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**RETIREMENT COUNSELING --
A VALUABLE EMPLOYEE BENEFIT**

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- o History of retirement planning
- o Current state of the profession
- o Responsibilities and duties of the retirement counselor
- o The future of the industry

MR. WILLIAM E. COFFEY: Our panelist is Carol Humple. She is the President of Life Planning Management Company and the author of *Retirement Life Designs and Management in the Older Worker: Policies and Programs*, published by the American Management Association. Ms. Humple is the former director of Professional Development and Publications for the International Society of Preretirement Planners. Her Master's degree is in Education from Rutgers University with a Certificate in Educational Gerontology.

Companies have various objectives with regard to their older workers. They generally want them to retire at a certain age. This policy is not always a written one but is inherent in their planning. They want their employees to retire voluntarily because, as we all know, there are laws against forced retirement in many states. They also want their retirees to retire with a financially sound pension.

* Ms. Humple, not a member of the Society, is President of Life Planning Management Company in Irvine, California.

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The main way of giving employees incentive to retire is through plan design. Most major companies, and many of the smaller companies, have established retirement plans both of the defined benefit and the defined contribution type. These plans generally have a normal retirement age which is stated in the plan document, and many employees look at that age as the age at which they should retire.

Many plans also have features that would encourage employees to retire at an earlier age. They may, for example, have subsidized early retirement factors. In addition, there may be other income benefits that are payable before the employee would be eligible for Social Security. There may be open window opportunities at certain times where companies would like employees to retire because of economic conditions. Early retirement open window situations can take the form of additional retirement benefits, including additional income that would give employees incentive to leave during a certain stated period of time. Companies also have established retiree life and medical programs to help retirees with the financial concerns that they have in those two areas.

It's not enough just to have proper plan design. These programs must be communicated so that the prospective retirees understand and appreciate the values of these benefits. As we all know, there are requirements that employers provide these employees with summary plan descriptions, which generally should be communicated in a way that employees will understand. To do this is often a very challenging commitment to meet.

Many companies have also issued employee benefit statements that are very appropriate and very helpful in showing employees the value of their benefits in terms of their own personal circumstances. These statements generally are based on the employee's own salary, age, and service requirements and illustrate the retirement benefits payable at early or normal retirement age based on benefits either accrued to date or projected through a later retirement date. They are a very effective means of communication. In addition, when employees come close to the retirement age, they generally ask the personnel managers for calculations on what their benefits would be at certain ages. That's a more individual, personalized type of communication.

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I think another area that many employers are thinking about is retirement counseling. This is a way in which we can help our employees plan ahead for a very traumatic experience. I think next to death and divorce, retirement is one of the most critical changes in a person's life, one that can be prepared for and, to the extent it is prepared for, can be a less traumatic situation.

I'd like now to turn the presentation over to Carol Humple. She will tell us what the current trends are in retirement counseling and also what some of the typical programs are in the United States.

MS. CAROL S. HUMPLE: I'd like to give you a brief history of the field of retirement planning. Then I want to describe to you the state of affairs that exists right now, including which companies are doing programs, what they are doing, and why. Then I'd like to tell you exactly what a retirement planner is, in the event that you get into a situation where you need to hire one, work with one, or assist companies to contract with one. I want to discuss the responsibilities that retirement planners have and who the participants in a retirement planning program are, or should be. Finally, I want to talk about where I feel retirement planning needs to go in the future.

The word "retirement" is a very negative, hard, insidious word. I know you need to use it in your profession, but try to use it as little as possible. According to *Webster's*, it means "to retreat, to go backwards, to withdraw from life." No wonder people are so terrified of growing older if that's the picture that they have. It's a horrible word. That's why the name of my company is Life Planning Management and not Retirement Planning Management. I just try to use the word retirement as little as I possibly can.

