

Increasing the Effectiveness of Retirement Saving Programs for Females and Low Income Employees: A Marketing Approach

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Summary

Our goal is to encourage new employees to voluntarily save for retirement. We focus on female and low income employees since this group faces unique saving challenges. These segments of the population are disproportionately less likely to save or take advantage of tax favored programs. They also display low financial literacy. We refer to this group as the target group henceforth.

In the past, employees have relied on benefit fairs, carrier presentations, websites, annual benefits packet, and Human Resource counseling to get information on the value of saving for retirement. In addition, new employees have access to an orientation session when they join the organization. While important, these programs have failed to sufficiently engage the target group to save more for retirement.

Our project seeks to meet three objectives: (1) to reduce anxiety about future retirement needs; (2) to increase awareness about financial knowledge including interest in professional advice; and (3) to increase participation and contribution to supplementary retirement accounts (SRAs) among female and low income workers.

We devised two main communication programs to overcome saving barriers for the target group: (1) a flyer that acknowledges the barriers for saving and provides specific solutions for each barrier and (2) four videos that encourage the target audience to save by providing stories from employees at the same institution.

The communication programs were based on employee insights gleaned from various data collection methods. We used observations, focus groups, in-depth interviews, and surveys to identify the main barriers faced by the target group. The communication programs provided solutions to overcome the key barriers.

This final report contains the main findings, a description of the research method, and the communication programs.

Key Findings

We tested the effectiveness of our communication programs by asking employees to compare how they felt before and after exposure to the communication programs. The flyer was included in the Benefits packet. One of four videos was shown during orientation. Our communication programs attained all three objectives: (1) they reduced anxiety levels about future retirement needs; (2) they increased awareness about financial knowledge, including interest in professional advice; (3) they increased participation and contribution to supplementary retirement accounts (SRAs) among female and low income workers, compared to a control condition.

Anxiety. Target employees reported feeling less anxious about future retirement needs after exposure to our communication programs (Table 1, Row 1). Our communication programs were able to counter the overwhelming impact of the economic crisis on employee anxiety. In an American Psychological Association poll in September 2008, 80 percent reported the economy's causing significant stress, up from 66 percent last April, stress was especially high among women. The Treasury, Labor and other departments started a Web site for people experiencing stress. Viewed from this perspective, we could consider the significant reduction in anxiety levels as a very positive indicator of the effectiveness of our communication programs.

Financial Awareness. Our communication programs significantly increased awareness and understanding about future financial needs (Table 1). We added several additional measures to test dimensions of increased salience of financial needs. In particular, we demonstrate our communication programs increased the importance of thinking about the future, the need for personal control over retirement saving, perceived manageability of the future, and the importance of job stability (Table 1).

Retirement Saving Behavior. Our video program resulted in a 56.2% increase in election behavior within 30 days of viewing the communication programs compared to SRA election rates amongst target employees who were not exposed to our communication program during the same period (January – June 2008). These differences were sustained after 60 and 90 days (Table 2).

SRA election rates increased 147% amongst employees who saw our videos (during January 1 – June 30, 2008) as compared to employees in the same time period one year earlier (January 1 – June 30, 2007). The video program also significantly increased election rates after 60 and 90 days (Table 3). Although some people may attribute part of this increase due to the economic crisis, the financial press indicates that retirement savings are declining. An article by Jilian Mincer in the Wall Street Journal (April 9, 2009) indicates that stressed-out workers want help with budgeting and debt management more than guidance about 401(k) investments. The article cites data from Financial Fitness (6% of the calls it received in the first quarter of 2009 were from workers who wanted retirement advice, down from 14% for the same period last year; calls about debt reduction climbed to 44% from 37%), and Charles Schwab & Co. (70% of employees wanted professional advice, according to recent online interviews with more than 3,800 people of which 60% wanted help with savings and investing, 31% with budgeting and 30% with debt reduction). Thus we conclude that our communication program reversed a declining trend to save for retirement.

Background

According to the life cycle model of saving, people consume and save according to their life-time income, not their current income. Thus, people like to keep a smooth profile of consumption over their life-cycle and they save both to repay the debt they took up when young and to offset the decline in income at retirement. Moreover, wealth should be at its peak by the time one reaches retirement. This simple specification does not take into account that future income is uncertain. While workers who face an upward-sloping earnings profile may want to consume more than their current income, they also want to keep a buffer to insure themselves against shocks. In other words, not only future income but also uncertainty about future income play a role in determining how much people save.

While some of the predictions of the model have been supported empirically, several papers have pointed to a number of anomalies in the area of household savings. For example, data from both the Health and Retirement Study (HRS) and the Retirement Confidence Survey (RCS) has shown that many workers get close to retirement with very little amounts of wealth; these amounts seem too small to be able to support workers into retirement. Moreover and in contrast to the prediction that individuals look ahead and make plans for their future, several researchers have found that the majority of workers do not plan for retirement and/or have never made any attempts to calculate how much they need to save for retirement, even when retirement is only a few years away.

Lack of planning is also supported by data about how much workers know about their pensions or about the rules governing Social Security benefits. Even though pension and Social Security wealth account for about half of total wealth for the median household in the United States, many workers know little about their pensions. According to recent data from the HRS, half of older workers do not know which type of pension they have and fewer know about their pension wealth. Many workers could not even venture a guess about their Social Security wealth. Despite many years of annual mailings of individual benefit statements from the Social Security Administration, less than twenty percent of workers in the population knew the correct age at which they were entitled to full Social Security benefits.

Another very important feature of household savings is the large differences that exist even among families of the same income or economic status. These differences are simply too large to be rationalized by the life-cycle model or simple extensions of the model that consider other motives to save, such as caring for children or for future generations.

The reason why it is so important to understand why people save or do not save is that, increasingly, the responsibility to secure a comfortable retirement has been shifted from the government and the employer onto the individual workers. With the shift from Defined Benefit to Defined Contribution pensions, workers have to decide how much to save and also how to allocate retirement wealth. Moreover, financial markets have become more complex and people have to navigate a system that requires both financial knowledge and financial skills.

What we are discovering about why Americans don't save

We undertook several steps to examine the behavioral reasons for retirement saving decisions. We started with observations, focus groups, and in-depth interviews to shed some light on the question of why Americans save so little for retirement.

