



## Getting Participants to “Buy” Retirement

**June 3, 2004 (PLANSPONSOR.com) – If your participants don’t seem to be “getting” the need for retirement savings, maybe it’s time you tried a different approach, suggests one retirement education consultant.**

Plan sponsors should ask their employees, “What’s the estimated price of your retirement?” and they will look at you like that is not even a real question, according to **Dennis Ackley**, President of Ackley Associates, during his presentation Reinventing Retirement Education. However, just because employees do not know how to respond to the question, that doesn’t mean plan sponsors cannot do more to transform both participants - and nonparticipants - into better retirement consumers.

Speaking at WorldatWork’s 49<sup>th</sup> Annual Conference, Ackley says plan sponsors need to learn from what he dubbed the “largest failure of any education program ever” – current retirement education techniques. “Retirement education hasn’t changed a lick in 30 years”, says Ackley. “Who wants to buy something that provides no immediate gratification, has no easy-to-understand price tag, offers no clear penalty for delaying the purchase, exchanges certain pain today for ‘maybe’ possible future pleasure and has no noticeable group of unsatisfied customers demanding improvements,” Ackley ask rhetorically.

### Perpetual Motions?

In large part the current system’s failures are perpetuated by the providers of retirement plans, because, Ackley says, providers are focusing their education efforts on the wrong area – investment – rather than on the cost of a retirement. After all, as Ackley points out, by focusing on investments, participants are faced with a savings paradox. Current education literature is filled with references to “investing for the long-term,” yet at the same time participants are provided with fund information on a daily basis via the Internet and newspapers.

Additionally, Ackley says plan sponsors need to “stop telling adults what to do” and start helping them learn. He suggests that adults do not follow instructions on financial matters unless they trust the source, and they know to do it. As evidence, Ackley points to the failure of the current system that features “expert-led workshops” and Web-based advice systems, the latter which he says largely still manage to attract single digit participation rates, due to a lack of trust and credibility.

To help bring about change in the system, Ackley sends out a wake-up call to plan sponsors, calling on them to require learning outcomes that are reasonable. This involves requiring that education show how they will make learning happen, and more importantly, how they will prove it. Also, Ackley suggests that education programs need to stop benchmarking, since there are no “best practices” and ignore plan averages, redirecting attention instead to individuals, especially nonparticipants.

These programs should be designed to make participants better retirement consumers by helping them create, pursue and achieve their personal retirement income lifestyle target, Ackley said. At this point, plan sponsors can hold education providers to a set of four measures:

- Price – participants need to know how much money they will need for the retirement lifestyle they want.
- Contributions – participants need to know the amount they are contributing is on track for the retirement lifestyle they want.
- Investments – participants need to know the way they are investing today is on track for the financial future they have planned.
- Receiving – participants need to be confident the money they receive once will be used only for retirement spending and will last through the participant’s life.

Once enacted, Ackley said retirement income can become a consumer item, something employees want to learn to buy.