

# TRENDS AND ISSUES

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## ENGAGING NEW HIRES TO INVEST IN THEIR FINANCIAL SECURITY

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### EXECUTIVE SUMMARY

Engaging new college and university employees to plan and save for retirement is a challenge and concern for many institutions. In September 2008, the TIAA-CREF Institute brought together senior administrators in higher education, leading academic researchers and senior leadership from TIAA-CREF to discuss the nature and causes of the new hire savings challenge and strategies for addressing it.

A general consensus emerged that education in the traditional sense of plan communications is inadequate to motivate new hires to begin saving for retirement. While education creates an understanding of the need to save and even an intent to save, it is typically not sufficient to move new employees to actually begin saving. Barriers overwhelm intent. Contextual barriers emerge in the new hire experience on campus, particularly for first-time faculty. Simply put, life interferes and the actions that need to be taken to begin saving in the retirement plan are postponed. Related barriers arise from an individual's perceptions of his or her world, particularly as regards time. Social marketing provides a framework for gaining

deeper understanding of the barriers that keep different groups of individuals from saving. The relative importance of various barriers will differ across groups of employees. Social marketing can then use this understanding to develop strategies and programs that motivate and make it easy for individuals to begin saving. In this sense, retirement savings must be marketed to new employees on campus. Another possibility discussed during the symposium was making new faculty predisposed to retirement saving before beginning their first position by providing financial planning and retirement saving education to graduate students while still in school. This has the potential to benefit not only the individual, but higher education at large as it competes with the private sector for new Ph.D. graduates.



## **INTRODUCTION**

Engaging new college and university employees to plan and save for retirement is a challenge and concern for many institutions. The challenge of focusing workers' attention on the need to plan and save for retirement is not unique to higher education. In the private sector, studies consistently show that approximately one-quarter of individuals eligible to participate in a 401(k) plan choose not to do so.

On September 26, 2008, the TIAA-CREF Institute brought together senior administrators in higher education, leading academic researchers and senior leadership from TIAA-CREF to discuss the challenge of motivating new employees at colleges and universities to begin saving for retirement. The symposium examined the new hire experience on campus; the latest thinking on how individuals make decisions and move to action; best practices to engage new hires in saving for retirement; and key takeaways from the discussions that TIAA-CREF and higher education institutions can build into programs serving new employees.

The symposium featured presentations by:

- Andy Brantley, Chief Executive Officer, CUPA-HR
- Daniel Denecke, Program Director, Best Practices, Council of Graduate Schools
- Jamie DePeau, Senior Vice President, Marketing, TIAA-CREF
- Punam Keller, Charles Henry Jones Third Century Professor of Management, Tuck School of Business at Dartmouth
- Curtis Lloyd, Associate Vice Chancellor for Finance and Administration, and Chief of Staff, Office of the Chancellor, The State University of New York
- Catherine McCabe, Vice President, Individual Client Services, TIAA-CREF
- Olivia S. Mitchell, Professor of Insurance and Risk Management and Business and Public Policy, The Wharton School, University of Pennsylvania, TIAA-CREF Institute Fellow
- Eldar Shafir, Professor of Psychology and Public Affairs, Princeton University, TIAA-CREF Institute Fellow
- Teresa Sullivan, Provost and Executive Vice President for Academic Affairs, Professor of Sociology, University of Michigan, TIAA-CREF Institute Fellow
- Gal Zauberman, Associate Professor of Marketing, The Wharton School, University of Pennsylvania

## **THE NEW HIRE'S ENVIRONMENT**

New hires must make their retirement savings decisions in the context of a myriad of issues connected with their new positions on campus. There is the typical range of benefits-related decisions to be made, some of which will likely seem more pressing and important to the individual. Beyond these are professional concerns, particularly for faculty, and even more so for faculty embarking on their first full-time position.

Teresa Sullivan opened the symposium by sharing her observations regarding the new hire experience. Sullivan began by noting that most employees on campus are staff as opposed to faculty and their benefits considerations can be quite different. The University of Michigan has 38,000 employees, but only 4,000 are faculty (these figures include employment in the university health system.) Furthermore, she said that many staff chose to work at the University as part of a conscious household strategy when their spouse does not have benefits. Many staff thus tend to be intently focused on every aspect of their benefits package.

Sullivan has observed a different dynamic with faculty. Senior faculty will focus on the retirement plan and their benefits, but it is off the radar screen for other faculty. She noted a common scenario at new faculty orientations is for the new assistant professors to leave when the benefits presentation begins. She maintains that they are simply overwhelmed by other concerns—settling their family into a new home, settling themselves into campus, preparing to teach new courses—and consideration of benefits gets pushed aside.

Exacerbating the challenge at Michigan is a retirement plan design where participation is voluntary until age 35, so there is no pressing need to act immediately. Sullivan expounded that it would be worthwhile to return to a benefits discussion with new faculty in late fall once life has settled down for them.

Sullivan's experience was that even when benefits were raised during the hiring process, the recruit simply does not care. This raises the question of whether anything can be done before new faculty arrive on campus to make them predisposed to saving for retirement. Sullivan commented that nothing formal is done with graduate students in this regard, so the only possibility is when their discipline, such as finance or economics, focuses them on such issues.

During a later presentation, Daniel Denecke discussed models for integrating financial planning education into graduate student training. Denecke discussed the feasibility, desirability and potential benefits of incorporating such training into a long-standing and successful program, the Preparing Future Faculty (PFF) initiative. This initiative has developed and disseminated a model for PFF programs across many doctoral universities and Denecke maintained that the PFF initiative could serve as a conduit for retirement planning education.

