Human Resource Executive Online

The Plan Ahead

With many younger workers neglecting their retirement planning amidst a sea of competing priorities and distractions, some forward-thinking companies are making savings programs a priority -- as well as a retention tool.

By Michael J. O'Brien

When it comes to planning for his retirement, Byron Tatman is happy to find himself in the minority these days.

Tatman, a product manager at First Tech Federal Credit Union, contributes to both a 401(k) account -- for which the company provides a generous match -- and a Roth IRA account.

"Personally, as to where I should be right now for retirement," he says, "I'm close."

While such a savings plan may seem unremarkable to many retirement savers, his story is unique because of one notable number: his age.

At 33, Tatman is a member of Generation Y and, as such, his confidence in his own retirement plans places him squarely in the minority -- at 39 percent -- of 860 non-boomer-generation workerswho "are confident that they will have enough money for retirement," according to a recent T. Rowe Price survey.

Considering the roiling economy of the past few years, as well as the explosion of student-loan and credit-card debt over the past decade or so, it's no surprise that workers in Tatman's demographic are lacking confidence when they look toward their own future retirement, says Michael Skinner, head of client experience and research for Baltimore-based T. Rowe Price's retirement-services division.

"My own father is a good example," he says. "He just retired a few years ago, and he has a pension, Social Security is there for him and he contributed to a 401(k).

"Now, contrast that with a Gen Yer," he says, citing a government data point that finds only 18 percent of heads of households in the country are currently enrolled in defined-benefit plans, compared to 42 percent in 1992.

"And," he adds, "all you have to do is pick up a newspaper to recognize that the future of Social Security is not secure [for younger workers]."

So, with two of the "legs" to a sound retirement already wobbly, Skinner says, 401(k)s and individual retirement accounts become the "most significant" retirement vehicles that younger workers can harness in order to ensure a healthy retirement nest egg.

And such benefits programs currently offered by employers are increasingly being counted on by employees, according to New York-based MetLife's *10th Annual Study of Employee Benefits Trends.*

According to the study, 66 percent of Gen Y respondents and 55 percent of Gen X respondents say they are relying on such programs for their financial protection, compared to just 49 percent of all respondents.

But, in order for employees to make the most of such offerings, they must first be educated about what's available. And forward-thinking organizations are exploring all avenues -- from auto-enrollment and -

escalation programs, to email and snail-mail campaigns, to webcasts and face-to-face meetings -- in order to increase not only knowledge of, but also participation in, employer-sponsored retirement-savings plans.

That's something Tatman is grateful to receive while working for First Tech.

"For those in my phase of life, the stumbling block is education," Tatman says, "because, until you enter the workforce, this isn't anything that you've taken a college course on or learned about in school."

And, as Alison Borland, vice president of retirement strategy at Lincolnshire, Ill.-based Aon Hewitt, says: " '401(k)' is not an intuitive term."

"From Day One"

At First Tech, saving for retirement is considered to be an integral part of theholistic wellness strategy, says **Monique Little**, vice president and chief people officer at the Palo Alto, Calif.-based firm, which has about 800 full-time employees in 39 branches across the United States.

The median age of First Tech employees is approximately 38, Little says. That relatively young age is one of three drivers she assigns to the recent creation of the company's "Being Wired Well" program, a holistic, four-pillar approach to overall wellness for employees (the four pillars include financial preparedness, health and welfare, career development and community and philanthropic work).

As for the second driver, "We're a financial institution, and our goal is to build a solid future for our clients," says Little. "When we place an emphasis on financial success within our walls, then that also helps with customers."

All of this supports the third driver, says Little, which is a high-performing workforce. "If our employees are doing well within all four pillars,

then they're going to be better employees because they're going to be happier."

Tatman says First Credit's emphasis on saving for retirement began during his first day with the company.

"It is stressed from Day One ... and that really set the stage," Tatman says. "The very friendly and disarming nature of the conversation that First Tech had with us helped both in educating us in what's out there and disarming fear over taking money that we would otherwise [spend] and putting it into a retirement-savings account."

Little says one of the HR challenges to getting younger employees to start thinking and planning for their retirements is a simple one.

"For HR departments, it's just getting air time on the issue," she says. "You're competing with other departments and functions for time on the calendar."

At First Tech, HR's job is made easier by the fact that new employees are auto-enrolled in the company's 401(k) program unless they sign an opt-out letter.

Employees sit down in small groups with HR staffers on an annual basis to undergo "a refresh" of all available benefits and what may be changing.

"It's a pretty earnest and honest dialogue between HR and employees," Tatman says, "and they're open to questions and follow-ups."

Little says HR "leans on" The Standard -- which administers the company's retirement vehicles -- for access to educational information for employees, such as informative one-sheets and short webcasts on such topics as the benefits of pre-tax contributions, which are posted on First Tech's intranet site.

