile, a condition that likely began during their working years and then followed them into retirement. Nearly two in five (39%) retirees cite "just getting by to cover basic living expenses" as a current financial priority, while 34% cite paying health care expenses and 29% cite paying off credit card debt. Furthermore, household savings

FIGURE 4

Total Household Savings (Excluding Home Equity) by Type of Retirement Strategy (Retirees)



Retiree base: All qualified respondents
 Question 1310C1_1a. Approximately how much money does your household currently have in the following? 1. Household savings excluding home equity.
 Please include IRAs, 401(k)s, 403(b)s, bank accounts, brokerage accounts, etc., and any other savings in your household.
 Source: Transamerica Center for Retirement Studies survey.

among retirees suggests that few would have the resources to cover the cost of long-term care expenses if needed, and only 12% have long-term care insurance.

Employers can do more to help promote financial wellness among their employees. In addition to offering retirement benefits, employers should consider offering health insurance as well as voluntary benefits such as life, disability, critical illness, cancer and long-term care insurance. Workplace wellness programs that promote healthy and active aging can help reduce health care-related costs and the need for care in the future. Other benefits such as financial

wellness and employee assistance programs also can help further enhance workers' financial security (Figure 6).

Robust employee benefit offerings can bring a powerful advantage in attracting and retaining talent, especially in today's highly competitive market. These types of employee benefits are readily available in the marketplace and worthy of consideration for employers that do not already offer them.

5. Educate Preretirees About Social Security Benefits

Retirees exist on a limited household income and rely heavily on Social

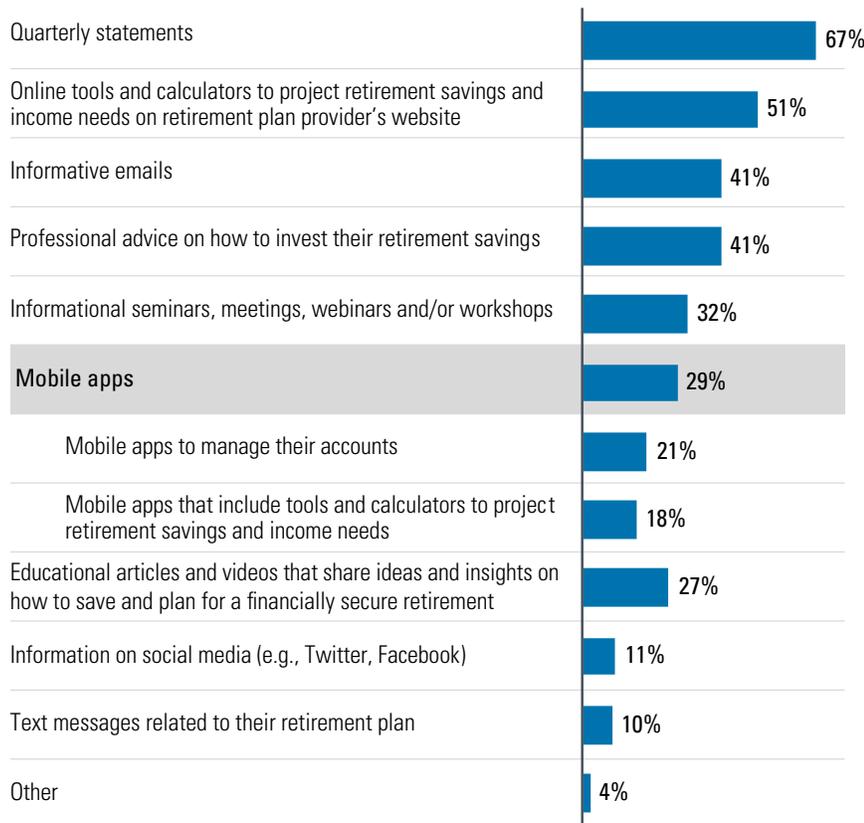
Security. Two-thirds of retirees (66%) indicate it will be their primary source of income throughout their retirement.

Among retirees currently receiving Social Security benefits, the median age they started receiving benefits was 62—the earliest age that most workers can claim Social Security. Only 4% started receiving benefits at age 70 or older, with 70 being the age at which people can receive maximum monthly benefits (Figure 7).

The fact that so many retirees claimed benefits at the earliest possible age at a permanently reduced benefit is alarming. Education is imperative to

FIGURE 5

Offerings From Company and/or Retirement Providers to Assist Employees With Planning, Saving and Investing for Retirement (Employers)



Employer base: Offers 401(k) plan or similar plan.

Question 3605. Which of the following does your company and/or retirement provider offer to your employees to assist them with planning, saving and investing for retirement? Select all.

