

# Preparation of Retirement Among Generations

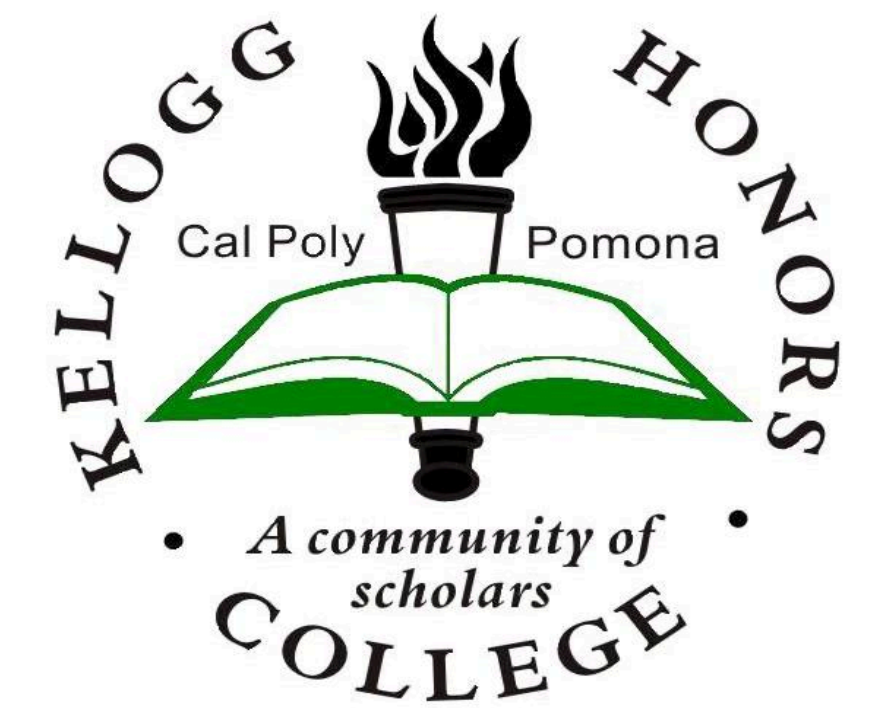
## Investment in Retirement



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Kellogg Honors College Capstone Project



### Introduction:

Determining, at a young age, the steps on how to be ready for retirement is key to having sufficient funds. Procrastinating on becoming informed on retirement, saving plans and placing money away in retirement funds can be a place of concern during retirement years. The changes in the economic environment have influenced the way employers assist employees by changing the saving plans they provide from defined benefit plans to defined contribution plan which often goes unnoticed. This study shows how employers are currently assisting employees, how employees themselves are taking advantage of the information given and how people should act towards the plans provided inside and outside organizations. Within the millennial, baby boomer and other generations, struggles are seen through their great grandparents, grandparents or even parents that are going through retirement. The struggles that arise are because most people are not placing the amount of interest that they should on retirement. Through research conducted it can be determined that organizations do not provide sufficient information on retirement and how this leads current and upcoming generations to be completely unaware of the issues that the general population is facing during retirement years.

### Research Questions

1. What kind of benefits are considered when looking for a job?
2. On average how much time is spent thinking about retirement?
3. Are generations aware of the impact savings today will make on retirement?
4. What retirement plans are the most popular among generations?
5. How aware is the population of the changes that are occurring in retirement plans including defined pension plan to defined contribution plan?
6. Are organizations providing enough training on retirement?
7. How much in savings does the population have for retirement?
8. Is there a difference in the way generations invest time and money into retirement?
9. How much retirement training is received by the population on a monthly basis?
10. Does income influence the amount of money that is put into retirement savings?