Overwhelming process: In focus groups and interviews, many employees stated that the process of beginning and participating in a retirement plan such as a typical 401(k) plan can be very overwhelming. The initial process often is perceived as confusing, long and tedious. Many individuals do not feel comfortable making financial decisions like how to manage their money within a 401(k). Barbara Roper, director of investor protection at the Consumer Federation of America said that the majority of people have difficulty with this task. She explained that, in general, people want to be told how to manage their money since they do not feel prepared to make these important decisions nor do they read prospectuses or other investor materials. Roper also stated that many people do not understand how small their savings for retirement actually are. In fact, according to one survey released by the Consumer Federation of America (CFA) and Financial Planning Association (FPA), 21% of Americans think that winning the lottery is the most practical way to accumulate several hundred thousands of dollars (rather than saving it).

Looking Ahead and Priorities: Younger employees are less likely to save for retirement than older employees. In one study, only 26% of those 30 years old or younger participated in their Supplementary Retirement Account versus 58% of those who were 60 years and had at least ten years on the job. One reason is that many younger workers feel like retirement is very far away and put off saving for retirement in order to pay for current expenses. Hewitt Associates reported that most people put priority on saving for a house, saving for their children's education or paying for their children's needs rather than retirement.

In addition, Americans are more likely to prioritize health care benefits over retirement savings. Although the majority of working Americans participated in the company's health plan in 2004, only a minority of employees participated in a company sponsored savings plan (EBRI 4.18.06).

Research Methodology

In this project, a social marketing approach was used to develop a comprehensive, cost-effective plan to improve participation in and contribution to Supplementary Retirement Accounts (SRAs). We “listened” to employees’ needs via focus groups, surveys, and in-depth interviews in order to determine the specific needs of each target subgroup. Exhibits 1 and 2 provide the steps and the timeline for the research methodology. There is significant heterogeneity among employees. By specifically targeting subgroups, the project was able to help identify and overcome key obstacles to savings.

The data that were gathered led to the creation of two communication programs, the purpose of which were to enable higher saving rates and to help employees enroll in plans that best matched their needs. The communication programs were designed to motivate employees to overcome critical obstacles to saving. Figure 1 contains the first communication program which highlighted nine obstacles to save for retirement on one side with ways to overcome the obstacles on the other side. Figure 2 contains the web page for the four employee videos. A copy of the videos is included in the memory stick attached to the document.

Procedure. A first step toward identifying employee segments at risk due to inadequate saving was to meet with the Vice President for Finance and Administration who described the retirement saving challenges and Dartmouth’s commitment to employee financial security at Dartmouth. A meeting with the head of the human resources (HR) department and the Retirement Plan Administrators revealed concerns about how to best serve the needs of employees. For example, while the institution hosts financial education and information sessions, which include an option of one-to-one counseling, offered by three pension providers, only a handful of employees attend sessions or take advantage of individual counseling.

The study setting was new employee orientation. The flyer was inserted into the benefits packet and in the power point presentation during orientation. One of four videos was shown during the orientation session. Employees attending new orientation completed our survey at the end of the session.

Sample. Administrators identified three groups in the employee population that are disproportionately less likely to contribute to supplementary pensions: employees with low income (less than \$35,000), young employees, and employees with short tenures. Data sets covering other institutions and samples more representative of the U.S. population confirm that these characteristics (income, age, and tenure) are clearly correlated with saving and contributions to pensions.

New employees at Dartmouth are asked to attend an orientation meeting where their medical and pension benefits are described. Both medical and retirement benefits require action on the part of new employees; they have to select the level of medical benefits desired as well as decide on a financial carrier for their retirement assets and how they want to allocate those assets. Thus, new hires are potentially more motivated and more willing to take action than existing employees. Moreover, new hires are disproportionately young, have low income, and have low tenure.

Communication Development Methods. We used several methods to understand the barriers that prevent new employees from opening SRAs. A copy of the focus group questions and summary report is in Appendix 1. A copy of the in-depth interview and summary results in the form of mental maps is in Appendix 2. Two surveys, one for identifying barriers and one for evaluating the effectiveness of the communication programs are in Appendix 3.

Video. The focus group and in-depth interview results were used to design the questions for the video scripts used in our communication program. The videos are accessible on the attached memory stick as well as on the Dartmouth website.

Based on the focus group and in-depth interview results, we asked employees to discuss issues such as:

- Do you think about retirement (all employees)
- Do you think your pension will be enough, do you think it is hard to save for retirement, where do you find the extra income to save for retirement, why do you think it's important to put money away for an SRA (for low-income, < 35K male and female employees)
- Do you believe retirement is far away, what advice would you give to young men who think it's too early to save for retirement (for younger employees)
- Do you manage your retirement account or does someone help you, do you think your debt is too expensive, do you have unexpected expenses, what about financial security (>35k female employees)

Flyer. The flyer was based on barriers identified in the orientation survey. The survey contained a list of potential barriers (Appendix 3, Orientation Survey A). The results of this survey are presented in Table 4. Compared to the non-target group (high income males), our target group faced six main challenges to save for retirement. We added three others identified by Human Resources (I do not have income, I don't know how to use flex online, and I do not have a computer). These nine barriers with accompanying solutions are presented in the flyer (Figure 1).

Data Collection Period. We selected the first half of the year to test the effectiveness of our communication program because the second half consists mainly of faculty who are not in our target group. Of the 24 weeks in the first half of 2008, one of four videos was shown in 12 weeks and not shown during orientation in the remaining weeks. One hundred twenty-four new employees in our target audience attended orientation from January 2008 – June 2008. Sixty-four target employees watched the video while 60 did not see the video during an otherwise identical orientation session.

Analysis and Results. We determined the effectiveness of our video programs by comparing the SRA election rates for new employees who watched the videos with those employees who did not watch the video during the same time period (January 2008 – June 2008). Table 2 contains the election results among employees in our target group who did or did not have a chance to watch the video. Our communication program resulted in a 56.2% increase in election behavior within 30 days of viewing the communications compared to SRA election rates amongst employees who were not exposed to our communication program during the same period (January – June 2008). The increase was 26.6% after 60

days and 14.1% after 90 days. Thus, we exceeded the goal stated in our grant application of a 20% increase in SRA election rates.

To further verify the reliability of our results, we also compared SRA election rates for those employees in the target group who watched the video with employees in the target group who did not watch the video during the same time period a year earlier (January 2007 – June 2007). The election result of the two groups are in Table 3. Our video program resulted in a 147% increase in election behavior within 30 days of viewing the communications compared to SRA election rates amongst employees who were not exposed to our communication program during the same period one year earlier (January – June 2007). The increase was 94% after 60 days and 104% after 90 days. Thus, we obtained dramatic increases in SRA election by showing the video to low-income and female employees.