I always start my seminars with a discussion about when does life begin. I've stolen the discussion from a conversation that was going on among a Jewish rabbi, a Protestant minister, and a Catholic priest where they were all trying to determine when life begins. The priest said, "Well, according to our doctrine, life begins at the very moment of conception." And the Protestant minister said, "Well, we really disagree with you there. For us, life begins at the first month of pregnancy when the mother first begins to feel life in the womb." And the Jewish rabbi said, "Gentlemen, we really disagree with both

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of you. To us life begins when the kids leave home and the dog dies." So that's the attitude I am taking, and I think retirement planners or life planners need to take that attitude as well. Essentially, they're planning for the second half of life.

We've listened to the very serious economic, social, and political problems that we're going to be facing very soon in this country because of demographic changes. You're dealing with insurance, life care communities, and other approaches trying to solve those problems. I'm trying to educate people to look more positively at where they're going.

Let me tell you something about the history of the field. The field of retirement planning has been in existence for about 25 years. It had its origin in an academic setting with the University of Michigan in the early 1960s. The title "The Father of Retirement Planning" has been given to Woodrow Hunter. He's a Ph.D. from the University of Michigan. He now is retired himself. He's a professor emeritus there. He designed the first retirement planning programs to be implemented at the University and then later at corporations and the labor unions in the greater University of Michigan area. He identified the basic curriculum for retirement planning programs. This curriculum is still very much the content of contemporary programs and typically includes the following topics:

- o adjustment to the aging process
- o health planning
- o financial planning
- o legal planning
- o housing issues
- o leisure time design

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During the past 25 years, retirement planning has developed into a field which counts about 5,000 professionals as its members. The background and training of these professionals is typically in the fields of finance, education, gerontology, and personnel management and is very often a combination of all of those disciplines. There's no school that you can go to, to become a retirement planner, at this point. These professionals are independent consultants or employees of corporations, academic institutions, government agencies, labor unions or financial institutions.

Retirement counseling programs are very much a part of the benefits programs of major corporations, government agencies, labor unions and academic institutions, and their popularity and necessity are beginning to grow. In a recent survey of 142 Fortune 500 corporations, 51% had programs. 56% planned to develop and implement programs, and 84% of these proposed programs will be implemented within 5 years. 75% of all Fortune 500 companies are projected to have programs by 1989. This study was in the February 1986 issue of the *Personnel Administrator*.

The typical program includes 12-16 hours of education, usually in a lecture series format. What most companies do is either hire an independent consultant like myself or have the benefits representative trained to coordinate the lecture series. They will generally discuss topics that I mentioned earlier. They'll bring in a resource person. They'll bring in a financial planner to talk about finance. They'll bring in an attorney to talk about estate planning. Maybe they'll bring in a local nurse practitioner or physician to talk about health issues. They may bring in a real estate broker to talk about all the retirement communities folks could retire to. They may bring in a gerontologist, like myself, to talk about aging issues and life expectancy and how to make a positive transition into retirement.

At this point I'll just mention the responsibility that I think a corporation, or any sponsoring organization, has when it invites a resource speaker to come in, particularly a financial planner, who will very often have a product to sell. This is a current issue in the retirement planning field; that is, should a retirement planner bring in speakers at all, or should he be skilled enough to educate on all the topics alone? In connection with this, we see a

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lot of corporations using savings and loan institutions or banks to come in and do free programs. It's inexpensive, but if an employee is convinced to invest in a limited partnership which goes bankrupt, the finger will be pointed at the corporation for sponsoring the program. The corporation could even be sued. This is an issue that needs to be addressed.

Who designs these programs? Usually, as in 60% of the corporations surveyed, it's the personnel department that's the principal designer. Designing the remaining programs was credited to insurance and benefits departments, as well as to outside consultants, and some package programs were purchased. These package programs include films, filmstrips and slide series, etc.

Who administers them? Again, the personnel department staff is used on a part time basis. No companies in the survey reported a full time staff position for this task.