Source: Transamerica Center for Retirement Studies survey.

increase worker understanding of the high cost, risks and consequences of claiming early. Employers can play a role in providing education about Social Security benefits, yet only 38% currently do so.

6. Be an Aging-Friendly Employer

Most employers (70%) consider themselves to be “aging-friendly” by,

for example, offering opportunities, work arrangements, and training and tools for employees of all ages to be successful. In reality, many employers may not be as aging-friendly as they think they are. More than half (56%) of retirees retired sooner than they had planned. Among them, 54% cited employment-related issues (such as job loss, organizational changes and/or

general unhappiness) and/or took an incentive or buyout.

One way that employers can demonstrate their commitment to age-friendliness is to adopt a diversity and inclusion policy statement that specifically references age among other demographic characteristics. Only 23% of employers have adopted such a statement, and almost half (46%) do not plan to do so in the future.

With Generation Z, the youngest generation, embarking on their working lives and Baby Boomers extending their careers, there are four generations in the workforce. This brings an exciting and extraordinary opportunity for exchanges of knowledge, experience and ideas. Fostering inclusive environments and intergenerational collaboration can be a powerful ingredient for innovation and may help employers gain a competitive advantage.

7. Enable Workers to Work Past Age 65 With a Flexible Transition Into Retirement

Considering the extent to which employers help their employees save and invest for retirement, it is surprising how little they do to help them transition into retirement. Two-thirds (66%) of retirees said their most recent employers did “nothing” to help with their transition, and another 16% were “not sure.” The outlook is somewhat brighter for today’s preretirees. Employers are now beginning to offer retirement transition assistance that can help workers extend their working years. For example, 31% of employers said they allow employees to reduce

hours and shift from full-time to part-time as they transition into retirement (Figure 8).

Retirement transition programs can benefit both employers and preretirees. While granting preretirees the opportunity to continue earning income with the flexibility to retire on their own terms, employers can involve them in succession planning, mentoring and training, thereby facilitating more seamless transitions. This is especially valuable in today's highly competitive, nearly full-employment labor market and will be for the foreseeable future as the critical mass of Baby Boomers retire.

The Call to Action

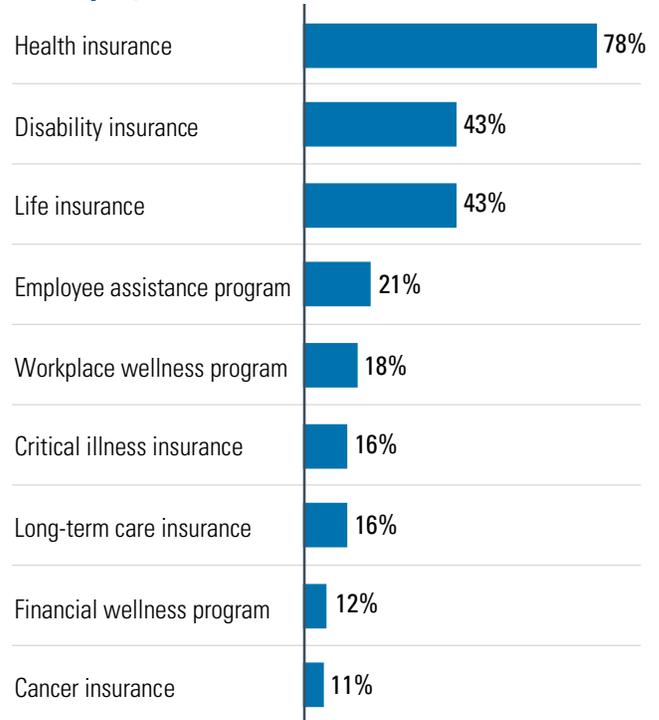
Americans have the potential to live longer than at any other time in history. With strains on Social Security and the demise of traditional pension plans, workers must self-fund a greater portion of their retirement income and extend their working lives beyond the traditional retirement age of 65.

Employers play an increasingly vital role in helping their employees prepare for retirement, necessitated by these new realities. Compensation and employee benefits—specifically, retirement benefits—can profoundly influence a worker's trajectory for long-term financial security and retirement success.

