

**Two Essential Elements Are Missing
From Retirement Education:
*The Definition of Success and the Measure of It.***

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Response to:

1) Suggested topics for discussing the current state of retirement savings education in America and its effect on the national savings rate.

Proposed topic: What do workers who are successful in defining, pursuing, and achieving their personal retirement dreams know and do?

Until success is defined and adult learning-based curriculums are aligned with that definition, “retirement education” will continue to be an array of topics told to adults who are yet-to-become personally motivated to learn. This approach has a track record of failure.

“Retirement education” may be the only education program in America that has no individual measures of success. Our government and business leaders require outcome measures to determine the success of virtually every training and education program...from training machine operators to brain surgeons. But not retirement education.

How can retirement education be assessed or improved if no success measures exist?

Here’s a stark measure of failure; most workers – *including those age 60 or older* – admit that they have no idea how much money they’ll need for the retirement lifestyle they want (Roper/Quicken). That’s a deplorable outcome for the “graduates” of “retirement education” in the United States.

*Adults can estimate the price of a car or house they want,
why not the price of their retirement?*

When asked the amount of money they need for their retirement, most workers are unable to think through the most basic issue...“If I stop working at age 60 and live to 90, I’ll need 30 years of retirement income...and if I want a lifestyle that costs \$30,000 a year, that’s \$900,000.”

This simple estimate of their desired ***lifestyle*** multiplied by their expected ***years of retirement*** lacks precision. Yet, it is far more precise than what most Americans know – which is often “no idea.” And it’s a personally meaningful estimate because it is an amount they created and understand.

Helping adults begin to define their personal retirement dream is not an end – it’s a start. It’s intended to provide the spark of motivation that will generate their desire to acquire and use a more sophisticated estimate. This motivation is something most Americans never get from today’s retirement education.

Most motivated learners will start asking questions that are important to them (a key adult learning principle). For example, motivated learners will ask...“What if I want a more expensive lifestyle...or live longer...what about inflation...or Social Security...or health care costs...how can I get a more detailed estimate?”...and so on. Helping motivated learners get answers to

their questions is relatively easy. Getting unmotivated learners to understand retirement issues – the current “education” approach – is nearly impossible.

What gets measured gets done.

In today’s retirement education, the few measures that do exist tend to focus on how well the participants liked the materials, presentation, and presenter...and how the rates of participation or contributions in the employer’s retirement plan changed. None of these has anything to do with what matters the most – helping individual adults define, pursue, and achieve their personal goal for their retirement lifestyle.

The outcomes of today’s retirement education are awful. Could it be that the approach is wrong? After three decades of trying, does the conventional approach to retirement education suffer from the “build a ladder to the moon syndrome?” No matter how much time, money, or energy is put into the current approach, it will not work...it cannot work.

Where is the “No Retiree Left Behind” movement? How many more millions of Americans must fail to understand, pursue, and achieve their individual retirement dreams before our leaders recognize that what is being done doesn’t work...and probably never will?

At a minimum, success-oriented retirement education programs need to have measuring techniques to ensure that Americans:

1. Have a personally meaningful retirement dream for the lifestyle they want to have when their full-time working career ends.
2. Know the dollar amount (in today’s dollars) of their personal retirement dream.
3. Know how to save today so they can achieve their dream...and know the personal cost of waiting to save or saving too little.
4. Know how investing can help them achieve their dream.
5. Know how to receive their retirement income so it will last their lifetime.

Unfortunately, none of these critical success measures gets measured. So none of it gets done.

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2) Ideas about programs and activities that would effectively reach the general public....

B. Proposed Topic: How can the key messages of retirement be made more personally meaningful and motivating so Americans acquire a passion for achieving their personal retirement dreams?

The key messages of retirement need to have a consumer-orientation. Americans generally know how to buy things. And there are only four things workers can do to “buy” their retirement. Shouldn’t those four things be communicated in a consumer-oriented manner?

The four things Americans can know and do to pursue their personal retirement dream are:

1. **Price** – the targeted amount for the personal retirement lifestyle they want.
2. **Save/Contribute** – the amount needed to attain that lifestyle.
3. **Invest** – the way to help attain that lifestyle.
4. **Receive** – use the money only for retirement income in a way that will last a lifetime.

Today’s retirement “education” consists mostly of “experts” **TELLING** adults who are naive about the topic what to do. Unfortunately, telling does not work with adults who are not yet motivated to learn. Ask any adult learning specialist, “Can you teach the unmotivated?”

*If the approach of **telling** employees how to plan for retirement was going to work, it would have worked by now.*

An unintended consequence of using “experts” to tell the unmotivated is that the experts tend to focus on what they know the most – investing. Although knowledge of investing is important, it is not the most important, and certainly not the most personally motivating thing, for most adults to learn.