Who's eligible to attend? 75% of the firms surveyed restricted participation. I think that's a mistake. They ought to open it up to all of their employees. Then we really can have a good chance of getting ahead of some of the economic and social problems we're going to be facing by the turn of the century. Unfortunately, most companies aren't looking at it that way. Most of them in the survey began the program at age 65. That's much too late to plan retirement. All you can do at that point is say, "It's been nice having you, I wish you luck, I hope you don't starve to death." 12% of the firms surveyed said they began retirement planning at age 50; less than 10% specified upper limits of 60 to 70. 89% saw actual entry in their programs as age 55 or older. 20% said people came into their programs at age 60 and above.

50% of the eligible employees take advantage of the program. That's unfortunate, and that's where organizations' benefits departments and retirement planning professionals really need to get the drums rolling to get people in their 30's and 40's into these programs. 90% of corporations surveyed do include spouses in the programs, and about 70% of spouses attend.

What's the format of these programs? 38% of the surveyed corporations hold the programs during working hours. They do either a one- to two-day, full day

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program or two to four half-day sessions. Some companies do eight one-hour lunch hour sessions. 31% of the corporations surveyed do their programs after normal work hours. They will do Saturday programs, one- to two-day programs, two consecutive Saturdays, or one Saturday a month. Some of them are doing six to eight two-hour evening sessions. That's very popular. You've no idea how hard it is to try to keep participants' interest eight Tuesday evenings in a row for two hours, but a lot of companies insist upon that or are doing the eight one-hour lunch hour sessions. Some programs actually are doing it in the pre-work day, say between 6:00 and 8:00 in the morning.

Where are they doing the program? Most companies are doing programs in-house. The sessions take place in a training room or a conference room. Some organizations do take the program off-site to hotels or to conference centers.

Why do companies sponsor these programs, and why is there increased interest? Up until 1984 the purpose of the retirement planning programs was predominantly humanistic. They served as a thoughtful reward to retiring employees for a job well done. They were typically non-threatening in content. The format was, and still is, several evening sessions to which both employees and spouses were invited. Guest speakers were invited to lecture on financial planning, aging, estate planning, perhaps housing relocation and leisure time planning. These programs were typically offered by very large and successful companies during the good times. During 1981 and 1982 everyone shut down and put them on the back burners.

It's very difficult to measure a bottom line impact with a program like that. Employees were invited to attend a retirement seminar usually several months prior to retirement, which, as I said earlier, is too late to plan. They received safe, general information and got to feel good about the sponsoring organization. They were frequently exposed to perhaps an over-romanticized picture of the retirement years. You know, the hand-holding down the beach, the cruise ship, the Winnebago going around the country. No one dared to mention the fact that by the time they were 78 they could run out of money if they didn't project their numbers carefully. But nevertheless, everyone who attended these programs went home feeling very satisfied and very good, and they took their gold watch, and it was a very nice experience.

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Since 1984, there's been a shift. The purpose of retirement planning programs has changed. The first change in purpose is due to major shifts in many corporate structures. Planners have been incredibly busy in the last 18 months trying to put people's lives back together after they were told that they were losing their job in a company for which they had worked for 30 years because of either a merger, or downsizing, or a complete shutdown. Many corporations have called upon retirement planners to design programs to assist them to better communicate retirement separation packages or early retirement incentive programs. In these situations, the retirement education program is wrapped around the benefits communication process to enrich, supplement and expand its value. For the clients in this situation, in an eight-hour program, about three hours could be used to communicate this separation package clearly and concisely. The remainder of the program should deal with some of the more psychological, softer issues, either before or after the benefits discussions.

The second change in purpose is to better communicate retirement benefits programs, to encourage greater participation in benefits programs, particularly in defined contribution plans. A lot of corporations have these programs, but they don't get enough employees to sign up and they're very discouraged. As a result, many companies are using a retirement planning education program, very often for their employees in their 30s to 50s, to explain what these defined contribution plans are in order to get better participation.