Distribution Plan

We engaged in an ambitious distribution strategy to communicate the process and effectiveness of our social marketing plan to encourage low-income and female employees to voluntarily save for retirement without employer matches.

Conferences. We have presented the project at two major conferences: 1) the NBER Conference on Improving the Effectiveness of Financial Education and Saving Programs, Cambridge, MA., May 2007, and 2) the Association for Consumer Research, Presidential address, San Francisco, CA., October 2008.

Academic Seminars. Yale University, Harvard University, University of Chicago, and Duke University among others.

Practitioner Seminars. American Enterprise Institute, Marketing Science Institute, Federal Trade Commission, U.S. Treasury, TIAA-CREF, and the Society for Human Resource Management, among others.

Book. The focus group and in-depth interview procedure and results are described in Chapter 7 of a book edited by Annamaria Lusardi, *Overcoming the Saving Slump – How to Increase the Effectiveness of Financial Education and Saving Programs*, University of Chicago Press, 2008.

Other Publications. *New Ways to Make People Save: The Dartmouth Project*, was published in the TIAA-CREF Institute: Trends and Issues, June 2008. We will publish a summary of this project, "Employee Retirement Savings: What We Know and Don't Know for Helping People to Prepare for Life After Work", in a Chapter for a book titled *Transformative Consumer Research for Personal and Collective Well Being: Reviews and Frontiers*.

Press. Business Week, Market Watch, Chicago Tribune, and Business Standard (India) among others.

Recommendations

The major drawback of extant company approaches to enhance retirement savings is that they either do not involve the customer/employee at all (e.g., auto enrollment) or they only appeal to audiences who already have considerable financial assets. Our recommendations are based on the premise that there is no 'one size fits all' solution to the retirement savings crisis.

We have developed a unique approach to counter the retirement saving challenge by devising relatively inexpensive motivation and implementation tools for low income and female employees. We have two main recommendations. First, we recommend designing initiatives to overcome barriers to save for retirement. We have identified barriers and solutions that can be used by other organizations. A simple flyer describing the barriers and providing simple solutions went a long way in simplifying an overwhelming financial decision process.

Our second recommendation emphasizes the importance of tailoring motivational and implementation materials for low income and female employees. Based on employee input, we created four videos, two for females varying in income and two for males varying in age. Our data collection instruments and the findings from the focus groups and in-depth interviews may be used by other organizations seeking to create their own employee videos. They may also use our videos. We have demonstrated that we can dramatically increase retirement savings by tailoring communications for different employee audiences.

Our study also demonstrates the importance of retirement saving initiatives for new employees. New employees are typically asked to attend an orientation meeting where their medical and pension benefits are described. Both medical and retirement benefits require action on the part of new employees; they have to select the level of medical benefits desired as well as decide on a financial carrier for their retirement assets and how they want to allocate those assets. Thus, new hires are potentially more motivated and more willing to take action than existing employees. Moreover, new hires are disproportionately young and have low income. Our study identifies effective social marketing methods to reach this target market.

