

# For Your Benefit

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## The New Retirement Reality

*Posted By: Martha Brown Menard, PHD.*

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A new study from the Aegon Center for Longevity and Retirement mirrors the findings of the recent Questis whitepaper on the rapidly changing retirement landscape. Aegon has conducted the retirement readiness study annually for the past seven years and has surveyed more than 100,000 people in 15 different countries, including the United States.

Combined, the two papers offer both cause for concern and reasons for hope.

The results of the Aegon survey show respondents are beginning to recognize that an aging population and increased longevity are two trends that will affect their ability to retire.

There is a growing awareness among some, but not all, that they can no longer rely on defined benefit plans as a source of retirement income, and that they as individuals will need to take increased responsibility for retirement planning.

And as technology changes the way that people work, flexible labor markets and multiple jobs over the course of a career are now the norm.

Both the Aegon survey and the Questis whitepaper highlight that retirement has become an active stage of life. People want to remain socially connected, be active participants in their communities, and stay economically active.

Fifty-seven percent of workers worldwide see themselves working as they currently are, or working part-time in transition to (or during) their retirement. Most are planning to do so because they both want to and/or need to work.

Continuing to earn an income later in life provides an opportunity to continue saving and delay drawing down retirement benefits and savings. But working in retirement is often more difficult than anticipated due to health issues or jobs being eliminated.

Many employees realize that they are facing a financially insecure retirement. Globally, workers expect they will need about 70 percent of their current annual income in retirement.

But only 25 percent believe they will achieve this level. A mere 13 percent believe they will achieve 75 percent of their required income. And only a third of employees have a backup plan if they are unable to continue working before their planned retirement age.

This is problematic because we know that although 89 percent of workers say they plan to work at least part-time in retirement, only 26 percent actually do so, according to the Employee Benefits Research Institute. Employees typically retire sooner than they had anticipated because of their own or another family member's health issues or because of layoffs.

Further indications of future financial insecurity are evidenced by another survey question. When asked what they are doing to prepare for retirement, respondents most frequently cited social security or other government-sponsored plan (46 percent), followed by savings accounts/money market funds/certificates of deposit (38 percent), a private pension/individual retirement account (29 percent), life insurance (24 percent), and investments such as stocks, bonds, and mutual funds (23 percent). Only 9 percent cited a company-funded defined benefit plan and, even fewer (16 percent), cite an employer-funded defined contribution plan.

With defined contribution plans having largely replaced defined benefit plans, the responsibilities and risks of retirement planning have shifted from employers to employees. With low levels of financial literacy, many employees are unprepared to make the necessary decisions to ensure adequate retirement savings, even those fortunate enough to have access to DC plans.

Currently, less than two-thirds of workers have access to employer-sponsored DC plans. Only 57 percent of U.S. workers say their employer offers a retirement plan that includes an employer contribution. Overall, 35 percent of private sector workers aren't employed by a company that offers a plan.

These figures are even worse for younger generations. According to the Pew Research Center, 41 percent of millennials don't have access to an employer-sponsored retirement plan, along with 35 percent of Gen-X and 30 percent of boomers.

The new retirement reality is that more employees will need to continue working past the traditional retirement age.

Despite the popular myth that every employee who fails to retire on time costs an employer \$50,000, there is little evidence to support that number. Using real-world benefits data, Aon Hewitt and AARP have found that older, experienced employees don't cost more than younger workers whose healthcare costs are increasing more rapidly.

Retaining older workers can improve a company's profits—older workers have been demonstrated to be more engaged, are just as technologically savvy, have better-developed soft skills, and can mentor and be mentored by younger employees.

Working longer offers other advantages in addition to the obvious economic ones—a job can provide a sense of social connection and cognitive stimulation, both of which appear to offer protective health benefits and can potentially reduce healthcare costs.

It will become increasingly important for workers to reframe their career education and training in terms of lifelong learning to increase and improve skills. Employers can help by offering flexible retirement options, such as retaining valuable employees with reduced hours, to create a more gradual transition into retirement. Retirement plan advisors can help by including authentic financial wellness as an integrated component of their plan offering.

The bottom line? When people can stay economically active longer and ease into retirement on their own terms, their retirement savings can last longer and have more time to grow.

# Healthy Aging: What Can You Control?

Genetics isn't the only factor in aging. Here's how to break the mold.

By Stephanie Watson

When it comes to aging, Bebe Shaw didn't hit the genetic lottery. Her mother died from congestive heart failure, her father of a heart condition. The younger of her two brothers had a heart attack at age 52, and her younger sister is on the verge of congestive heart failure. Shaw, 69, has high cholesterol -- a serious risk factor for heart disease.

With such a checkered health history, she's not taking any chances. "I am an advocate of exercise and diet," says Shaw, who works as a paralegal in Ocala, Fla. "I play tennis 3 days a week, go to [indoor cycling] and Zumba classes at the Y twice a week, and try to ride my bike on a nearby trail every day." She also eats well, takes a statin drug to control her cholesterol, and visits her doctor regularly for checkups and screenings."

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## Aging: Nature or Nurture?

Looking at your relatives' medical histories is like peering into a crystal ball. You get a glimpse at your future but not the whole picture. You can't change the genes you inherited, but you can avoid habits that contributed to your family's health problems.

"Some people can have a family history of heart disease, but it's actually a history of smoking, overeating, and [an inactive] lifestyle. And if you adopt that lifestyle, you're going to run into the same problems your parents did," says James Pacala, MD. He is the associate head of the Department of Family Medicine and Community Health at the University of Minnesota.

Lifestyle was a big factor in Shaw's family: Her father was overweight, and her younger brother, a smoker. Take preventive action now to help make sure you're

healthy into your 60s, 70s, 80s, and beyond. "You must remain active and engaged. By that, I mean physically and mentally active and socially engaged," says Pacala, who is also president of the American Geriatrics Society. He ticks off the necessities: aerobic and resistance exercises, a balanced diet that's low in saturated fat and high in fruits and vegetables, and brain games and social outings to keep you sharp.

You also want to try to avoid diseases. "Get your immunizations, your cancer screening tests, your cardiac and osteoporosis risk factors assessed before you have those problems," Pacala says.

## Staying Forever Young

We've all seen 70- and 80-year-olds who look and act decades younger. How do they do it? Pacala shares a few secrets.

*Refuse to take it slow.* "There's a sort of societal expectation that you're supposed to slow down as you get old, and I think you should fight against that," Pacala says. "Don't let your grandkids get up and mow the lawn for you and get you a glass of water. Get up and do it yourself."

Take a daily walk. Even if your pace is gentle and the distance is short, the time spent on your feet will help keep your bones strong.

Read the newspaper with your morning bowl of oatmeal. Keeping your mind engaged could ward off the brain changes that lead to Alzheimer's and other forms of dementia, while the whole grains in your bowl help prevent heart disease.

Downsize your portions. Overeating leads to obesity and diabetes, which can shorten your lifespan. An overstuffed plate has also been linked to memory loss in people 70 and older.