The retirement and employee benefits industries should continue to innovate and offer solutions that are easier to administer and affordable. Policy makers must pave the way by

FIGURE 6

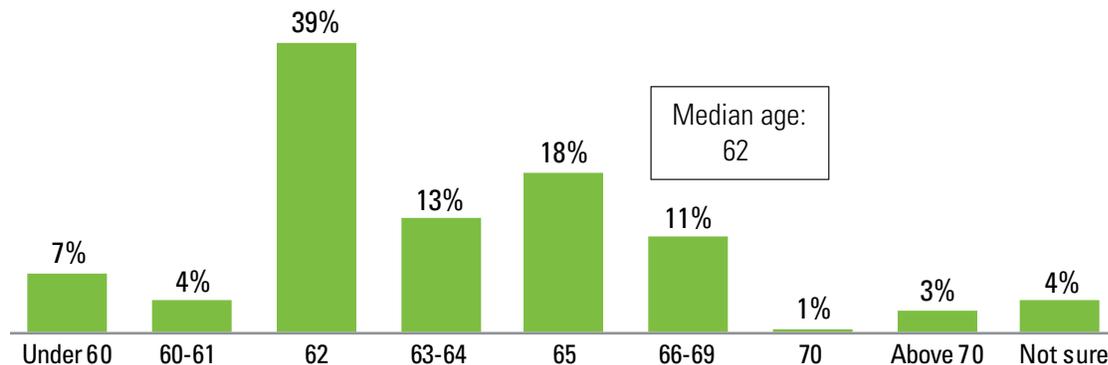
Employee Health and Welfare Benefits Offered (Employers)



Employer base: All qualified respondents.
Question 1021. Does your company currently offer any of the following? Select all.
Source: Transamerica Center for Retirement Studies survey.

FIGURE 7

Among Those Receiving Social Security Benefits, Age at Which They Started Receiving (Retirees)



Note: Some people are eligible to receive Social Security earlier than 62 due to disability or death of a spouse.

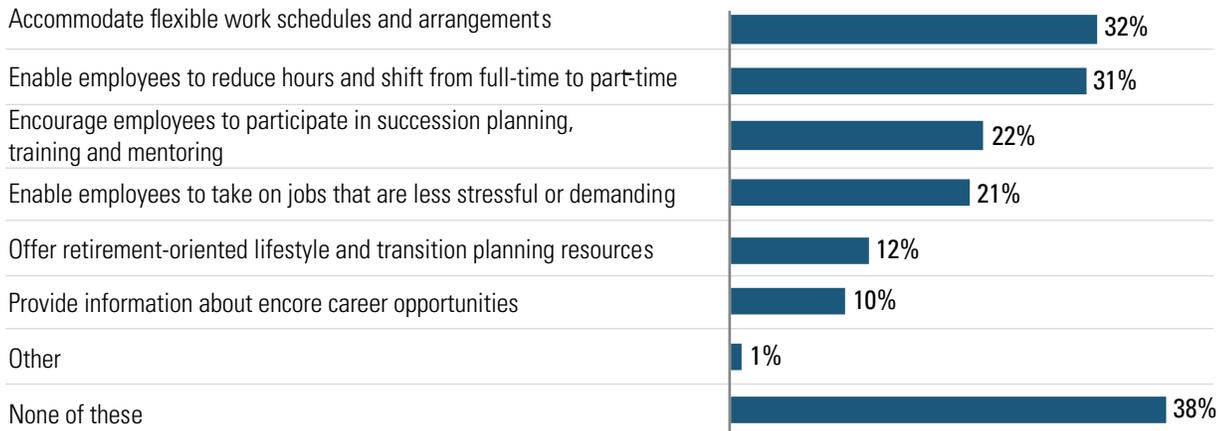
Retiree base: Receiving social security benefit payments. Question 1555. At what age did you start receiving income from Social Security benefits?
Source: Transamerica Center for Retirement Studies survey.

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FIGURE 8

Which of the following, if any, does your employer/company have in place to help employees who are transitioning into retirement? (Employers)



Employer base: All qualified respondents. Question 3615. Which of the following work-related programs, if any, does your company have in place to help employees transition into retirement? Select all that apply.

Source: Transamerica Center for Retirement Studies survey.

implementing reforms as appropriate. By working together, stakeholders can create an environment in which future generations of retirees can enjoy a greater sense of financial security than those who are in retirement today. 

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Endnotes

1. See www.transamericacenter.org.

AUTHOR



Catherine Collinson is chief executive officer and president of the nonprofit Transamerica Institute and its Transamerica Center for Retirement Studies® where she oversees all research and outreach initiatives, including the *Annual Transamerica Retirement Survey*. She also serves as executive director of the Aegon Center for Longevity and Retirement based in the Netherlands. With two decades of retirement industry-related experience, she has become a nationally recognized voice on retirement trends. She was named a 2018 Influencer in Aging by PBS Next Avenue and received a Hero Award from Women's Institute for a Secure Retirement (WISER) in 2016 for her efforts in helping improve retirement security among women. Collinson co-hosts *ClearPath: Your Roadmap to Health and Wealth* on WYPR, Baltimore's NPR news station. She holds a bachelor's degree in British and American literature from Scripps College and an M.B.A. degree from the University of California, Irvine. Follow her on Twitter: @Cath_Collinson. She is employed by Transamerica Corporation.