The most important – and most personally motivating – thing for adults to learn is the **price** of their personal retirement dream. This is critical to defining the personal lifestyle they want to enjoy. Do they want to live in a modest bungalow or a fancy condo...do they want to travel the world or stay put...do they want to work forever or retire as soon as possible? A key part of setting a personally meaningful lifestyle **price** is understanding the importance and cost of **receiving** income that will last as long as they live. In addition, if adults do not **contribute** to their retirement savings, there is little need to understand **investing**. So investing is probably the least important of the four elements – but it’s what retirement educators tell adults about the most...because it’s what is most important to the experts.

The ultimate goal of any retirement education approach must be to create workers who have a passion for achieving their personal retirement dreams...people who are personally motivated to learn what they want to know – how they want to learn it. The new approach must be powered by personal motivation – the most effective adult education tool. And it must use what Americans’ already know – how to **buy** things. In this case, how to buy the retirement they want.

Most current retirement educators use an approach based on an “illusion of precision” – telling people the “right answer.” But retirement is a phase of life that is full of uncertainty. Americans need to learn about the uncertainties and how to plan for them. This is a much more honest and understandable approach. And it’s more powerful than telling employees what some experts say is the right answer for everyone.

When asked, most employees acknowledge that they have been told that they will need to replace 80 percent or so of their income in retirement. But in the next breath, workers will also say they have no idea how much money that is or why that “rule” applies to them. Using the “replacement ratio” concept as a teaching tool ignores the length of retirement – the main driver of the cost. Also, it’s based on a calculation using percentages for an audience that struggles to figure a 15% gratuity. And it implies there is a correct calculation employees should make. But the reality is that someone who has the misfortune to be run over and killed by the bus at her retirement party doesn’t need much, if any, retirement income. On the other hand, someone who retires at age 60 and lives to age 100 needs four decades of income – more money than she earned during her entire working career.

Possibly the biggest failing of teaching (telling) the replacement ratio is that ignores personal lifestyle values. To be personally meaningful, each individual’s retirement income target must reflect that person’s lifestyle goal of what he or she wants to enjoy after a full-time career.

Success of retirement education should not be judged on whether an expert told workers the some “universal right answer” or got the workers to do what the expert considered the “right thing.” Rather, the education should be measured by its success in helping employees define a personally meaningful retirement income target that they understand. With that knowledge, they can see why it’s important to begin saving early...contributing amounts that are likely to get them to their personal target...and investing wisely over the long-term to reach their goal. And perhaps more important, they realize that the income must last throughout what will hopefully be a long retirement.

Is there any question why most employees who have been enrolled (voluntarily or automatically) in an employer-sponsored retirement savings plan – *without having defined a personal retirement dream* – will take their money out of the plan when changing jobs to buy a big-screen TV or use the money for another purpose that does reflect their dream for an immediate personal purchase?

Nearly all of today's retirement education approaches were developed by or created to be sold to analytical people who, with good intentions, want the non-analytical types (the majority of Americans) to be told the right answer. These retirement education programs offer valuable things to know. But *telling* is not an approach based in adult learning principles. Adult learning techniques are needed to help adults **discover** that retirement is an immediate problem ...defining retirement as something that must be "purchased" now, or accept a lower income lifestyle later.

No Trust, No Action

Before adults will use financial information, they must trust the source of it. The expert who conducts the 401(k) or 403(b) meeting may be wonderfully knowledgeable about retirement and a great speaker. But most workers don't act on the information because they are not certain that it's in their best interest. Perhaps it's in the best interest of the presenter of the information? This is the same problem with web-based information. The information on the Internet may be terrific but it lacks credibility with unformed people because it's not presented by a trusted source in an easy-to-understand manner.

A new approach needs to focus on things that matter the most in helping workers define, pursue, and achieve their own personal retirement dreams. Measures are needed to assess participants to see if they have acquired that knowledge.

Individual knowledge must be the definitive measure of the success of retirement education program...not averages, not benchmarks, not targeted rates.

Ultimately, the success of retirement education must be judged by the knowledge workers have acquired as the result of it.

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Dennis Ackley creates retiree and benefit education programs for employers and plan sponsors of all sizes. He has more than 20 years of consulting experience with firms including Towers Perrin and Watson Wyatt. He was Vice President of Participant Services at JPMorgan/American Century Retirement Plan Services for two years before forming his consulting company.

He has planned and created employee education programs for hundreds of employers and several multi-employer plans.

His award-winning communication programs – using all communication elements (printed, electronic, and people-to-people) – have reached roughly three million employees on topics such as retirement, investing, health care, stock options, and incentive compensation.

He has written more than three-dozen articles for publications including *HR Magazine*, *Benefits Quarterly*, *Plan Sponsor*, and *Communication World*. He is also a top-rated speaker at numerous conferences including Pensions & Investments, the 401(k) Profit Sharing Council, Benefits Management Forum, WorldatWork Conference, and the International Foundation of Employee Benefit Plans. He is the only benefit communication expert to speak at the PBGC.

Prior to becoming a consultant, Dennis spent six years in educational research and instructional materials development. He holds a BA degree in public relations and a MA degree in communication.

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