

June 2019



## Millennials Know It All. But, Are They Saving for Retirement?

*Jamie Hayes, CPFA, C(k)P®, AIF®, Senior Plan Advisor*

Millennials – they’ve infiltrated the workplace and bring expertise in social media, individuality, technology and hipster bars. But, what do they know about saving for retirement? Typically, younger people don’t make retirement savings a priority. Living expenses, student debt, rent or house payments, and other day-to-day expenses mean that retirement savings take a back seat. In fact, a Franklin Templeton Investments survey from January 2016 says that 40 percent of millennials don’t have a retirement plan in place, and 57 percent haven’t started saving.<sup>1</sup> That attitude, however, will make it much more difficult to have a secure retirement later, according to seasoned retirement plan advisors.

The main thing that millennials are sacrificing by not saving now is time. Time allows funds to grow through compounding, and that can turn relatively modest savings into much larger nest eggs. For example, saving \$50 each month in a retirement account earning 6.5 percent annually and compounded monthly would generate retirement savings of \$226,781 over 50 years. A millennial who starts saving the same amount 30 years later, allowing it to only compound for 20 years, would have only \$24,525 at the end of the 20 years.<sup>2</sup>

And \$50 each month isn't a huge amount, even for a cash-strapped millennial. Some other retirement savings tips you can share with your millennial employees are:

- Take full advantage of employer-sponsored retirement plans, like 401(k) or 403(b) plans. Funds contributed to these tax-advantaged programs grow free of taxes, which means more money stays in the account to generate interest.
- Contribute at least as much as your employer is willing to match. If your employer matches three percent of your salary, you should start by contributing that much.
  - Otherwise, you're "leaving money on the table." Your employer match instantly increases your contribution, and your money grows faster.
- Don't worry about not being an investment expert. Many retirement plans now offer target-date funds (TDFs). Also known as lifecycle or age-based funds, TDFs automatically adjust your investment assets as

you age, so you don't need to balance your funds yourself.

One common objection millennials have about contributing to an employer-based retirement fund is that they may not stay with that employer. Actually, very few people stay with a single employer for their entire careers, and they should be reminded that retirement plan funds can be rolled over into a new employer's plan or rolled over into an IRA if they leave their job.

<sup>1</sup><http://money.usnews.com/money/personal-finance/articles/2016-05-27/who-needs-a-retirement-plan-apparently-not-millennials>

<sup>2</sup><http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx>



#### *About the Author, Jamie Hayes*

*Jamie has over 10 years of experience in employer retirement plan fiduciary services and corporate pension consulting. Jamie works extensively with matters pertaining to the financial operation of employer-sponsored retirement plans. Jamie combines powerful behavioral finance strategies with the maximization of fiduciary risk management to help promote retirement confidence for both employers and employees. Jamie graduated with a Bachelor of Science degree in economics and high honors from University of Michigan.*

## The Evolving Workspace

*Adapt to the shifting priorities of modern workers to attract and retain the best talent*

### **Longevity, demographic changes and technological innovation have revolutionized the world of work.**

As many employers face a coming wave of baby-boomer retirements, the resulting gaps in unique skills, experience and institutional knowledge may be difficult to fill. Keeping mature workers engaged may help ensure that your company retains the employee knowledge necessary to compete.<sup>1</sup> Going forward, successful workplaces will not only leverage the skills and institutional knowledge of mature workers, but also ensure that the expertise mature workers possess is shared with other employees.

Here's how:

- Offer educational opportunities
- Be flexible
- Promote collaboration

### **Offer Educational Opportunities**

More than 80 percent of workers age 45 to 64 say the opportunity to learn something new is critical to them, and over 70 percent say that job training is an essential element of that ideal employment.<sup>1</sup>

Experienced workers are eager to get additional training so they can keep their skills sharp and make themselves more employable.