### Key Facts:

- Deficit is \$6.6 trillion or \$57,000 for every household (Ferguson, 2014)
- 401k/IRA balances average at \$120,000 when people should have at least \$1,000,000 at that age of retirement (Ferguson, 2014)
- 47% of consumers in generation Y have zero tolerance in investment risk (Correia, 2013)
- Employees are the main source of money contribution into the plan, acknowledging that employers are unable to make defined benefit plan contributions (Berger, 2017)
- 28% of plan sponsors say that retirement income projections are automatically shown to participants when they view their account balances online (Mallett, C., Rafaloff, R., 2017)
- In fiscal year 2011 PBGC assumed fiscal responsibility for the pensions of more than 57,000 additional workers and retirees in 134 failed plans (Martocchio, 2014)
- Social Security, Medicare, and Medicaid are in critical condition due to the increasing number of retirees and a decrease in the number of people working (Ferguson, 2014)
- Retirement age was 65 for many years: 1938 and later
  - Full retirement:
    - People born in 1954 and later: 66 and 2 months
    - People born in 1960 and later full retirement age is 67
  - Retire at 62 in 2017: receive reduced retirement benefits permanently.
    - (Social Security Administration)

### Interview Findings & Conclusions:

- ❖ **Lisa White** the *Manager of Employee Benefits* at Cal State San Bernardino
- ❖ **Sandy Olson** the *Director of Administrative Services* at the Walnut Valley Water District
- ❖ **Chris Munoz** the *Senior Human Resource Analyst* at the City of Pomona
