BY NEVIN E. ADAMS

Account 'Receivables'

Matching TDFs' various attributes to the needs of the plan, and the participants who are increasingly defaulted into them, is a significant and growing challenge for plan advisors.

The 24th edition of EBRI's annual Retirement Confidence Survey (RCS) found that Americans' confidence in their ability to afford a comfortable retirement rebounded somewhat from the record lows of the past five years. However, not everyone was feeling more confident.

A closer look at the numbers uncovered no increase in confidence among those who didn't have some kind of retirement account. On the other hand, we found a strong correlation between those who had some kind of retirement account — a 401(k), IRA or DB pension. In fact, that group saw an increase in those who said they are very confident go from 14% to 24%. Consider as well that nearly half of workers without a retirement plan were not at all confident about their financial security in retirement, compared with only about 1 in 10 who participated in such a plan.

However, employee respondents to this year's survey were no more likely to have done a retirement needs calculation, to have saved for retirement or to report savings amount(s) significantly larger than that captured in last year's survey. Indeed, only 44% report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement, a level that has held relatively consistent over the past decade.

Nor, as it turned out, were respondents more likely to have obtained investment advice from an advisor. Just 19% of workers and one quarter of retiree respondents reported they have obtained investment advice from a professional financial advisor who was paid through fees or commissions, well off the 33% of workers and 32% of retirees who did as recently as 2010.

Those who obtained investment advice did not always follow it, however. Among workers who obtained advice, 27% say they followed all of it, but more followed only most (36%) or some (29%). Retirees were more likely to report following all of the advice (38%).

The reasons most often offered for not following all of the advice include:

- Not trusting it (34% of workers and 31% of retirees).
- Having other ideas or other plans or goals (16% of workers and 29% of retirees).
- Not being able to afford it (20% of workers and 6% of retirees).
- Circumstances changing so advice was no longer applicable (4% of workers and retirees).
- Getting better advice somewhere else (4% of workers and 9% of retirees).

That so few sought professional advice — and that so few acted fully on the advice they did receive — is surely not encouraging news for advisors. But the retirement confidence findings could also have implications for employers.

As you might expect, workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence. And, according to the RCS, many workers are adjusting their expectations about retirement, perhaps in recognition of the fact that their financial preparations may be inadequate. This at a time when employers are increasingly concerned about the implications of these trends on workforce management.

Note also that in this year's RCS, 29% of workers who have done a calculation, compared with 15% of those who have not, estimate they need to accumulate at least $1 million for retirement. At the other extreme, 17% of those who have done a calculation, compared with 37% who have not, think they need to save less than $250,000 for retirement. Moreover, workers who have done a retirement savings needs calculation are more likely to feel very confident about affording a comfortable retirement (25% vs. 13% who have not done a calculation in this year's survey) — despite having set higher savings goals. Moreover, workers reporting that they, or their spouse, have an IRA, DC or DB plan are more than twice as likely as those who do not have these to have done a calculation (56% vs. 25%).

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It seems, therefore, that those more likely to have made a plan are more likely to have access to a plan. And advisors can be instrumental in both.

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