Exhibit 1
Research Data Sources

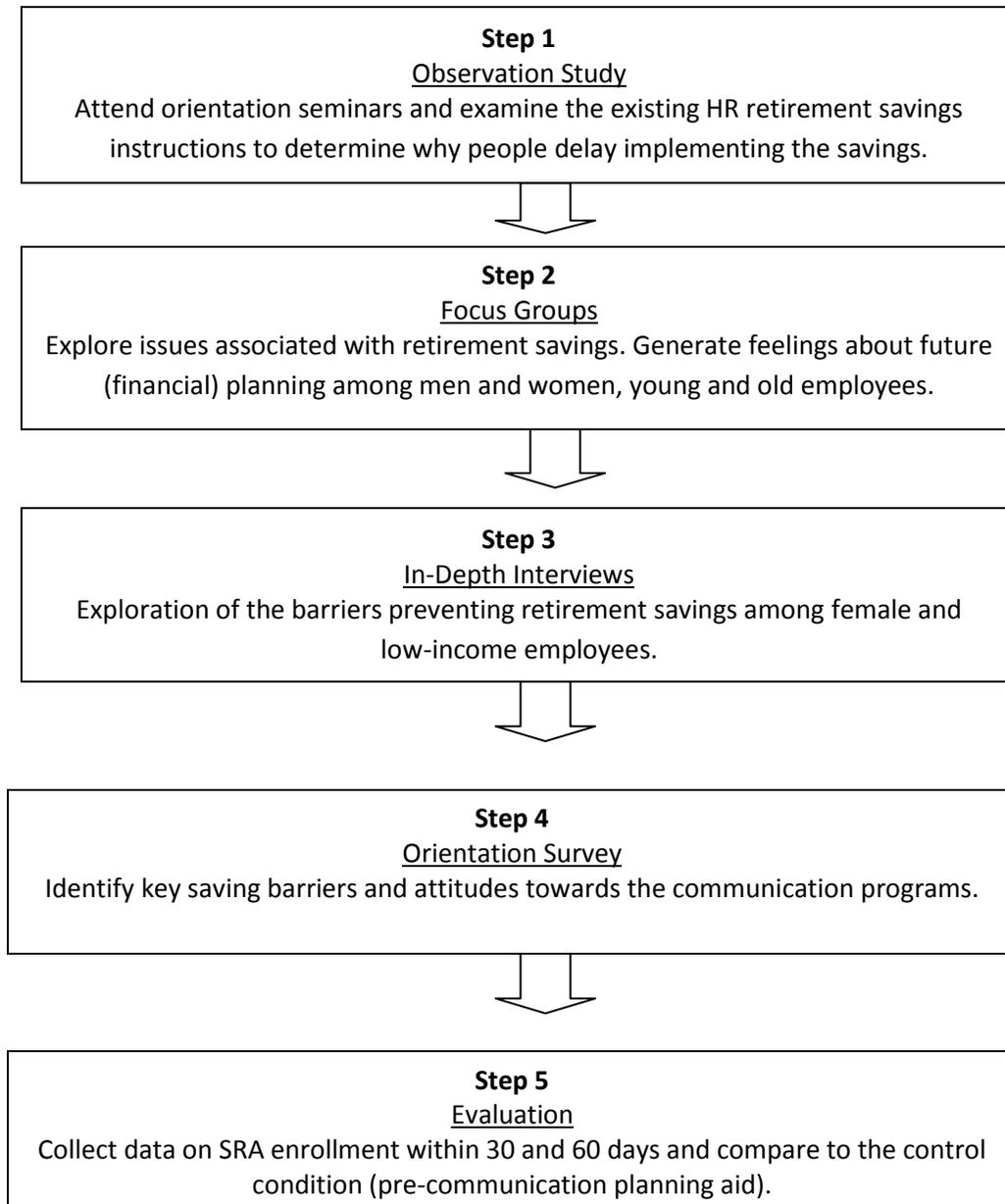


Exhibit 2

Research Data Sources

Dates	Research Phase
January – February 2007	Run focus groups with representatives from the 3 groups
March – April 2007	In-depth interviews with representatives from the 3 groups
May – June 2007	Analyze Focus Group and In-Depth Interview Data
January - June 2007	Control Group for Video Test
July -November 2007	Survey Data Analysis to Determine Video Content
November 2007- January 2008	Video Development (interviews, videotaping, editing)
February – July 2008	Video Monitoring
August 2008 – January 2009	Video Data Analysis
February – April 2009	Report Preparation

Appendix 1: Focus Group Questions and Report

1. What would you like to do after you retire?
2. Do you think you should plan for the future (in general) or accept things as they happen?
3. What kinds of things should you plan for? Why?
4. What kinds of things are difficult to plan for? Why?
5. Do you think you should plan for retirement saving or accept things as they happen?
6. What obstacles prevent you from planning for retirement?
7. What do you do if you don't know how to plan for retirement?
8. Having a plan does not mean one sticks to it. What types of things make you stick to the plan or not?
9. Where do you get information to help you with retirement saving planning?
10. Does knowledge about investing play a role in your retirement planning decision?
11. How much control over retirement saving do you feel you have?
12. When you think about your retirement savings, how do you feel?
13. Do you think your savings will determine when you retire?
14. Does anyone have a story about someone who did a good job in planning for their retirement? Bad job?
15. If you were interested in designing communications to help people to save for retirement, who else would you speak to?
16. Are there any questions we should have asked, but did not?

Thank you

Focus Group Findings

Attitude to retirement

Retirement as a concept is present in the subconscious mind of all individuals irrespective of occupation and gender.

"I have always been aware that I have to prepare for something. "

There seems to be no fear associated with retirement as such, even though people are not really looking at retirement as a time of leisure. For most people, it is a more flexible work arrangement where they can sit back and work at things they enjoy.

"When we are 60-65 we might think of easing back a little like cutting back to half time or something and using that time to travel or whatever"

"If you choose to continue working, it's either because it interests you or just to keep yourself in the mainstream but then it's not primarily to earn money-that's the model"

"I think it is important to work at something you really enjoy and maybe work 2-3 days a week at that age"

Goals & Aspirations

For others, it is a time where they would like to be doing things which they haven't had time for before, like

- A Home
- Travel
- Community service
- Activity- Music, Hiking, Tennis, Gardening, etc.

"Our goals are to have a home...near the ocean"

"When I think about it, I might want to travel more than I have been able to ...with kids, scheduling is difficult and also costs, so probably do some degree of travel once a year, go some place interesting"

"Be active in the community in the way that I haven't been able to be – volunteer activities...or just participate more"

"play tennis 3 times a week. I do gardening"

"I spend a lot of time on my two vocations- one is playing the piano, My other vocation is hiking in the mountains"

Attitude to Retirement Planning

Retirement planning was acknowledged by all to be extremely important and seen to be a must.

"I think you should plan; you should try to put some money away sometimes other than what you might have in your company plan"

In today's uncertain world order, anything can happen at any time therefore, one must take all due care from our side to make sure there are no problems in the future.

"I know on a deeper level that who knows what's going to happen. We have dealt with my husband's disability which was totally unplanned and weird. Things come up- you never know."

Also, people have learnt from the mistakes of their parents and relatives and have started taking saving seriously.

"I have seen my parents and my wife's parents who didn't have any money every time and I was not going to go down that road so I took advantage of every possible opportunity"

However, though it was acknowledged that saving for retirement should be started when young so that a good amount is saved by the time you retire, implementation of this view was not really seen. Most people had started saving seriously only in the later half of their working lives.

"I think in an ideal world you should start planning when you are young, when you just enter the workforce ... 10 years down the line the amount would be great"

Savings for retirement seemed to take a back seat whenever something else came up. This might be due to the fact that retirement appears to be very far away when young and there seems to be a lot of time to save for it.

"I do believe in planning, in reality I don't center my budget around that plan. If I had said that every paycheck I am going to put a certain amount away if the need arises that would be the first to go. The other need would be more important to me"

Also, procrastination in seeing to financial affairs was observed among many, which, if attended to at the right time could have been very beneficial.

"I also have money sitting in some funds that I haven't touched in 5 years...At this point I need to look at that and consolidate my funds. I keep thinking I will get around to it but I never do!"

Obstacles to Retirement Planning

Finance- an ambiguous science?

The main obstacle in the path of retirement saving is the general viewing of finance as something very complex. Even people who profess to understand it have some doubts about the details of the schemes. Others simply give up saying that they fail to understand it. Either ways, the need for a financial advisor is felt by all. However, many have not been able to find one whom they can trust enough with all their investments. They have an annual meeting with company representatives where they try to understand what to do with their money but the need is for much more one on one interactions in order to maximize saving.

"I try and he has tried explaining it to me but I have no interest"

"I find in my office college educated people who are in a bad situation sometimes and they are just not interested in it and also there is some block – its like talking to some people about math- financial anxiety or math anxiety around that. "

"...I need some time to figure out what's where...how to get money from my funds...then I need to meet with a private financial advisor who can critically evaluate my choices...I don't really know...what I need is someone who can evaluate my options and say...this will be better for you"

"my financial understanding is pretty limited as to why things go up, why things go down and where my money really is and where it should be so a slight change right now can mean a big difference 20 years from now if I am not aware of it- so I do feel a lack there. To that degree, I am not very confident about handling my own financial planning"

Need for a strategist

The need is not only for a financial advisor but also of someone who can direct asset allocations properly because sometimes we might not be aware of how the market is moving. There is a need of some expert advice in such a case.

"Strategizing has been an area where we have acknowledged early on that we didn't know much... Simple things like moving my assets in a strategic manner and in a timely way... probably its going to be more important for me to know how to be strategic and timely and maybe I need to talk to him more than once a year. All we do at the yearly meeting is walking out of the meeting with some financial plans, projections for college and things like that and some degree of – ok where do we direct your college assets this year? For the new contributions, should we refigure some of the ones that are existing allocations?"