An additional outcome of this new communication effort is insurance against future legal action as a result of retiree claims of an inaccurate or incomplete benefits communication. In the last three or four years there have been three legal cases in which an employee, 5-6 years into retirement, sued the employer for ineffective benefits communication on its retirement pension plan, and the employee won. So the message is that corporations cannot possibly overcommunicate clear, concise benefits information.

The third change in purpose results from a desire of many organizations to retain their older workers. In some industries the experience of the older worker is extremely valuable to the success of the organization. This is particularly true in some areas in the computer field. The aerospace field is desperate to keep its older engineers. In these organizations, retirement

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programs are designed to encourage a delay in the retirement decision process. Phased retirement is often introduced in these situations.

A fourth change in purpose for these programs is the interest in using the seminar as a forum to encourage prudent preventive health care practices. We can start educating people in their 40s through 60s that their wellness at 80 and 90 is their responsibility, and not that of the insurance company or the corporation. It's one way of making some inroads into this problem. Obviously, it's not the only way. But nobody ever told them that they could live to be 85 or 95, and if they practiced proper health care they could be in pretty good shape. They don't need to be in some long-term care community.

A fifth purpose of retirement planning programs is to increase productivity and boost the morale of those employees close to retirement. This is perhaps the purpose whose effectiveness is the most difficult to measure. Some studies are presently being done to measure attitudes of preretirement workers before and after participation in these programs. It is hoped that these kinds of programs can rekindle enthusiasm about life in people over 60. They may rekindle their enthusiasm so much that they'll leave and go find something that's more interesting to do.

The sixth purpose is to play a role in coping with the major national social, economic, and political problems that are looming in Western Society due to the dramatic increase in longevity. This increase is creating an American Society that is graying. The social gerontologists are saying that we will be a social gerontocracy by the year 2000. What they mean by that is a society of older people. By the year 2000, 76 million Americans will be over 60.

In order to ward off social and economic disaster, our present middle-aged population must be trained to plan and organize their lives in a careful, detailed, and self-responsible manner. They must be trained to be economically independent, no matter how long they live. Then we won't need to have these discussions about Social Security and benefits costs. Let's train them to be imaginative, to be entrepreneurs, to go into third, fourth, fifth careers. We want to train them to maintain satisfactory levels of physical and social wellness throughout their life span. Retirement counseling programs can be a

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marvelous vehicle for this kind of much-needed education. Corporations are taking the lead. There's greater need for other organizations and institutions to follow their lead.

Now I'd like to tell you what I think a retirement planner is. The role of the retirement planner is taking on new dimensions. It is expanding to help employees respond to the following concerns of an aging workforce: labor force projections and needs, benefits packages and health care costs. This last is about to become the single largest employee benefits issue in the 1980s. Retirement planners must get involved with recruitment strategies, retraining older workers, rehiring retirees, combating age discrimination and training benefits representatives to be better prepared to fulfill the expanded roles they are facing as the aging workforce increases in numbers.

Retirement planners have the opportunity to become knowledgeable and skilled in the areas described above, which collectively may be termed as industrial gerontology. That is a field that some schools of business are trying to create some interest in. It's defined as the study of employment and retirement problems of middle aged and older workers, and it deals with all of the employment problems related to age and continues with retirement. It is a new applied social science subdiscipline.

I'm particularly concerned about the benefits specialists mentioned above. Many times they are young, they're inexperienced, they're focused only on their own calculations -- filling out of forms, etc. There's much more that they can be doing, and should be doing, besides assisting preretirees to fill out forms two weeks before they actually retire. It's the benefits specialists that a lot of companies are asking to begin to coordinate and to run retirement planning programs. So what I'm saying is their role is dramatically expanding, and I've got some suggestions of what I'd like to see them become.

They need to become effective communicators of the retirement benefits program. I have sat through agonizing, unbearable presentations by benefits representatives. Every company should take them off and put them through a presentation skills course. They should be taught how to do overheads in color and in large print.

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As the population ages and more and more folks are coming to them to discuss retirement, benefits representatives are being asked a lot of personal questions that they really have no business answering. They need to be cautioned about this, because this is where the benefits specialist in the corporation can become liable. The benefits specialists that I meet with on a regular basis tell me they're being asked very specific questions about financial planning issues, and legal issues, as well as tax questions.