While large employers with abundant resources may already be providing this training, smaller companies can still manage to do this and reap the benefits. Assess your company's existing training model and determine opportunities for bolstering your employees' skillsets.

### 1. Use free or low-cost options

Highly skilled employees might be your best trainers. Ask them to pass on their skills and knowledge to others.

### 2. Promote internal learning opportunities

Don't limit your training offerings. Host a variety of training and business building sessions and engage with your employees to find out what they like, don't like, and what they want to learn more about.

### 3. Subsidize training programs

Thanks to modern technology, there are more educational opportunities than ever before, such as online courses and tuition reimbursement programs.

## Be Flexible

Workplace flexibility is a way to attract talent because it accommodates active lifestyles and child or eldercare. One study revealed that 77 percent of millennials think that flexibility is not only desirable but also is key to productivity. The idea is also appealing to baby boomers, who are seeking flexibility as they near their retirement years.<sup>2</sup>

1. Evaluate your company's existing policies. Which aspects do you currently offer?

- Flexible hours
- Working remotely
- Job sharing

2. Consider offering part-time work or a phased retirement

## Promote Collaboration

Employees of all ages can benefit from a sense of community in the workplace. Sharing ideas is one way to foster this feeling. Whether it's informal with shadowing and project partnerships, or formal with mentorship and reverse mentorship programs, generational and experiential differences are a learning opportunity.

## 1. Brainstorming

Brainstorming brings employees together to work toward a common goal by offering various perspectives and solution.

## 2. Create a reverse-mentorship program

In this program, older employees can pick up something fresh from their younger counterparts. For example, those who are less skilled at using technology might rely on another employee to teach them how to use a certain application or tool. Conversely, more experienced employees can teach younger ones how to develop business and share valuable insights.

## 3. Provide spaces that support all of the above

Employees are more likely to be happy and collaborative when they have places to meet together comfortably, participate in training or seminars, or work independently when necessary.

In the workscape of tomorrow, employees of traditional "retirement age" want more, and workplaces must adapt if they want their business to succeed. In order to retain and attract the best talent across generations, including would-be retirees, it is critical to:

- Offer educational opportunities for employees hungry to learn;
- Be flexible to accommodate the employees with different lifestyles; and
- Promote collaboration to foster a community and creative thinking.

People are living longer, better lives. And the happiest, most productive workplaces are those that are adapting to support these lifestyle changes.

<sup>1</sup>*Employers Need To Train Their Older Workers, Too. Forbes.com. Oct. 17, 2017.*

<sup>2</sup>*More Than Avocado Toast: How Millennials Will Make Retirement Better For Baby Boomers. Forbes.com. Jan. 29, 2018.*

This article was contributed by our valued partner, Hartford Funds, with minor edits made for spacing reasons.

## HARTFORDFUNDS

Our benchmark is the investor.®

# Hey Joel!



## Hey Joel! – Answers from a recovering former practicing ERISA attorney

Welcome to *Hey Joel!* This forum answers plan sponsor questions from all over the country by our in-house former practicing ERISA attorney.

Hey Joel,

**Should stable value information be included in our investment policy statement?**

- *Paranoid in Portland*

Dear Paranoid,

The cash or principal preservation alternatives can be quite varied in scope. As a result it is extremely difficult to create language that would be widely applicable to all vehicles available for such plan goals. Money market funds, stable value funds, guaranteed income contracts, and general accounts are very different in their design, tertiary goals, holdings, and regulatory aspects. Thus one set of standard

specific criteria would be unwise for an IPS. The primary goal of these vehicles in an efficient plan investment menu is the preservation of principal and minimization of risk. Thus focusing on the credit quality and stability of the provider are appropriate as primary criteria. Note that our IPS template states that criteria should include “credit quality, diversification and stability of insurance provider” but, it also states that criteria “should not be limited to” those items. Thus other criteria are well within the scope of what fiduciaries may, and perhaps should, be reviewing depending on the type of vehicle being utilized. As a result our team of former practicing ERISA attorneys is confident in this language. Supporting that confidence is the fact that over 40 independent ERISA attorneys have reviewed our IPS template and provided comment and none of them provided any additional recommended language or edits in regards to this particular language.