No cultural norm

In this era of credit cards, there is no cultural norm to save in the country. Kids at a young age are getting used to using credit cards and do not imbibe any sense of saving for the future. They spend on what they like, when they like. In fact the younger children are brought by seeing their parents spend through credit cards. Therefore, the spending environment in the home also does not permit a degree of saving culture like it did before.

“these people had credit cards offered to them when they were in college and they thought this is simple I have \$5000 – why don’t I go spend it”

“I think it would be terrific if there were a cultural norm in this country that when you graduate from college or trade school or whatever your final level of education is, it’s a ritual to go and open your retirement account and start putting something into it. It’s a mark of ‘I am an adult now’ – it’s something you are proud of”

“I think the seeds have to be planted earlier, we can’t wait till they are in their 20s.”

Attitude to spending

Today’s generation does not hesitate in spending on luxuries – the idea is to enjoy the money that they make rather than saving. Even though saving is recognized as something that should be done, most sacrifice savings when there is a pressing need for something else. In reality, it does not rank very high on the priority list especially among the younger crowd. The older generation would still save for a rainy day rather than get that expensive dress.

“its just that there is a cardinal divide- on this side are the people who pay the bills and save and on the others side are people who are always in a hole ...it’s the debt or not in debt people. You can talk to people who have got \$6000 in their credit card bills. You read in the paper about the average indebtedness”

Sources of Information

The main source of information about retirement planning is the company made available through the college.

The company representative helps in communicating all the financial details in a comprehensible manner. It is usually this representative who turns into the financial advisor because a certain level of trust has been established. **A financial advisor or**

planner is seen to be consulted once a year to go over the asset allocations and to shift things as required.

“He gives presentations to the college among others and by now we know he is. He talks in a way that we can understand and he also very savvy in ways that helped us a whole lot”

“I usually ask a lot of people...like I call a financial planner...I usually have an appointment with him at least once a year. He gives advice and then I check it out”

However, there is always the danger that he might not be able to impart any information of other companies or give competitive data to support his views.

“I wouldn’t know a good, honest, competent expert from a total charlatan. I would have to give them money and hear them talk before I can even tell if they were number one honest and number two-competent- so again I don’t do anything and probably to my detriment.”

Also, the company sends out its **brochures and booklets** to its customers to help them better understand its schemes. However, these brochures are not always in language which is understood by the layman.

“I tried to read some of the stuff but I obviously don’t understand the brochures and the booklets that they send you”

“I read the prospectuses that come to me in the mail and those sometimes give me kernels of where things are going, a lot of things are meaningless to me but I do get some ideas about where I should or should not be investing”

The **peer group** of friends and relatives are an important source of information in this regard mainly because there is an already established element of trust with which this information is treated.

“I was a Rotarian and still am - in that group there is a CPA - I have talked with him a couple of times”

“I have got a couple of businessmen friends”

Reading books is another source of information about retirement planning for many people. People who are interested in finance and understand the terminology, like to read up on the topic themselves, to have a better idea of the situation.

"I do read...there are a series of books, there are about 3-4 of them...once or twice a year I go down to Borders, buy a cup of coffee and look at these books...encyclopedia kinds of things and I see what I am interested in"

Reading of magazines is limited to what articles can be of use. Also, usefulness of the article depends on who the author of the article is and what his affiliations are.

"I just read something from somebody and I just read it and I thought this doesn't sound right, it sounds slanted and sure enough it was written by someone who works for one of the major fund companies and I thought from his point of view, that's what you should be doing! So, not only is there so much material, there is conflicting material."

Two major sources of information were mentioned in connection with Dartmouth.

Firstly, the **benefit seminars** organized by the college which are reputed to give good information and are attended by a lot of employees.

"I think the Dartmouth seminars were good as far as I am concerned"

Secondly, the **website** also provides information on retirement planning. The new financial software which allows you to calculate your risk tolerance depending on your age and assets is the highlight of the website.

"One of the things I really like is Dartmouth has this as part of their website – I think Eric Wordsworth set it up where you go and put in your retirement age and what you have and what you need and how much risk you can deal with- I have done that several times with Dartmouth and with Fidelity and that lets me know where I stand, what I need and what my risk tolerance is"

"I know they have a new financial software on the website- I have been meaning to go in there and do things with that. "

The reliability and usefulness of information received through these channels depends on how easily it is perceived by the layman. As we have observed before, the ambiguity which surrounds the world of finance for the average person is the main reason behind lack of savings.

Factors influencing retirement planning

The basic **attitude** of a person stemming from the values in his upbringing and the environment in which he has been brought up mainly governs retirement planning. If the parents are frugal and manage to inculcate values of a moderate, debt free lifestyle, children will be like that in the future. If parents are spendthrift, children might not be very

careful. However, there were cases where children have learnt lessons from the bad examples of their parents and saved money.

It was seen to be very important to start training kids when they are young and imbibing values of saving in them.

“A combination of things worked out for me. I have always disliked being in debt...I never buy anything that I don't have money in the bank for- I avoid running up any credit card debts”

.”I think educating kids when they go through high school should be mandatory. They should get the concept that in order to be mature, independent people they have to be saving. That's how you rely on yourself. You don't let somebody else take care of you”

“Sometimes at the high school level there are classes offered in investing and kids will form groups and get to pretend invest and compete with other teams and I think that's a brilliant idea to begin to get kids thinking about this- how do I handle this money”

Many parents seem to have been influenced by the **Great Depression** and have passed down this fear. Even if the parents of today have not gone through the Depression, they have heard stories about it from their parents and are therefore cautious.

“One thing was that as kids our generation was raised in the Great Depression. People really had to hunker down ...you couldn't spend a lot of money and no one had money to spend”

“My parents grew up in the Depression and they were always very careful about money...”

Also, various unpredictable **life events** might have an impact on planning – these could be health issues or family issues like divorce or even natural disasters.

“Kind of action – reaction kind of thing – also something might happen to your parents. Some people in the family might need money so it's always a good idea to manage it, to have money on hand”

Role Models

Most people talked about their parents as role models either in a positive or negative manner. If a parent has saved well, he is an inspiration to his children and if he hasn't also he is an inspiration since the children would have learnt their lesson seeing the plight of the parent.

