Information Overload

Let's De(con)fuse the Retirement Planning Process

by Patrick M. Fay

A recent study revealed that the average person spends more time planning for an annual vacation than planning for retirement.[1] This statistic is surprising, as the qualified plan arena continues to improve and promote the tools and accessories available to help participants reach their retirement goals.

The newest services allow consumers to build custom asset allocation models that attempt to anticipate the amount of money needed to retire, while providing suggestions to help ensure success. However, despite the availability of these innovative tools, only a fraction are being utilized; simply because the tools exist does not mean that consumers will use them. It's a lot like having a garage full of gadgets and only knowing how to use the Phillips screwdriver – participants tend to take advantage of what is familiar to them.

Advisors and plan sponsors work diligently to provide participants with access to vendor-provided educational tools. One of the keys to long-term saving success comes from motivating participants to become more involved with their plan basics and to understand their plan so they can make wise decisions regarding their vested dollars.

Too much to consider?

The investment industry is partly to blame for the lack of participant planning involvement. Advisors and plan sponsors often assume that making a wide variety of tools, calculators, videos and risk quizzes available to the participant will make retirement planning a cinch. In reality, the influx of resources available for participants might actually become overwhelming.

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To compare, consider an individual who goes to the doctor and is instructed to lose weight for health reasons. The patient is told what a healthy weight should be and is given information on programs available to help lose weight. A nutritionist might also be recommended and the doctor could request to see the patient more regularly to track his/her progress and make adjustments throughout the program. The doctor could also suggest that the patient research his/her particular situation on the internet. However, an internet search could return resources not only for the weight issue, but also tools and programs regarding a number of ailments that the individual currently does not have, but could *potentially* have in the future due to excess weight. Spending just five minutes online might convince an individual that he/she is suffering from any number of diseases and discourage him/her from following an effective plan to meet their weight loss goal. Does this sound like effective education?

Unfortunately, plan participants often experience this type of overwhelming situation. We ask them to filter through mountains of data and information that is available and expect them to decide what is most relevant. We create a *climate of paralysis through analysis*, which seems to be a recurring issue for the investment industry. In prior years, consumers were confused by the overabundance of investment options presented to them. Participants are yet again faced with multiple investment options, but now they must also sort through an array of educational tools that have been designed

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to help them decide on the investment option that is right for them. As a result, when faced with too many options, making wise retirement decisions can be a real struggle.

What can we learn from this? Sponsors and advisors need to focus on the fundamental topics participants are most interested in: How much income will I need when I retire? How close am I today to that goal? What will it cost me to catch up? How long will I need to keep working?

Guide clients to success

Much like the weight loss scenario, the answers to the questions above will be unique for every participant. An advisor or plan sponsor can use technology to help participants recognize where they are today and then build a plan for where they are going to be tomorrow. Clients who try to navigate these waters on their own may become overwhelmed and decide to throw their money under the mattress, into a savings account or into their retirement plan, hoping that everything turns out for the best. Providers need to utilize technology more effectively to deliver customized quarterly reports that provide the following basic information:

1. Current account balances
2. A target savings number that an employee should aim for by retirement
3. Real life scenarios that illustrate the amount of monthly income generated by a savings plan

Furthermore, it is the plan sponsor's responsibility to mandate that employees attend regular meetings to track their progress toward retirement, perhaps by offering incentives for consistent attendance. Although it is ultimately up to the employee to take advantage of plan meetings, the plan advisor is accountable for making these meetings worthwhile for both the employees and the employers.

The investment industry needs to take more responsibility for the successful retirement of its clients. While the latest and greatest tools and calculators are convenient resources to offer plan participants, they can be overwhelming and confusing for consumers. It is essential that plan sponsors and advisors remain an active part of their clients' planning process, guiding them towards a comfortable and stress-free retirement.

[1]www.RegisterRepInvesting.com "More Proof That Retail Investors Buy High and Sell Low," Britton, Diana. November 4, 2010, accessed on November 14, 2010 at http://registeredrep.com/investing/mfs_survey_investors_still_scared/