- ❖ **Elda Moreno** the *Benefits Analyst* at Cal State Polytechnic University of Pomona

Most organizations offer monthly meetings on retirement plans every four months determined by the type of retirement plan. In addition, organizations have providers that send representatives to speak about retirement plans both in a monthly and quarterly basis. Although, there are representatives that come in to speak, most organizations do not offer information on retirement plans that they do not provide. The retirement plans that are provided are used as incentives during new hire orientations and the interview process but are not used as often by employees. Public organizations, have mandatory plans like CalPERS and Savings Plus Program that assist employees in addition to social security income, but for private sector organizations employees must look outside of the organization.

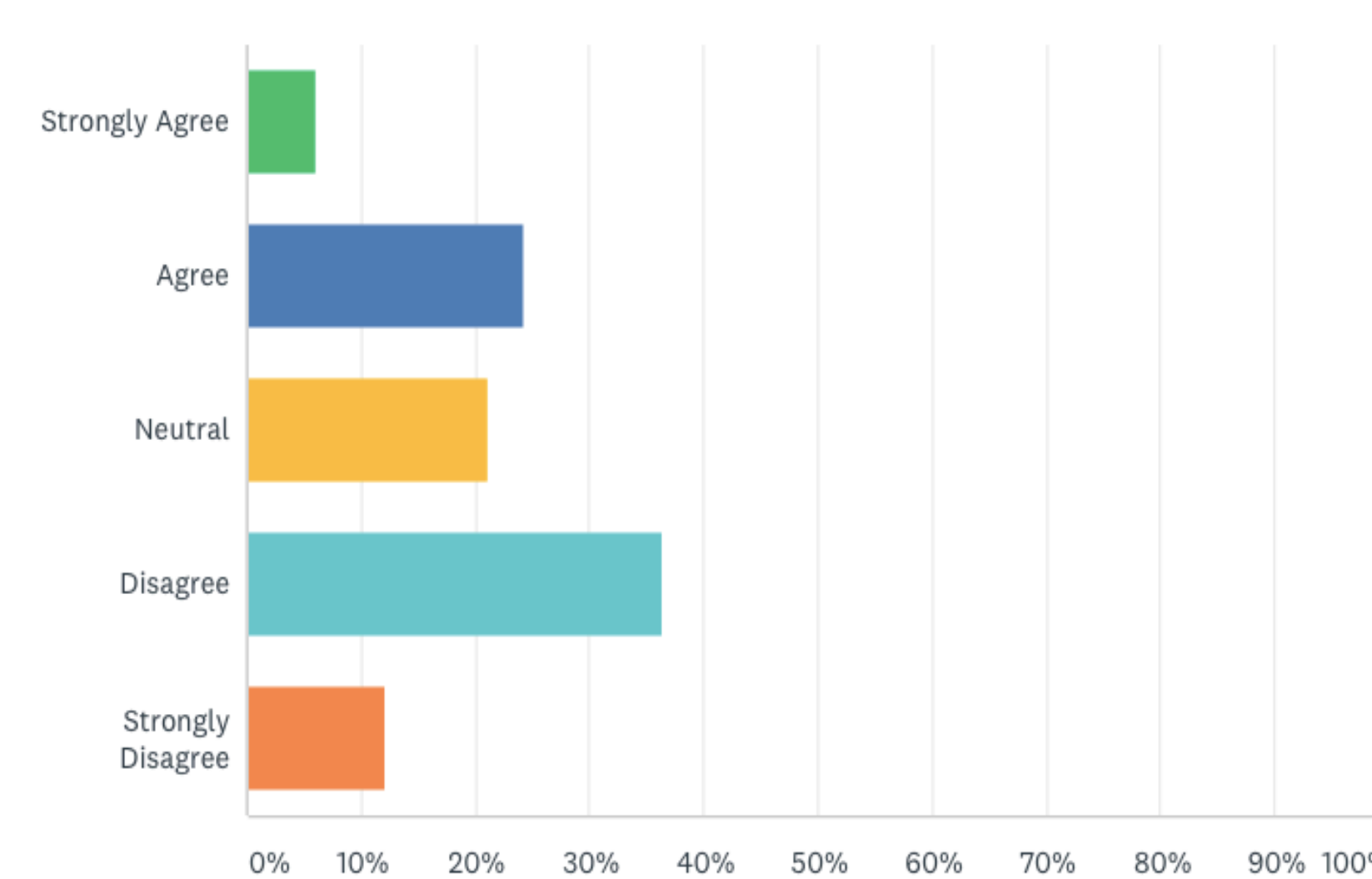
Employees are often reminded of their retirement savings in a quarterly or annual basis. Email is used as the main channel of distribution for retirement information. Although, most organizations also include personal meetings if requested and trainings, most employees only attend these if they are five years within retirement. Considering the risk that a plan holds is not something organizations do not want to be liable for therefore they suggest for their employees to see a financial advisor or the provider of the plan if necessary. Overall, organizations are providing the information needed but do not promote it to the extent it should be.