“My mother- it hasn't been fun but she has been fabulous. She was the only one with financial security in our family. She was a high school teacher and she had 3 kids whom she had to put through college. But my mother is really good with money”

“I was thinking of my mother- she doesn't have a lot but she will have enough to live on but her lifestyle is very simple and that's the way she wants it”

Other role models were success stories in the family – the notable point being that get-rich-quick stories were few. Most people talked about role models who had saved well and wisely and who were having a peaceful retirement not necessarily a luxurious one.

“Uncle Bill-Aunt Katie and Uncle Bill are now going from their condo in New Jersey to a retirement home in New Jersey, they have saved well for their retirement”

“my elderly cousin, she died about 10 years ago and worked advising hospitals in New York City at the same job for 40 years ... she had her own farm up here, knew where she was going to retire, knew what she wanted to do during her retirement and could do it. Didn't have to worry”

Perceptions of Dartmouth

There were no audible complains of Dartmouth's retirement benefits in any of the groups. Information points like benefit seminars and the website were discussed with favor. However, none of these information points is actually catering to the felt need of the employees of a strategic partner in retirement planning. The good news is that there are no known negatives associated with the benefits of the college – however, there is scope for more customization.

Conclusions

Retirement planning is considered to be an integral part of the saving process and there remains a lot which can be done in the area. As far as customizing the process goes, gender does not seem to be as great an issue as age.

The different points of view with which two generations separated by years, approach retirement planning are completely different. The current generation of retirees or would be retirees are coming from an era where the dark sphere of the Great Depression still looms. Fear of not having enough money drives the saving of this group of people.

The current generation which still has some time to go before retirement is a generation driven by credit cards and loans and is largely a consumerist society. Saving as an option has to be inculcated in this group very early on with training in schools and colleges. Mandatory saving does go a long way in protecting the common man but saving as such to add to that will only help to have a better life in future.

The steps that could be taken for this would be to tackle these two age groups separately and in different ways.

For the would be retirees – the older age group,

- There could be seminars on asset allocation and asset management where they could see if their money is in the right place.
- Personalized financial advisors who can strategize with them and work hand in hand with them till their retirement would be a great bonus.

For the younger age group,

- The main objective would be to communicate the virtues of saving in order to make it top priority.
- This could be done by using the existing network of peer groups – by training small groups of the target segment and using them to further train others. Receptivity to knowledge from a peer is often more.
- Also, financially knowledgeable people in this group could be used to display benefits of long term planning and tools used for it.

Appendix 2: In-Depth Interview Questions and Mental Map Results

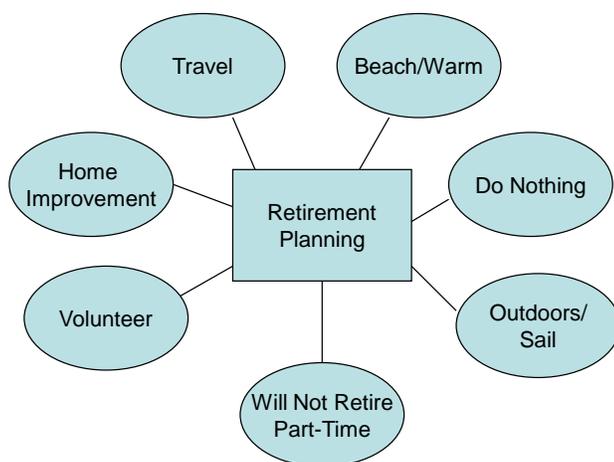
1. What would you like to do after you retire?
2. Do you like to think about retirement?
3. Tell me about your parents. Are your father and mother retired? (If both dead, then ask if they retired before dying.)
4. Let's discuss retirement planning.

Which of the following apply to you? Please listen to all four:

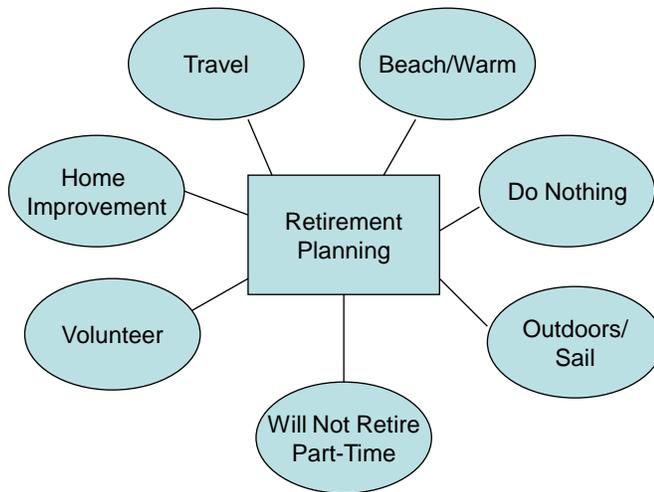
 - a) I am not doing any planning for retirement
 - b) I have thought about it but I have not done anything yet
 - c) I have taken some initial steps
 - d) I have been doing retirement planning for the last couple of years or longer
5. Do you know anyone who has done a really good job or a really bad job in planning for retirement? Can you describe his/her/their story to me?
6. Have you thought at all about medical expenses after retirement?
7. Which sources of information do you use in making your financial decisions?
8. Let's turn now to saving. Does your household save/ put money aside?
9. Have you ever tried to change your saving behavior, i.e. How much you save?
10. Let's talk about your family situation
 - a) Are you married, what is your current marital status?
 - b) Do you have children (and yes, how many and of which age)
 - c) Do you have aging parents/parents-in-law you have to take care of?
 - d) How much control do you feel you have in your family spending patterns?
 - e) Would you like to have information say on things like how to budget, how to speak to kids about expenses, how to be a role model?
11. If you could pick two things that can help you in your financial decision-making, what would you say?

Mental Maps from In-Depth Interviews

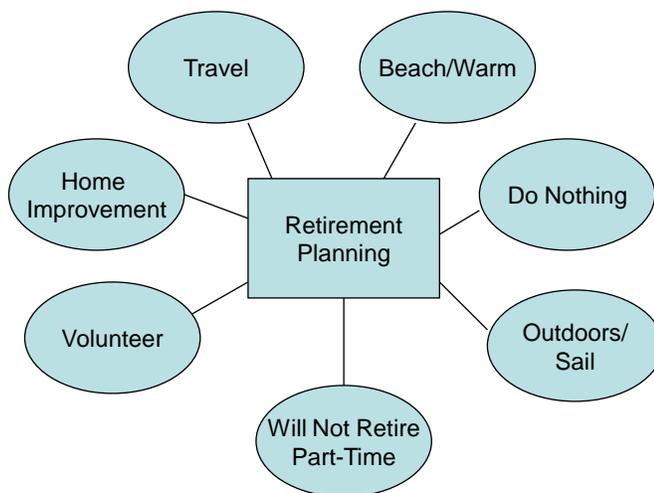
After I Retire....



