# IN A LEAGUE OF THEIR OWN

## NAPA'S TOP WOMEN ADVISORS

2016

# Clearing the Hurdles

## Top women advisors talk about how to deal with retirement readiness challenges.

BY JUDY WARD

etirement readiness is much easier said than done. Advisors trying to help plan sponsors and their participants toward a future of employees retiring on time, with enough saved, face some obstacles. Six top women advisors talked about how they deal with the challenges of making retirement readiness a reality.

Terry Anderson still meets sponsors, mostly small-business owners, who do not feel like they need to focus on retirement readiness. "Some employers think that since their 401(k) plan is participant directed, they can just make it available to employees, and it is not really their responsibility beyond that," says Anderson, executive vice president at Plan Sponsor Consultants in Brookeville, Maryland. "So we are providing them with benchmarking showing them where their employees are on retirement readiness, versus other companies similar to them."

To help a sponsor shift mindsets toward retirement readiness, Stephanie Gallegos suggests that an advisor focus on a small group of key data. "It is changing the conversation, from just looking at relatively static metrics of participation rates and investment allocations, to looking at things like participants' average account balances and how much in monthly retirement income they are on track to get," says the Boston-based Gallegos, most recently director of account management and service at Axial Benefits Group. "For plan sponsors, you cannot overcomplicate it. When I see these in-depth reports done on retirement readiness, sometimes that just overwhelms the sponsor."

Once the retirement readiness light bulb goes on for a plan sponsor, it becomes all about helping that sponsor set goals accordingly, Gallegos says. "To set the goals, it is just some level setting of asking a sponsor, 'Why do you offer a retirement plan in the first place?' And then, 'Let's refocus, based on that,'" she says. "So you dedicate one meeting a year to goal-setting, and then you can spend the rest of the year tying all the issues you discuss back to those goals."

#### Ramping Up Plain-Vanilla Auto Features

Many sponsors doing auto enrollment likely have not thought through whether they need to go beyond the Pension Protection Act auto-enroll framework to help employees save enough to retire.

Plans need a higher initial deferral rate than 3% for participants to save enough, but some employers worry about participant backlash if they raise the initial deferral, Gallegos says. She suggests showing these sponsors industry data on participant acceptance. "Most studies show that the employee opt-out rate does not get higher until you get up to a 6% or higher initial deferral," she says.

And Kristen Deevy has worked with clients that do auto enrollment at 3%, but not auto escalation. "We explain that if they just put employees in the plan at 3% and leave them there, participants are not going to get to retirement," says Deevy, managing director at Strategic Retirement Partners in Littleton, Colorado.

"Employers with a lot of lower-paid employees often say, 'I know that my employees should be saving 10% to 12% a year, but they cannot afford it.' So we will encourage the employer to implement a 'happy median' of auto escalating up to 5% or 6%." After that succeeds, she can revisit the issue with the sponsor.

Sponsors also can help put more employees on track for a secure retirement by doing a re-enrollment, but most plans have not taken that step. "It is like some employers used to feel about automatic enrollment: They say, 'Can I do that?'" Gallegos says. She recommends that an advisor talk about how a sponsor actually better fulfills its fiduciary duties by doing an investment re-enrollment. "Show them that now they will have better documentation of fulfilling their fiduciary obligation, and that they will know that after a re-enrollment, participants are now in appropriate elections," she says.

Bank of America Merrill Lynch encourages employers to go a step beyond investment re-enrollment and both enroll their eligible, non-participating employees as well as re-enroll participants deferring less than their plan's initial deferral rate, says Pat Wenzel, Houston-based retirement benefits consultant. Asked how to help employers see the wisdom of that, she says: "First, you need to do an analysis of the cost of re-enrollment to the employer. The number-one reason companies decide not to do re-enrollment is the cost," she says. "But you also need to look at, what will be the cost to the employer if these employees will not have enough money saved to retire on time? You have to look at it from both sides, and you have to balance the two."