### Survey Findings & Conclusions:

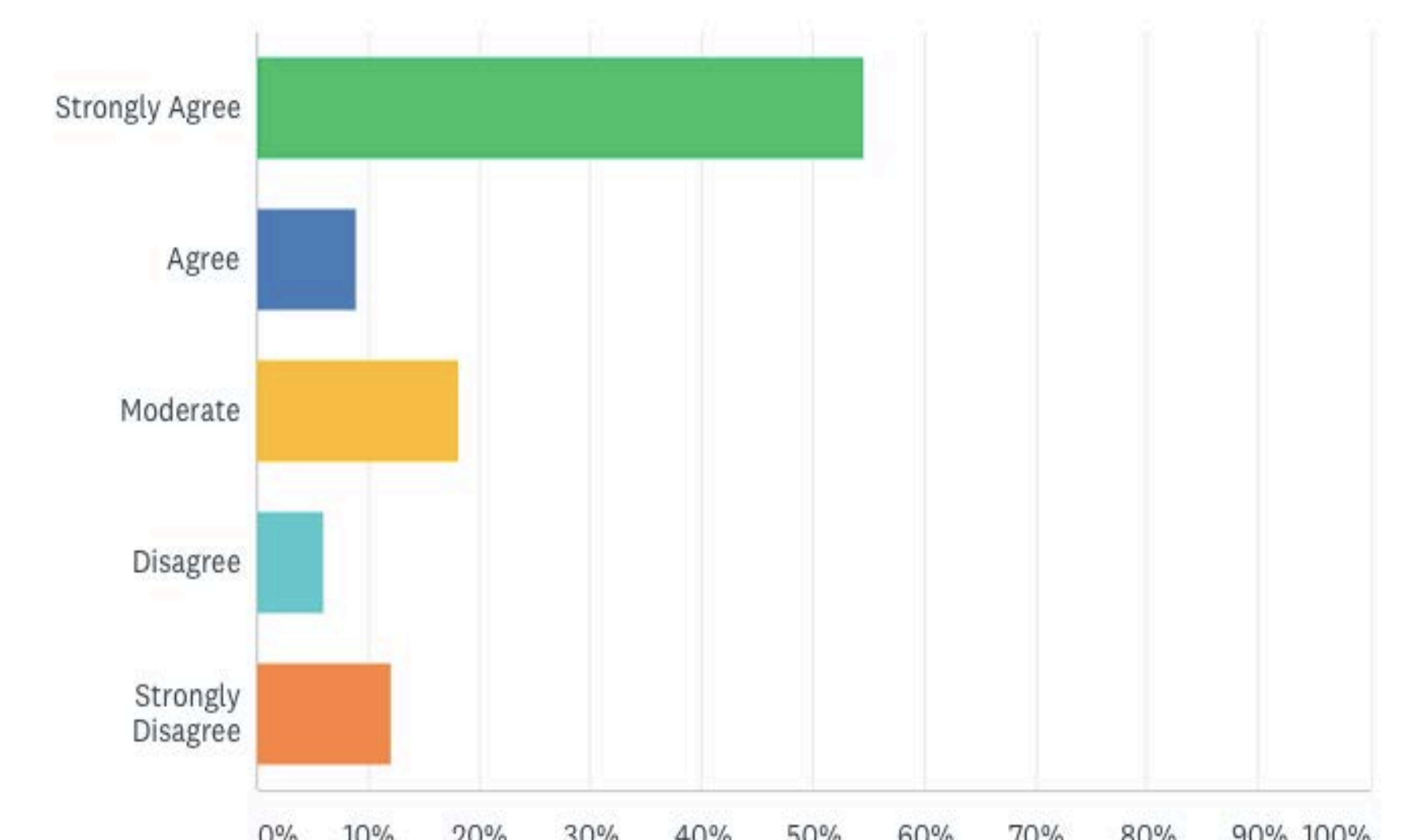
The surveys showed results that millennials are not preparing for retirement the way they should be. It also determined the percentage of people who are unaware of the changes in retirement plans and what it means. The survey was conducted online on Survey Monkey. The outcomes show that the general population needs to change the amount of interest and concern that they place on retirement.

- The three benefits that are most often considered when looking for a job are salary, health insurance and retirement plans.
- The average amount spent thinking about retirement is 6 hours a week.
- Generation X and Y are not investing enough money into their retirement funds and will not be as prepared as the baby boomer generation.
  - Baby Boomers \$400,001 to \$500,000
  - Millennials have \$0 to \$10,000
  - Generation X \$10,001 to \$20,000
- 27% of people do not know the difference between defined benefit and defined contribution plan. Only 33% are aware of the difference between the plans.
- Most of the plans people invest in are defined contribution plans that most organizations do not speak about such as 401(k), life insurance, crypto currency and savings accounts.
- Most people believe that organizations do not provide sufficient information on retirement (48%) and only (30%) believe they provide enough information.
- The majority of the respondents were millennials, a few respondents from generation x and the baby boomer generation.
- Most people are not placing the necessary investment of time and money into retirement although, they do believe that the amount of savings will influence their retirement years.
  - 80% of people believe that savings today will impact their retirement. On the other hand, 20% disagree on their savings making an impact on retirement.