Saving Behavior...



Health Issues....



Appendix 3: Orientation Survey A (January 2007 – June 2007)

This survey aims to collect information about saving and investment decisions of Dartmouth employees.

1. What is your age ? _____
2. What sex are you?
0 Male 0 Female
3. Please indicate your annual salary?
0 ($\leq 35,000$) 0 (36,000 – 50,000) 0 (51,000 - 75,000) 0 (76,000 – 90,000) 0 ($> 91,000$)
4. If someone else in your family is also working, please indicate your total household income:
0 ($\leq 50,000$) 0 (51,000 – 70,000) 0 (71,000 - 90,000) 0 (91,000 – 110,000) 0 ($> 111,000$)
- 5) Were you previously contributing to a Supplementary Retirement Account/403(b) plan?
0 Yes 0 No 0 I do not know
- 6) What represents the difficult part of your saving decision? Circle the options that are relevant to you. If the list does not mention it, please explain in the last line.
 - a) I feel I do not have enough information
 - b) I feel there is too much information to process
 - c) I do not have enough knowledge about finance/investing
 - d) I do not know where to start
 - e) I do not have enough income
 - f) It is hard to think far away into the future
 - g) Other, please explain _____
- 7) Which source of information do you use when making saving or investment decisions? Circle the ones that are relevant to you. If the list does not mention it, please explain in the last line.
 - a) family and relatives
 - b) colleagues and friends
 - c) employer or benefits office
 - d) benefits seminar by carrier (e.g., TIAA-CREF)
 - e) magazines and newspapers
 - f) internet
 - g) financial advisor/banker/CPA/other professional help
 - h) planning books
 - i) I do not need to collect information to make saving and investment decisions
 - j) Other, please explain _____
- 8) How would you classify yourself, which type of investor are you?
 - a) Sophisticated investor, I know a lot about bonds and stocks
 - b) Average investor, I know about bonds and stocks
 - c) Simple investor, I know a little about bonds and stocks
 - d) I know very little or nothing about bonds and stocks
 - e) Other, please explain _____

9. This set of questions asks you about specific events in your life.

- a) Compared to most people, are you typically unable to get what you want out of life?
 Never 1 2 3 4 5 Very Often
- b) How often did you obey rules and regulations that were established by your parents?
 Never 1 2 3 4 5 Very Often
- c) Do you often do well at different things that you try?
 Never 1 2 3 4 5 Very Often
- d) Not being careful enough has gotten me into troubles at times
 Never 1 2 3 4 5 Very Often
- e) Growing up, did you ever act in ways that your parents thought were objectionable?
 Never 1 2 3 4 5 Very Often
- f) I feel I have made progress toward being successful in my life
 Never 1 2 3 4 5 Very Often

10. Please indicate your level of agreement or disagreements with the following statements. There are no right or wrong answers. We only want your opinion. Please write the number in the space indicated that best reflects your thoughts and feelings using the following scale: 1=strongly disagree; 2=disagree; 3=neither agree or disagree; 4 =agree; 5=strongly agree.

- ___ I do not save for retirement because I don't plan to retire in the future.
- ___ Retirement saving is not necessary for me because I will need less when I retire
- ___ My parents did not save and they were okay, so I also do not save.
- ___ I don't save because I don't trust anyone to give me advice about retirement savings.
- ___ Even if I do not save, I will be able to enjoy my retirement.
- ___ I don't save for retirement now because my retirement seems so far away.
- ___ I cannot save for retirement because I always have so many unexpected family expenses.
- ___ I am not motivated to save for retirement because I am not good at money management.
- ___ I have a pension so I don't need additional retirement savings.
- ___ Having savings after retirement enables people to do something for their family
- ___ I cannot save for retirement because my habits are very expensive.
- ___ I do not save for retirement because I don't know how many hours I will be working every month.
- ___ Retirement savings are less important for me because all my health costs will be covered.
- ___ I cannot save for retirement because I have to take care of a family member(s).
- ___ All of my savings go into my house.
- ___ I cannot save for retirement because I prefer to feel good now rather than in the future.
- ___ I have so many problems that I cannot think about saving for retirement.
- ___ I save because I think I will be able to put away enough money for retirement
- ___ I save because I do not want to depend on my children when I retire.
- ___ My debt is so expensive that I cannot put money away for my retirement.
- ___ I don't save for retirement because I don't know how much I will need in the future

Thank you

Appendix 2: Orientation Survey B (January 2008 – June 2008)

We would like your feedback on the video and the list of 7 steps. This survey is anonymous and will only take a few minutes.

- 1) You just viewed a video on why Dartmouth employees open a supplementary retirement account (SRA). Please answer the following questions on this video:

	Not at all			Extremely	
a) The person seemed credible	1	2	3	4	5
b) I could relate to the person	1	2	3	4	5
c) The information was useful	1	2	3	4	5
d) I liked the video	1	2	3	4	5
e) The video would motivate me to save more	1	2	3	4	5
f) The video would motivate me to open a SRA	1	2	3	4	5

- 2) Think back to the video you just saw. Please circle the number in the space indicated what best reflects your thoughts:

	Strongly Disagree			Strongly Agree	
a) I think there are benefits in using financial advisors	1	2	3	4	5
b) I would consider using a financial advisor within 5 years	1	2	3	4	5
c) I would follow the recommendations of a financial advisor	1	2	3	4	5
d) I would recommend a financial advisor to my relatives/friends	1	2	3	4	5

- 3) You also received a list of 7 steps to help you open a supplementary retirement account (SRA). This information is also in your benefits packet. Please answer the following questions on this list:

	Not at all			Extremely	
a) The information on the steps seemed useful	1	2	3	4	5
b) The steps seemed easy to do	1	2	3	4	5
c) I think I can undertake these steps	1	2	3	4	5
d) I liked what I saw in the step-by-step plan	1	2	3	4	5
e) The steps made me feel I had to make fewer choices	1	2	3	4	5
f) This list might motivate me to save more	1	2	3	4	5
g) This list might motivate me to open a SRA	1	2	3	4	5

- 4) How did the information presented in the video and the list of 7 steps make you feel:

	Less than before		Same as before		More than before	
1. Anxious about the future	1	2	3	4	5	
2. The importance of thinking about retirement	1	2	3	4	5	
3. Need for personal control over retirement saving	1	2	3	4	5	
4. The future seem more manageable	1	2	3	4	5	
5. Increased awareness and understanding of future financial needs	1	2	3	4	5	
6. The decision-making process is simpler	1	2	3	4	5	
7. The importance of job stability	1	2	3	4	5	

- 5) Were you previously contributing to a Supplementary Retirement Account (SRA)/403(b) plan?

