

Employees 50+ Have High Expectations of Employers

In 2008 Schwab sponsored an online research community of 401(k) plan participants who will be retiring within the next 10-15 years. The goal was to identify the key perceptions, issues and needs that drive investment decision making today as individuals prepare for retirement. During the course of the research, one topic continued to resurface – online community members need more guidance and advice beyond the employer-sponsored plan. And, in light of the recent economic downturn, it is likely this guidance may be needed more than ever.

Summary of findings

The key findings of the *Nearing Retirement* Advisory Board include:

- The retirement thinking process starts early.
- Online community members understand they are responsible for managing the well-being of their retirement finances, but they feel significantly unprepared.
- Online community members are looking to their employers for guidance and assistance.

The retirement thinking process starts early

For the *Nearing Retirement* community members, achieving a retirement mindset is the result of multiple triggers including age milestones, fatigue with jobs, health issues, and the general desire to slow down and divert time from demands to pursuits. These individuals see themselves as vibrant and optimistic, with unique needs. However, it appears certain topics can trigger retirement thinking.

“Today, as I approach retirement within a couple of years, I don’t know the rules and requirements for my current investment beyond the basics. All I have to do is ask, but I may not think of all the questions I should be asking.”

- While over half of the online community members started thinking about retirement questions up to four years prior to retirement, some 30% started five to ten years out and others even earlier.
- Some topics “set the stage” for retirement and thus are investigated from 3 to 10 years prior to the target date. These include how to generate income, expected healthcare costs, what’s needed to support a desired lifestyle and where to live.
- Many online community members devote similar long-term thought to more specific investment-oriented positioning, including monetizing long-term assets, adjusting asset allocation and identifying accounts for asset withdrawal.

Contemplating the retirement transition starts early

Retirement planning questions and when they are being asked:	15+ years prior	11-15 years prior	5-10 years prior	0-4 years prior	I haven't started thinking about this issue	N/A
When should I stop working full time (if at all)?	6%	9%	32%	47%	3%	3%
How will I generate income?	9%	15%	30%	39%	3%	4%
Should I adjust the asset allocation of my investments?	6%	4%	29%	51%	4%	6%
Which accounts should I use first when I need to withdraw assets?	1%	1%	31%	63%	4%	0%
Do I need to monetize long term asset, like a property or business?	1%	2%	22%	37%	13%	25%
Should I consider consolidating my assets with fewer providers?	1%	4%	29%	47%	12%	7%
When should I start collecting Social Security?	3%	3%	28%	63%	0%	3%

The need for holistic advice increases as retirement approaches

Most *Nearing Retirement* online community members find retirement planning complex. Beyond converting their portfolio from one that promotes growth to one that generates income, they are unsure of the financial impact of other events and life decisions. Because this process is daunting, they would like access to resources and assistance to help them along the way. Some examples include the following:

- Checklists that include key considerations at various stages during the planning process
- Suggested withdrawal strategies
- Tips on balancing growth and capital preservation priorities
- Information on 401(k) distribution options

Some community members feel that if they had addressed certain retirement planning topics sooner (i.e. the impact of Social Security and healthcare costs on their retirement living expenses), they might have saved more and started saving earlier in their career.

Online community members have retirement planning and finance issues that extend beyond the scope of their plan:

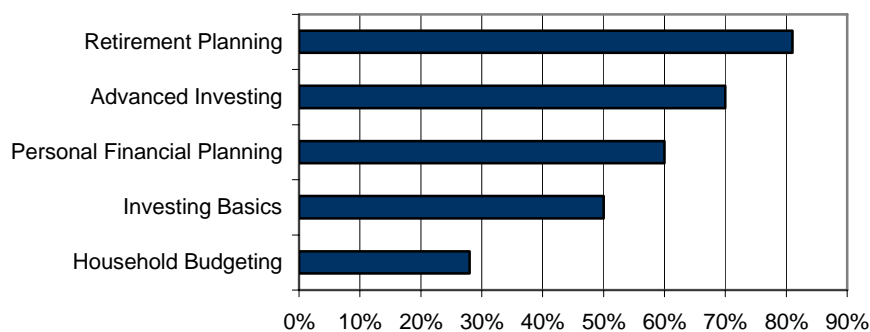
- The build-up (calculating how much money is needed, when they can retire, what to expect for investment portfolio returns and Social Security benefits).
- The outflow (income withdrawals, healthcare expenses, taxes, impacts of inflation, rules/strategies for portfolio distributions).
- Protecting what's theirs (estate planning, long-term care).

Expectations for employer assistance and guidance

While *Nearing Retirement* online community members understand the importance of planning, they also recognize they are not confident in their ability to plan for all that retirement entails. They aren't receiving the type of guidance from their employers that could prepare them for their imminent retirement, but would like their employers to be paternalistic and offer this type of guidance. In fact, two thirds of online community members believe their employers would be advocates of sponsoring more holistic financial planning and advice.

The strong majority of online community members think that learning about personal finance and retirement planning via the workplace is a good idea. Some point out that when such programs are offered, they tend to be very basic, and online community members want follow-up with more individualized instruction.

Members' Interest in Learning About Financial Topics in the Workplace



“I would like to be able to review my overall financial situation with an advisor periodically. By this I mean I want a holistic discussion that doesn't just involve which accounts I should put money in, but a look that takes into consideration my rental income, my health care costs and how those things mesh with my investments and goals.”

How Schwab can help

The transition from work to retirement is different for every employee. Schwab's holistic approach addresses the barriers participants face, and we can do so without increasing employer cost. Recent research has shown that both employees and company executives recognize a need – and shared responsibility – for financial literacy, and they view the workplace as a good place to receive this information. This increases participation in the plan and appreciation for the role employers take in the process.¹

The complete Schwab solution for employers effectively combines help and guidance with advice tailored to the individual based on life stage, investing experience, and need for direction. In order to turn plans into reality, Schwab offers solutions to help employees act on recommendations that will help them achieve their financial goals.

To learn more about Schwab's holistic advice offering Contact your Schwab representative, call **1-877-456-0777** or visit **scrs.schwab.com** today.

**Research
Methodology**

The *Nearing Retirement* Advisory Board was comprised of 256 highly engaged 401(k) plan participants who are within 15 years of retirement and expect their personal assets to provide more than 75% of their retirement income. 96% of online community members were 50 or older with varying degrees of investment knowledge and investable assets.

**Nearing Retirement Online
Community Member Demographics**

Gender	
Female	34%
Male	66%
Age	
Under 50	4%
50 to 55	38%
56 to 60	33%
61 to 65	22%
66 to 70	3%
Investing Knowledge	
Investing novice	24%
Moderately experienced	65%
Savvy and experienced	11%
Years until planned retirement	
11 to 15	25%
6 to 10	42%
Less than 5	33%
Investable Assets	
\$100K to < \$250K	21%
\$250K to < \$500K	30%
\$500K to < \$750K	19%
\$750K to < \$1M	12%
\$1M to < \$2M	10%
More than \$2M	4%
Decline to answer	4%

¹Source: Charles Schwab 2008 *Rethinking Retirement* Survey

These findings were revealed via qualitative research in an online community of ~256 retirement plan participants, hosted by Communispace. Qualitative research is best suited for providing directional insights into behavior and attitudes. Data findings, quotes or anecdotes provided here should be viewed as exploratory and directional in nature and are not necessarily projectable to a larger population.

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