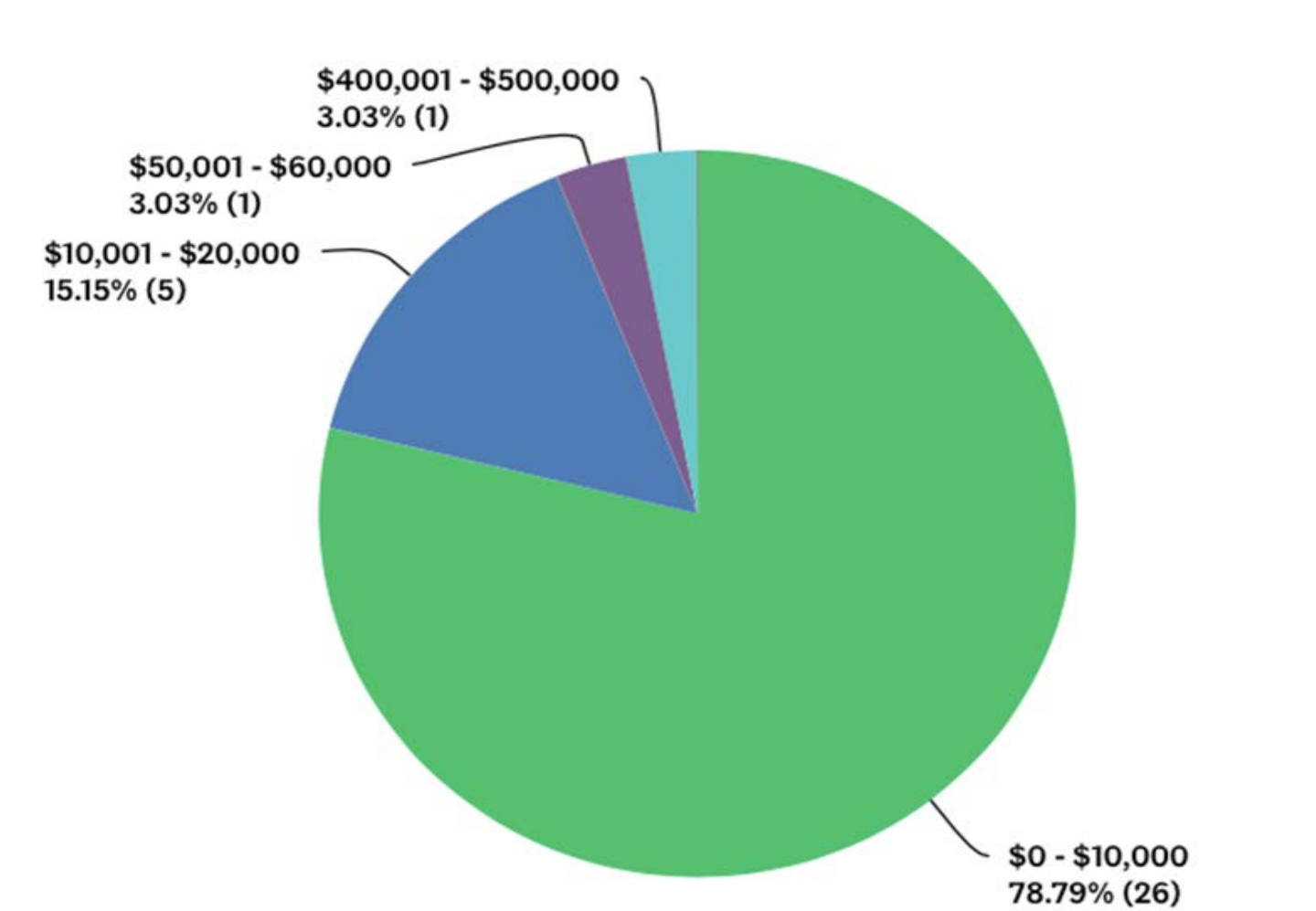
**Are Organizations Providing Sufficient Information on Retirement?**