0 Yes 0 No 0 I do not know

- 6) (a) What is your age ? _____ (b) What sex are you? 0 Male 0 Female

- 7) Please indicate your annual salary.

0 (≤ 35,000) 0 (36,000 – 50,000) 0 (51,000 - 75,000) 0 (76,000 – 90,000) 0 (> 91,000).

Table 1: Effects of Communication Programs on Anxiety and Awareness and Understanding of Future Financial Needs.

	N	Mean	Mean Difference	t-value	Significance* (Two-tailed)
Anxious about the Future ¹	67	3.43	.433	4.768	.000
Increased Awareness and Understanding of Future Financial Needs	66	3.71	.712	7.419	.000
The Importance of Thinking about Retirement	66	3.86	.864	9.458	.000
Need for Personal Control over Retirement Savings	66	3.41	.409	4.740	.000
The Future Seems More Manageable	64	3.72	.719	7.509	.000
The Decision-Making Process is Simpler	66	3.42	.424	4.281	.000
The Importance of Job Stability	67	3.76	.761	7.007	.000

¹Based on Orientation Survey (B) Question: How did the information presented in the video and 7 steps make you feel: 1 (Less than before), 3 (Same as before), 5 (More than before).

*Statistically significant at greater than 99.9% Confidence Level

Table 2: Mean Percent of New Employees Electing to Open a Supplementary Retirement Account among Employees Who Watched Versus Those Who Did Not Watch the Video (January – June 2008)

		N	Mean
Election less than 30	No Video	60	.2000
	Video	64	.3125
	Total	124	.2581
Election less than 60	No Video	60	.3333
	Video	64	.4219
	Total	124	.3790
Election less than 90	No Video	60	.3833
	Video	64	.4375
	Total	124	.4113

Table 3: Mean Percent of New Employees Electing to Open a Supplementary Retirement Account Pre (January 2007- June 2007) and Post (January 2008 – June 2008) Communication Program

		N	Mean
Election less than 30	No Video	83	.1325
	Video	61	.3279
	Total	144	.2153
Election less than 60	No Video	83	.2169
	Video	61	.4262
	Total	144	.3056
Election less than 90	No Video	83	.2169
	Video	61	.4426
	Total	144	.3125

Table 4: Average Ratings of Barriers to Save for Retirement for Non-Target (>35k Males) and Target (< 35k Males and Females, >35k Female) Employees

Barriers ¹	Mean	t-value	Significance
No time now			
>35k – Males	1.39	2.72	.01
<35k – Males/Females+>35k Females	1.72		
Don't know where to put \$\$			
>35k – Males	1.61	2.25	.03
<35k – Males/Females+>35k Females	1.98		
Few people like me do it			
>35k – Males	1.23	2.82	.00
<35k – Males/Females+>35k Females	1.60		
I do not know how much I will need			
>35k – Males	1.60	1.99	.05
<35k – Males/Females+>35k Females	1.90		
Too many unexpected expenses			
>35k – Males	2.10	2.26	.03
<35k – Males/Females+>35k Females	2.57		
My debt is too expensive			
>35k – Males	1.88	2.06	.05
<35k – Males/Females+>35k Females	2.28		

¹Based on Orientation Survey (A) Questions: Please indicate your level of agreement or disagreement with the following statements: 1 (Strongly disagree), 3 (Neither agree or disagree, 5 (Strongly agree before).

*Statistically significant at greater than 95.9% Confidence Level

Figure 1 Flyer

Front Page

Back Page

Obstacles to Opening a Supplemental Retirement Account (SRA)



- I can't afford \$\$
- I do not know how much I will need
- Too many unexpected expenses
- I do not have a computer
- My debt is too expensive
- Don't know how to use FlexOnline
- Few people like me do it
- Don't know where to put \$\$
- No time now

See Other Side
For Easy Answers

Solutions to Opening a Supplemental Retirement Account (SRA)



- You can start with only \$16 per month
- Log ID & PIN are in your packet
- Use an online investment calculator
- Bring lunch 2/month
- Carpool
- Skip the latte
- Computers are available at HR and the library
- With the tax benefit you will save even more
- More than 60% of employees contribute
- Make an investment selection now. You can change it at anytime
- Start early & your money will grow fast

Provided by Annamaria Lusardi, Economics, and Punam Anand Keller, Tuck School of Business, in conjunction with the Retirement Savings Study.

Figure 2

Dartmouth Website

Communication Programs – Female and Male Videos

http://www.dartmouth.edu/~hrs/benefits/saving_for_retirement.html

Saving for Retirement: Dawna



QuickTime	Windows Media
56k	56k
256k	256k

Dawna Clarke is the Director of Admissions at the Tuck School of Business. She has been at Tuck for two and a half years.

Topics discussed:

- Hopes for Retirement
- Why I Save Now
- My Saving Methods
- Handling Unexpected Expenses
- I Want to be Independent

Saving for Retirement: Sarah



QuickTime	Windows Media
56k	56k
256k	256k

Sarah Morgan works at the Nelson A. Rockefeller Center for Public Policy and the Social Sciences. She has been with the College for four years.

Topics discussed:

- Hopes for Retirement
- Why I Save Now
- Handling Unexpected Expenses
- How I Save
- Sarah's Recommendations

Saving for Retirement: Ron



QuickTime Windows Media

56k

56k

256k

256k

Ron Whitcomb works in Facilities Operations & Management's Custodial Services. He has been with the College for fourteen years.

Topics discussed:

- Hopes for Retirement
- Parents as Role Models
- Why I Save
- Ron's Recommendations
- Planning for the Future

Saving for Retirement: Jeff



QuickTime Windows Media

56k

56k

256k

256k

Jeff Gould works in Procurement's Central Stock Room. He has been with the College for seven and a half years.

Topics discussed:

- Hopes for Retirement
- Why I Save Now
- Handling Unexpected Expenses
- How I Save
- Parents as Role Models
- Jeff's Recommendations