#### Investing in Financial Wellness

Employees not deferring enough often feel that they cannot afford it, Deevy says. But some employers question the value of spending company money on a financial wellness program. "That is where we can show them studies around how financial stress impacts an employee's productivity," she says. She also talks about the long-term cost of delayed retirement to employers. "When we talk to a CFO, we say, 'If you are not going to talk about financial wellness, and employees are not going to save as much as they could, are your employees going to have to delay retirement, maybe until 70 or 75?'" she says. "Most CFOs understand that having an employee population with an average age of 50-60, versus 30-40, can have a pretty significant bottom-line impact." She has utilized MassMutual Financial Group's "Reveal Viability Program" tool to project a specific employer's cost of delayed retirement.

Wenzel also finds it helpful to talk to employers about the cost of not doing a financial-wellness program. "The big question is, what happens if and when you have a bunch of retirement-age employees who cannot retire?" she says. "In our research, we see that for every employee over 65 who remains, it costs the employer an average of $11,000 more per year, in terms of higher wages and health care costs, and lower productivity."

More so than the financial cost, Michelle Coble says her employer clients wrestle with setting aside working hours to help employees tackle their financial stressors. "We probably struggle more with the time issue than the expense issue," says Coble, president of Odyssey Financial Group, LLC in Oklahoma City. "In employers' minds, time is money. So a lot of times, it is an issue of taking time outside of the 9-to-5 schedule." For example, at one heating-and-cooling company client, she has done meetings at 6:00 or 7:00 in the morning, before staff members go out on service calls.

To help participants who do not think they can save for retirement, advisors need to go back to basics. "It is Financial Literacy

101," Deevy says. "A lot of employees are frustrated that they cannot contribute to their retirement account because they have so much debt. So we spend a lot of time talking in employee meetings about things like debt consolidation and how to put a budget together."

Many Americans never have learned about fundamentals like how to do a monthly budget and manage their cash flow, says Valerie Leonard, principal at Grinkmeyer Leonard Financial in Birmingham, Alabama. "Especially for people living paycheck to paycheck," she says, "it is important that they first learn to live within their means." Then they can learn to save.

Beyond the basics of paying living expenses, of course, different companies' employees can have different financial priorities. To create a financial wellness program that speaks to the needs of a client's employees, Plan Sponsor Consultants likes to do an employee survey during the planning phase. The survey takes only 2½ to 3 minutes to complete, Anderson says. It lists 12 financial priorities, such as paying off debt and saving for a home, and asks employees to list their three biggest priorities.

"That springboards into talking in employee meetings about specific topics based on what those employees picked as their priorities," Anderson says. "Then, at the end of a year of a financial wellness program, we do an employee assessment of where they are now with those financial priorities."

Pre-retirees often do not know where to start in getting ready for retirement, Coble says, and advisors can play a crucial role by doing targeted education for age 55+ participants. "A lot of times, we do a 'progressive' education series for them," she says. "It takes them through a stepping-stone path of the preparation they need to do. We put their biggest fears into questions and answers that we discuss, so that then they are able to plan."

Many pre-retirees have more questions about Social Security than anything else, Coble says. She has utilized tools such as Nationwide's "Social Security 360 Analyzer" to prepare an individualized report for participants on their timing options. "Then we can sit down with a participant and discuss scenarios for when he or she starts taking Social Security: 'How much in monthly benefits will you get if you take Social Security early, at age 62? What if you need to take it at 65 or 67? And what if you wait until you turn 70?'" Similarly, she says, pre-retirees also need help understanding their upcoming transition from private insurance to Medicare, and what they will have to pay.

Some employers initially may see no need to set aside time for pre-retiree education, but Coble has found an effective way to make her point. "Sadly, sometimes there are business owners who say, 'Hey, what they do in retirement is their business,'" she says. "So if we are in a meeting with an HR director and the company's owner, often we will ask the HR director, 'Tell me, how many employees come to you and ask you for advice about things like Social Security and Medicare?' Usually, the HR director says 'A lot.' And then the owner will say, 'Really? I had no idea.'"

» Judy Ward is a freelance writer who specializes in covering retirement plans.

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