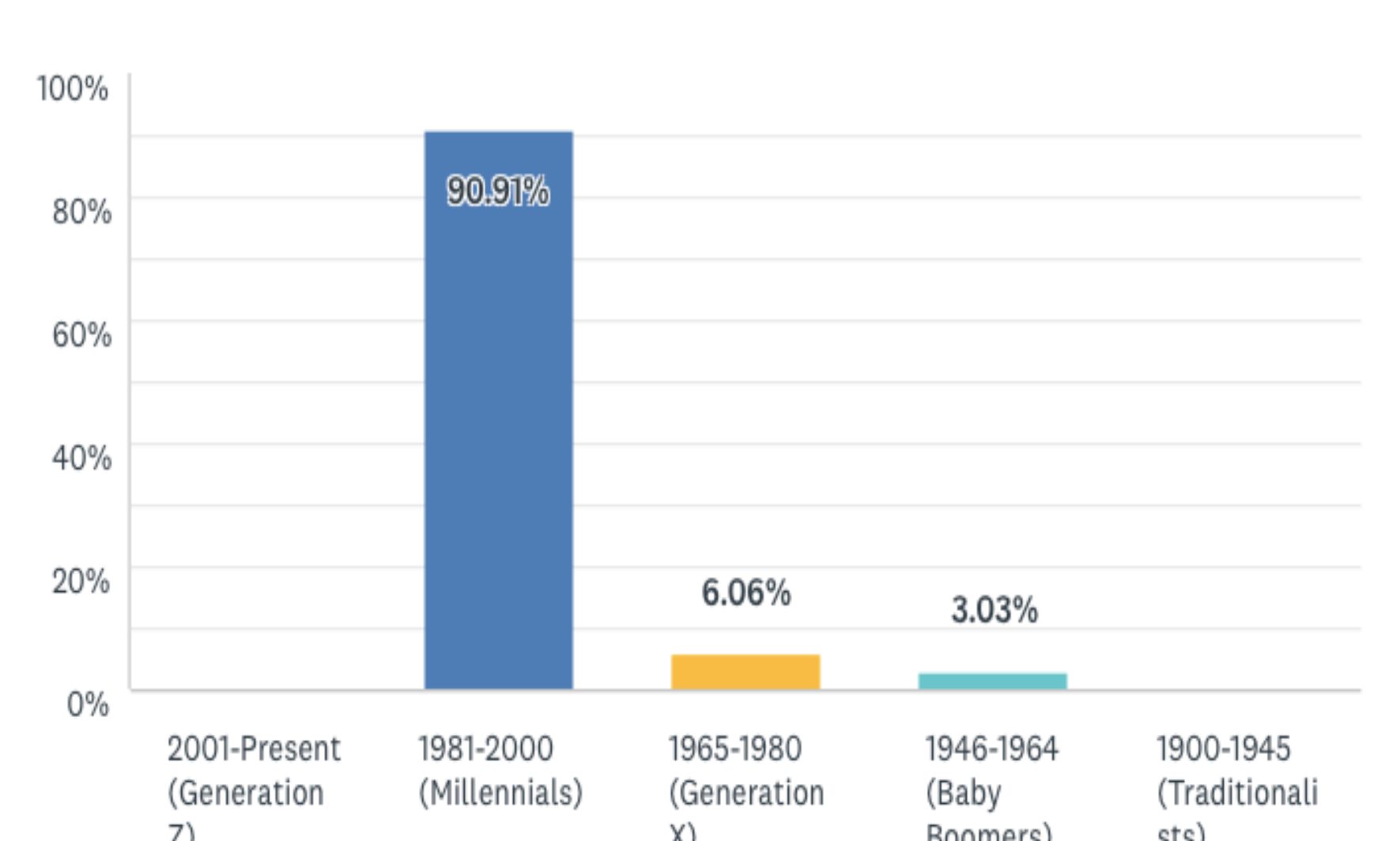
**Will Money Saved Today Make an Impact on Retirement**



**Amount of Money in Savings Account**



**Respondents By Generation**



### Recommendations :

- Generations need to start saving at least 10% of their income into their retirement savings.
- Generations need to be aware of the change between the plans, they must first know the difference and how it will potentially influence them.
- It is necessary for people to take the initiative and begin attending retirement job meetings and trainings even if they are not at an older age.
- Choose organization wisely when looking for a job and consider the benefits and the informational meetings offered.
- Meet with a financial advisor to get a plan that better suits financial needs.
- Organizations should inform their employees of alternative plans that are not offered through them.
- Organizations need to make mandatory meetings and trainings regardless the age of the employee this will allow the employee to set individual goals determined by income, savings account and expenses.
- Organizations or plan representatives need to do one on one meetings each year to go over employee progress.