NEWS REVIEW

Heartland Institute of FINANCIAL EDUCATION

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Employers to Focus on Financial Wellness

Rebecca Moore, PlanAdvisors January 2014

Three-fourths (76%) of companies surveyed are somewhat or very likely to expand their focus on the financial well-being of their employees in 2014.

A record-breaking number of Americans (54%) are considering kicking off 2014 by making financial resolutions, according to the fifth annual “New Year Financial Resolutions Study” by Fidelity Investments.

Aon Hewitt surveyed more than 400 U.S. companies, representing nearly 10 million workers, and found more companies plan to offer access to advice, tools and resources that help employees examine their overall financial picture.

Companies are providing these types of advisory services through a variety of channels:

- Online: More than four in 10 employers (44%) currently provide access to online third-party investment advisory services and another 14% are somewhat or very likely to offer it in 2014;
- Phone: More than one-third (35%) of companies provide access to third-party financial advisers via phone and another 14% are somewhat or very likely to do so in the next 12 months; and
- Face-to-Face: Nearly one-quarter (23%) of employers offer face-to-face meetings with financial advisers and another 10% are somewhat or very likely to offer this in 2014.

According to the survey results, a growing number of employers realize basic money management plays a critical role in an individual’s financial well-being. To ensure workers are able to pay for day-to-day living expenses, one-quarter of employers are very likely to provide some assistance to employees to help with budgeting.

Employers continue to offer options to provide workers with a simple and straightforward approach to investing. Most employers surveyed (79%) offer target-date funds in their defined contribution plans as a turn-key approach to saving.

Of those that do not currently offer them, 36% are somewhat or very likely to add this feature in 2014. More than one-third (39%) of companies offer managed accounts with nearly one-quarter (24%) of the remaining group being somewhat or very likely to offer them in the year ahead.

“In the past, companies were primarily concerned about whether workers were participating in their 401(k) plans, but we’re now seeing employers expand their focus beyond just retirement savings to help workers improve their overall financial health,” said Rob Austin, director of retirement research at Aon Hewitt. “Employers understand that workers can’t adequately save for retirement if they don’t have their financial house in order.”

New Retirement Challenges For Boomers

Richard Satran, U.S. News & World Report *January 16. 2014*

During the financial crisis, many people vowed they would never retire and now they are. What changed?

Planning for retirement? If you are not, you should be. What's becoming increasingly clear in the post-financial-crisis economy is that many people are unable to plan just when or how they'll leave the workforce.
In the midst of the financial crisis, baby boomers responded to money pressures by vowing not to retire, and some forecasts saw the post-55 work segment poised for huge growth. Pew Research reported in 2009 that 60 percent of people nearing retirement planned to work through retirement age. Other studies put that figure as high as 80 percent as the financial crisis raged.

But reality bit. Even people who wanted to work longer found they could not swing it. Among the first wave of baby boomers to hit retirement age, more than half (54 percent) quit working before they planned, according to MetLife's Mature Market Institute survey this year. "Boomers aren't necessarily 'working 'till they drop,' as was predicted," MetLife says.

The reason they are retiring? A majority of those polled say it was job loss or health-related issues. Still, many older workers say retirement is not a term they like, and many hope to work longer. Employment experts and financial planners see dangers in failing to come to grips with the reality of a workplace that can be difficult for older workers. Failing to deal with this transition carefully can lead to missteps and big costs in the long term.

Many still see a solution in part-time jobs, freelancing, or finding unconventional work or new careers. In other words, they are hoping to "sort of" keep working in an economy that is "sort of" keeping people employed. But planning to make significant money later in life could be putting off the inevitable need to map out a sustainable exit strategy.

"People losing jobs and being forced into retirement have some homework to do – and they need to do it very quickly," says Maria Bruno, a senior investment strategist and financial planner for Vanguard. "Suddenly, you've gone to having no paycheck and you wonder, 'Now what do I do?'"

When you retire suddenly, it means doing practically the reverse of normal financial planning, she says. In careful life-stage-based plans, people consider far in advance how to fund their big life goals. In the case of a sudden, unforeseen retirement, it's more a matter of first figuring out how to survive without a salary.

"There were all these grand expectations that boomers would redefine retirement with huge numbers staying in the workforce, but there has not been that big of a change," says Sara Rix, senior strategic policy advisor for AARP Public Policy Institute. "People often say they feel a shock when that first paycheck does not arrive, no matter how much you have prepared for it. And a lot of people have done nothing at all."

The mundane first step is to add up expenses and create that elusive budget you never got around to finishing. It's the initial move in addressing what will likely be a longer-term challenge: There may be a period of weeks or months before Social Security or other pension funds can be tapped. How do you raise money to handle immediate costs?

Non-taxed bank accounts or emergency funds. If you are suddenly without a paycheck, it's probably best to use your emergency fund to cover expenses rather than raid higher-value, tax-deferred funds. "This is the time to use that emergency fund," Bruno says. "This is exactly what it's there for."

Sale of a home or other assets. Downsizing is a default choice for many retirees trying to manage costs. But it comes at a price. Real estate commissions, home improvements to your sale property, banking fees and moving expenses add up in a hurry, and a smaller home has to be significantly less costly to make sense, planners say. It can be a workable solution, but it takes time and planning and creates short-term costs. So it's not much help in a pinch.

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Financial Literacy and Behavior of College Students in the United States and Japan

Proceedings of the Association for Financial Counseling Planning and Education, 2013 Annual Research and Training Symposium

This research project aimed to identify differences between U.S. and Japanese college students in terms of (i) level of financial knowledge, and (ii) financial behavior, in order to clarify financial areas that Japanese college students have less understanding. The development of financial literacy programs for Japanese college students is still in its infancy when compared with the number, variety, and quality of programs offered in U.S. universities and colleges.

Therefore, there has been increasing various consumer troubles and over-debt issues among Japanese college students which may be caused by lack of financial literacy. To help them take independent and reasonable action to advocate and enhance their benefits, the Japanese government (i.e., the Ministry of Education, Culture, Sports, Science and Technology (MEXT)) issued an official recommendation that college students be provided with consumer education emphasizing both the skills necessary for future life planning and the significance of social participation in 2011. At the legislative level too, the Act on Promotion of Consumer Education of 2012 obliged national government and local authorities to promote consumer education for college students. Following such recommendation and legislation, the focus has moved to the stage to identify what subject/substance should be taught to college students for development of financial literacy program suitable for them.

This survey analyzed data collected from samples of 684 Japanese college students in January 2013, and 395 U.S. college students in April 2012. It utilized multimethod analysis following face-to-face classroom sessions. Results were also compared for reference with the data from a sample of 1,030 students in the Jump$tart national survey (2008 Survey of Personal Financial Literacy Among College Students).

This survey indicated meaningful differences between U.S. college students and Japanese college students in terms of (i) the level of financial knowledge, and (ii) financial behavior. U.S. college students demonstrated significant strength in their knowledge of the key elements for future money management (e.g., investments, financial planning, life insurance, and tax). With regard to financial behavior, the U.S. participants achieved higher mean scores than the Japanese in all ten related questions, indicating that U.S. participants were more accustomed to handling financial matters and more responsible in dealing with such matters than Japanese participants. In particular, the greatest mean difference in scores was found in the category “Identify needs/wants separately,” followed by “Consider effects of present spending on future.” Based on these findings, enhanced financial literacy education with an emphasis on investment and tax should be offered to Japanese college students, and it is also crucial to make them aware of the need to save regularly to achieve financial goals.