NEWS REVIEW

Heartland Institute of FINANCIAL EDUCATION

January 2014

The Heartland Institute Of Financial Education
8301 E. Prentice Ave., Unit # 312
Greenwood Village, CO 80111
Phone: 303-597-0197 Fax: 303-369-3900

Top 3 Financial Resolutions for 2014

Amanda McGrory-Dixon, Employee Benefit News December 2013

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.

That's good news for employers, many of whom are increasingly embracing the concept of financial wellness — 81% of HR pros in a recent survey say they believe they are at least somewhat responsible for their employees' financial wellness.

According to the Fidelity study, 26% of respondents report that their financial situations have improved from the same time last year, marking an increase from 19% in 2012.

Among the top-three financial resolutions are:

Saving more (54%)
Paying off debt (24%)
Spending less at (19%)

These are the same top-three financial resolutions from last year, but paying off debt jumped from the No. 3 spot to No. 2. Since 2010, the commitment to debt reduction has risen from 8% to 24%.

For respondents who place saving more in their top-three financial resolutions next year, they are now focusing on short-term goals as opposed to long-term goals, such as retirement, college savings or retiree health care. These short-term goals include paying credit card debt, creating an emergency fund or putting away money for a significant purchase. In fact, 39% of respondents this year are more focused on short-term goals, a jump from 29% last year, while 53% of respondents are saving for long-term goals, down from 65%.

"The financial crisis of five years ago forced many people to wake up to the importance of preparing for whatever may come their way," says Ken Hevert, vice president of retirement products at Fidelity Investments. "This year's findings suggest people are increasingly recognizing the importance of achieving a balance between meeting near-term financial goals and planning for the long term. Hopefully, this means that some important lessons have been learned, including avoiding costly moves, such as tapping into a retirement nest egg simply to lower debt payments and have short-term cash on hand."

NEWS REVIEW

Heartland Institute of FINANCIAL EDUCATION

Financial Literacy Begins At The Office

Mary Beth Franklin , Investment News December 2013

A financially secure employee is a happy employee. That seems to be the bottom line of a newly released Workplace Benefits Report from Bank of America Merrill Lynch.

Based on a nationwide survey of more than 1,000 companies of all sizes, the report examines the evolving role of employers when offering financial benefit plans to employees and in helping American workers achieve financial wellness.

“We see more benefit leaders than ever before acknowledging the need to play a central role in their employees' near –and long-term financial well-being,” said Kevin Crain, senior relationship executive for Bank of America Merrill Lynch.

“This study identified areas where companies are providing their workforces much needed guidance, as well as areas where they understand more can be done to help employees take greater control of their financial success,” he said.

The study found that providing financial education and other resources is not only beneficial to workers but also to their company's bottom line. For instance, employers believe that overall financial wellness leads to a more satisfied (76%), loyal (66%), engaged (65%) and productive (55%) workforce.

“As companies consider ways to optimize employee performance and retention, effective workplace benefits that encourage healthy financial behaviors should be near the top of the list,” said Steve Ulian, head of institutional business development for Bank of America Merrill Lynch.

Providing employees with access to personalized financial advice has become increasingly important, with 70% of employers now offering employees access to one-on-one relationships with financial professionals. The vast majority of employers — 80% — say working one-on-one with a financial professional can help employees improve retirement outcomes.

READINESS STILL LAGS

Nearly half of employers in the study indicated that they provide at least some advice or guidance to workers who are within five years of retirement. But 40% of companies said they need to start offering greater guidance to employees preparing to retire or to improve advice and resources currently in place.

Because many workers are retiring later — either because they can't afford to stop working or because they don't want to — the study found that more than half of companies now offer part-time work options or consulting opportunities for employees nearing or at retirement age. The trend is even more prevalent among large employers, where 63% provide phased-retirement options to retain the intellectual capital of valued employees and to help employees transition into retirement.

Although 40% of employers help their retiring employees understand options related to assets accumulated in their 401(k) plans, only 17% of employers offer assistance with other retirement-related issues and considerations, such as Social Security.

A separate study released by the LIMRA Secure Retirement Institute last week revealed that one of the most valuable tools employers can offer their employees is to translate their retirement savings into projected monthly retirement income.

“Providing an estimate of what their monthly income will be in retirement has been well-received by most U.S. workers,” said Alison Salka, corporate vice president and research director for the LIMRA Secure Retirement Institute.

However, only half of U.S. workers have seen a monthly retirement income projection, according to the nationally representative survey of more than 2,000 American adults.

Another area many employers agree needs greater focus and employee education is the rising cost of health care. The Merrill Lynch study found that more than one-third of employers now provide employees with education about what health care could cost them during retirement, up from 21% in 2012. Among employers who provide at least some education about retiree health care costs, 45% of them believe more needs to be done in this area.

“There are significant opportunities for employers to help fill gaps in employee knowledge and preparation in these important areas of their lives,” Mr. Crain said. “Offering access to more personalized advice and education about saving for retirement and health care costs can have a meaningful impact on a person's long-term financial health.”

But much remains to be done. “Americans aren't saving enough for retirement — plain and simple,” said Jerry Patterson, senior vice president of retirement income strategy at The Principal Financial Group, a major provider of workplace savings plans.

To elevate the success of any retirement plan, Mr. Patterson suggests companies adopt several key automated design features, including automatic enrollment with at least a 6% deferral rate, automatic escalation of at least 1% per year, and a matching contribution formula that requires employees to contribute at a higher rate to capture the full employer match.

Nobel Laureate: Everyone Should Have A Financial Advisor

Liz Skinner, Investments News December, 2013

Robert Shiller gives his take on the future of advice; urges government help in paying for it.

Nobel Prize-winning economist Robert Shiller seems to be a friend of financial advisors, at least the good ones.

Mr. Shiller on Wednesday said a lack of good financial advice was one of the problems that led to the financial crisis.

Speaking at a virtual conference hosted by the National Association of Personal Financial Advisors and Forbes, he pointed to the large number of Americans who went into unsupportable debt to buy homes. A good financial advisor wouldn't have let them make those dangerous moves, he said.

“People make better decisions with financial advisors,” Mr. Shiller said.

Mr. Shiller, who won the prize in economic sciences in October for his work suggesting markets are largely driven by human psychology, also said financial advice should be readily available to the masses, not just the wealthy.

It's particularly critical for low- and moderate-income families to get professional advice, he said, likening the need for financial advice with the need for health care.

“Financial advice is much more on par with medical advice,” Mr. Shiller said. “People who have needs will spend a lot of money on both.”

He even went so far as to suggest that professional financial advice is a service that should be made available to those without the resources to pay for it, through a Medicaid-type approach.

Mr. Shiller said the government should compensate advisors who help lower-income people with financial problems. He also criticized the current system that offers a tax deduction for some investment costs as “subsidizing the wealthy,” because low-income Americans don't itemize deductions on their annual taxes.

“Instead, make it a refundable credit so that it can come back to everyone,” Mr. Shiller said.

During the hour-long interview, the economist also reprimanded advisors who aren't willing to tell clients that they are making financial mistakes for fear they could lose the client. Mr. Shiller, who predicted both the dot.com and the housing bubbles, acknowledged that “investor overconfidence” can put advisors in a tough spot.

“People don't like to be told they are wrong,” he said.

Mr. Shiller even suggested that “if financial advisors had infinite time,” they should pursue a second degree in psychology so they could better manage behavioral tendencies that lead some clients to make poor financial and investing decisions.