They're getting into divorce counseling. Divorce is really beginning to rise among the 60 to 70 year olds. Benefits representatives have no business doing marriage counseling. However, it gets tricky in terms of people trying to cheat spouses out of annuities, etc. So, they're getting into all kinds of counseling issues.

Benefits specialists are asked to go to a hospital or home where an employee is so sick he cannot possibly come to work to do the paperwork. Many of them over the last year have talked to me about being in situations where an employee is so angry about dying that he refuses to sign the paperwork, and there's a spouse frantic because it won't be signed.

How do benefits representatives get into that situation? They're getting into that situation because the population is aging. They're also acting as arbiters between the company and the employee when there are major shifts and changes in the benefits packages. They almost need boxing gloves and masks in order to cope with some of these things, and they need to be better trained to be able to deal with those sorts of changes.

Here is the future of retirement planning as I see it. The challenge to organizations and individuals that are presently providing retirement programs is to make the following improvements in content and format if they are really to achieve the newly emerged purposes of these programs in the 1980s. First of all, the programs need to be made available to younger workers. Therefore, organizations need to look at life planning programs for employees age 20 to 50. What they would be offering there would be life value goal clarification, financial planning, health and wellness -- and then, of course, it's an opportunity to explain the benefit package.

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I'd like to think that these kinds of programs would put employee assistance programs out of business, because people would be trained to be much more self-responsible for the personal issues in their lives that are making them drink and get into drugs and have psychological problems. When an employee becomes age 60 the retirement program would come into play. If the system is in place the company would put people through preretirement programs, two or three times between the ages of 50 and 65; then through a crash course just before they retire; and finally get them involved in the retiree organizations.

The content of the program needs to be much more challenging and self-confrontational than it is. The social and psychological issues, as well as life values and purpose, need to be discussed. Right now speakers are brought in. They come from all different walks of life. They talk about all kinds of different factual information. There's no quality control in the field right now over this information. When I say it's not self-confrontational, I mean that everyone's being nice, pleasant, and polite. No one is saying to folks in a retirement seminar, "Look, how much money are you going to need for 30 years to live in the style to which you've grown accustomed at 6% inflation?" The answer to that question is terrifying for people 30 through 50. At 65 you could die, because if you look at your numbers, you may find out you're going to run out of money by the time you're 72. The people in the seminars need to be asked, "What's the meaning of life?" I tell people in the seminars that I'm training them to be centenarians -- training to be 100. Now the alternative to that is not terribly attractive. Then they'll say to me, "Why would I want to live to be 100? That sounds horrible." Then I can turn around and say, "If you don't know a good enough reason to live to be 100, then what are you living for in the first place?" Those are the kinds of issues that we need to deal with in these retirement planning programs.

There needs to be more one-on-one counseling by the retirement planner and the benefits representative. You can't just run people through a seminar and then that's it. They'll take the workbook home and it'll gather dust. Nothing will happen. There needs to be follow-up in these programs, which we haven't had. The personnel staff members need to be better trained to conduct programs and to provide one-on-one counseling and to serve as resource persons; either that, or companies need to start using fully trained outside consultants.

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Housing and relocation also need to be discussed -- the pros and cons, the financial aspects of it. Where are people retiring to? Should they or shouldn't they? Lifestyle design needs to be discussed. People need a balance in their life of work in retirement. Where can they get work? Most people in personnel departments can't talk about work in retirement, leisure planning in retirement, relationships in retirement, philosophy of life in retirement and the need to continue to grow intellectually.

The field of retirement planning is, however, quickly emerging as a very necessary and significant component of the human resource function. It is about to emerge as a valid and powerful element of the employee benefits system, provided benefits departments rise to the occasion and make the necessary improvements and enrichments to existing and soon-to-be-implemented programs, as I've discussed in this report.