The Dispelling Paranoia,

*Joel Shapiro*



*About the Author, Joel Shapiro, JD, LLM*

*As a former practicing ERISA attorney Joel works to ensure that plan sponsors stay fully informed on all legislative and regulatory matters. Joel earned his Bachelor of Arts from Tufts University and his Juris Doctor from Washington College of Law at the American University.*

If you have a question for Joel, please send it to your plan advisor. It may be featured in a future issue!

**PARTICIPANT CORNER: Millennials Start Saving Now!**

This month's employee memo informs young participants, particularly millennials, about the benefits of saving early. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com) and distribute to your participants. Please see an excerpt below.

Please Call or E-mail us if you have questions or need assistance.

Valerie Koch

[Vkoch@ganimfinancial.com](mailto:Vkoch@ganimfinancial.com)

Ganim Financial

2429 North Avenue

Bridgeport, CT 06604

(203) 335-0851

[www.ganimfinancial.com](http://www.ganimfinancial.com)

**Participant Corner: Millennials Start Saving Now.**

This month's employee memo informs young participants, particularly millennials, about the benefits of saving early. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com) and distribute to your participants. Please see an excerpt below.

Typically, younger people don't make retirement savings a priority. Living expenses, student debt, rent or house payments, and other day-to-day expenses mean that retirement savings take a back seat. In fact, a Franklin Templeton Investments survey from January 2016 says that 40 percent of millennials don't have a retirement plan in place, and 57 percent haven't started saving. That attitude, however, will make it much more difficult to have a secure retirement later, according to seasoned retirement plan advisors.

The main thing that millennials are sacrificing by not saving now is time. Time allows funds to grow through compounding, and that can turn relatively modest savings into much larger nest eggs. For example, saving \$50 each month in a retirement account earning 6.5 percent annually and compounded monthly would generate retirement savings of \$226,781 over 50 years. A millennial who starts saving the same amount 30 years later, allowing it only compound for 20 years, would have only \$24,525 at the end of the 20 years.

And \$50 each month isn't a huge amount., even for a cash-strapped millennial. Some other retirement savings tips include:

- Take full advantage of employer-sponsored retirement plans, like 401(k) or 403(b) plans. Funds contributed to these tax-advantaged programs grow free of taxes, which means more money stays in the account to generate interest.
- Contribute at least as much as your employer is willing to match. If your employer matches 3 percent of your salary, you should start by contributing that much.
  - Otherwise, you're "leaving money on the table." Your employer match instantly increases your contribution, and your money grows faster.
- Don't worry about not being an investment expert. Many retirement plans now offer target-date funds (TDFs). Also known as lifecycle or age-based funds. TDFs automatically adjust your investment assets as you age, so you don't need to balance your funds yourself.

One common objection millennials have about contributing to an employer-based retirement fund is that they may not stay with that employer. Actually, very few people stay with a single employer for their entire careers, and retirement plan funds can be rolled over into a new employers plan, or rolled over into an IRA if you leave your job.

1<http://money.usnews.com/money/personal-finance/articles/2016-05-27/who-needs-a-retirement-plan-apparently-not-millennials>  
2<http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx>

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation. This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at [Vkock@ganimfinancial.com](mailto:Vkock@ganimfinancial.com) or call (203) 335-0851.

Securities offered through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC. Investment advisory services offered through GFS Wealth Management Advisors, Inc. (GFS). Kestra IS is not affiliated with GFS or Ganim Financial. Ganim Financial, and Kestra IS, do not offer tax or legal advice. Any decisions whether to implement these ideas should be made by the client in consultation with professional financial, tax and legal counsel ACR#317258 05/19

A Proud Member of