"They're little pieces of information," she says, "but they keep [the topic] in the front of employees' minds."

And the approach seems to be paying off.

"Our active participation rate [in retirement-savings programs] is close to 90 percent of our employee base," says Little, adding that the average participation rate for an organization its size is in the mid-70s.

"We feel pretty darn good about that," she says.

"A Strong Position"

Even a generous employer-matching program is no guarantee that an organization's defined-contribution plan will enjoy a high participation rate.

The Educational Commission for Foreign Medical Graduates discovered that only 45 percent of its 270 full-time employees were contributing enough to their retirement plans to trigger the maximum 15-percent match to their 403(b) accounts.

Of even greater concern was the fact that younger workers were greatly under-represented among that 45 percent, says Betty LeHew, the Philadelphia-based organization's director of human resources.

"[The 15-percent match] is a fabulous benefit," says LeHew. "So, that definitely sent up some red flags."

Employee meetings were convened to figure out why younger-worker participation was so low.

"They [told us they] were confused and intimidated by the whole process," she says.

Around that same time, the company's leaders decided to implement an automatic-default investment option offered by Des Moines, Iowa-based The Principal. This would effectively transfer 1 percent of an employee's pay into a retirement account in their name, unless they opted out.

In order to create more understanding around the topic, the organization partnered with The Principal on a series of educational seminars on retirement.

"Once [the employees] were educated that that 1 percent was not actually a huge amount, and it was pre-tax, they really got on board," says LeHew. "The real key with this group is [emphasizing to them] that, if you start now, then you just have to put a little in at a time in order to get a lot out later.

"So, we essentially said to them, 'You have to make a conscious choice here. Either the money's getting moved [to a retirement account in the employee's name] or else you have to fill out a form to stop it.' "

Of the 149 workers who had previously not been contributing, 108 self-enrolled in a retirement-savings account. And, she adds, two-thirds of those who did enroll chose to do so at a higher deduction than the default 1-percent rate.

Timing was another detail that LeHew says helped with employee buy-in.

"We coincided that first deduction with our annual salary increases," she says, so most employees barely even felt the deduction in their take-home pay.

In the end, LeHew says, the company needed to take "a strong position" in order to get employees to understand what was at stake. "We didn't really force them to invest," she says. "We simply forced them to make a choice."

Hitting Home

While many organizations rely solely on partnering with their retirement-plan administrators to increase awareness of and participation in retirement savings programs, others are also seeking out other influencers to accomplish the same goals.

At Greeley & Hansen, a Chicago-based environmental-engineering firm with approximately 300 full-time employees in 17 locations across the United States, almost half the workforce would be considered "the younger generation," says Chief Operating Officer John Robak.

Because there is a shortage of engineering talent across the country, he says, the company decided five years back "to home-grow our own people through a robust internship program."

"The long-term goal," he says, "is really about retaining and attracting the best people we can. ... We believe an important component [of that] is planning for retirement."

To that end, the company offers a three-pronged approach that includes a defined-benefit plan focused on rewarding long-term employment, a 401(k) plan with a matching contribution and a profit-sharing component that also gets funneled into a retirement account.

But, in order to make sure these younger employees take advantage of these benefits, Robak says, the firm began sending mailers to employees' homes on the offerings available, including free access to Guided Choice, a program offered by San Francisco-based Charles Schwab that offers financial-planning assistance.

"When we think of someone who is entry level, we think single, no family," he says. "But sometimes we find that the employee is not the decision-maker where they live, so we need to reach beyond the employee."

This is where, he says, younger workers' parents can play an important role.

"People go to people they trust for advice," he says. "Sometimes it's the employer, but if you're new, you reach out to people you trust, like a parent."

So, using home mailers can be another way to spur a conversation on the topic.

"It could end up sitting on the kitchen counter," he says, "and [a parent] could pick it up and comment on it and start a conversation."

Atlanta-based The Home Depot is also trying different ways to keep the retirement conversation going, says Brant Suddath, the company's director of benefits.

The home-improvement retailer created a public website, www.livetheorangelife.com, that allows employees' family members to access information about the company's benefits plans without using a password.

"That's been a nice place where we point [their] family to gather information and see testimonials of how [our benefits offerings] work, including retirement," he says.

"I like the idea of making [retirement planning] more of a family conversation," says Aon Hewitt's Borland. "And, generally, if you're targeting the parents [of today's younger workers], that would work well."

But, more important than how that retirement-savings conversation gets started, T. Rowe Price's Skinner says, is when it gets started.

"When you get young people on that right path early and do what you can to keep them on it," he says, "it gives them the best chance to achieve retirement success."

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