Denecke argued that graduate students would value such education and benefit from it. He further argued that promoting the recognition that long term financial planning should be part of the development of the academic workforce would have communal benefits for higher education as it competes with the private sector for graduates. Graduate school is where individuals decide whether to pursue an academic career with one factor being whether they consider such a career financially feasible. Denecke maintained that financial planning education would enable graduate students to envision a career in academe as financially viable for them.

Denecke discussed the success of PFF programs in taking the tacit and implicit knowledge about achieving success in an academic career and making it explicit and broadly accessible to graduate students. He sees financial and retirement planning education as a supplement to existing program structures which could be delivered as one-day workshops integrated into the faculty development experience.

Risa Palm, Provost and Vice Chancellor for Academic Affairs, The State University of New York, reiterated Sullivan's observations and explained that new faculty hires do not focus on their retirement benefits despite the best efforts of the human resources staff for three reasons. First, new faculty members do not see themselves as being in their permanent locations. They view themselves either as unlikely to get tenure or as being able to move into a position at a more prestigious college or university. Second, their immediate goal upon arriving on campus is succeeding as regards teaching and research; retirement simply is not part of their thinking. New faculty will hear their tenure clock begin to tick the moment they arrive on campus, so professional concerns likely occupy the forefront of their minds. Finally, new faculty tend to be young and thus view themselves as immortal. They can not envision themselves in retirement.

Related to this third point, the use of the word "retirement" was discussed. It was argued that the word does not resonate with young individuals. Many do not plan to retire, at least in the traditional sense. It was maintained that presenting retirement preparation as "longevity planning" might work better. If individuals view retirement saving as wealth building that allows them the independence to do whatever they wish in their later years, they may be more receptive to begin saving.

It was also observed during the discussion that staff will turn to the human resources department where there is expertise regarding the retirement plans. Faculty, however, tend to turn to their colleagues, chair, dean and the provost; there is generally minimal expertise regarding retirement saving to be found with these individuals. This implies the need for direct outreach to faculty so that when they are ready to discuss retirement savings, they go to the appropriate individuals. It also implies the desirability of using chairs and deans to facilitate meetings between new hires and human resources and representatives of the school's retirement plan provider(s). Research has confirmed what has often been anecdotally observed regarding the impact of peer effects and social interactions on retirement savings decisions on campus.<sup>1</sup>

It was further observed that new hires are likely inattentive to other financial planning needs in addition to retirement saving. Many appear to be underinsured for life and long-term disability. This speaks to a need for education and advice regarding an individual's complete financial picture, including saving for retirement, but also protecting their life and human capital through appropriate levels of insurance.

### **DEFINING SUCCESS**

What constitutes success in devising and implementing a strategy for increasing new hires' engagement in retirement planning? The ideal is someone saving from day one, with contribution amount and asset allocation the result of informed analysis. But is this a realistic expectation given the new hire experience on campus?

Curtis Lloyd wants SUNY employees to feel that the human resource team prepared them well for a financially secure retirement. Lloyd's key to that is saving for retirement early and often. The situation for SUNY employees involves the added dimension of having to choose between a defined benefit or defined contribution plan as their primary retirement plan within 30 days of beginning employment. Lloyd noted that 65 percent of professional employees choose the defined contribution plan. Contribution rates are non-discretionary in the defined contribution plan with the employer and employee contributing a total of 11 percent during the first seven years of employment and 13 percent thereafter.<sup>2</sup> Lloyd candidly admitted it is not obvious whether that will generate enough income in retirement. Asset allocation decisions are important to the end result. In addition, an individual's planned retirement age and plans for retirement matter in this regard. That is why participation in the SUNY supplemental saving plan may be important to employees' retirement income security. SUNY is hardly unique in these regards.

Lloyd said his challenge is to ensure that new employees have sufficient information and education to make the one-time, irrevocable decision regarding plan participation within the 30-day window. Lloyd observed that retirement planning is not typically addressed in detail by new hires. Lloyd maintained that retirement planning should be a partnership between the individual, the institution and the plan administrators. To that end SUNY provides extensive information to employees regarding their retirement program options and plan providers provide various online, print and in-person resources to help individual plan, save and invest appropriately. Fund level investment advice is part of the service. Currently, SUNY is developing retirement planning seminars focused on providing young employees with more information about the need to save and methods for increasing their retirement savings.

### **INSIDE THE MIND OF A NEW HIRE**

Eldar Shafir explained various concepts from behavioral science and related them to the decision to begin saving for retirement. Shafir's first point of emphasis was that context exerts powerful pressure on what individuals do and in

1 See "The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence from a Randomized Experiment," by Esther Dufló and Emmanuel Saez, *The Quarterly Journal of Economics* (August 2003) and "Participation and Investment Decisions in a Retirement Plan: The Influence of Colleagues' Choices," by Esther Dufló and Emmanuel Saez, *Journal of Public Economics* vol. 85 (2002).

2 SUNY contributes 8 percent for the first seven years and 10 percent thereafter. Employees contribute 3 percent for ten years, with the university paying the employee contribution thereafter.

many cases we just don't understand how much the power of the situation matters. Shafir argued that intention to act, even when strong, often matters much less than the contextual situation faced by an individual.

Applied to retirement saving, Shafir explained that even though an individual may have a strong intention to begin saving, his or her context can interfere and prevent that intention from translating into action. He went on to say that education will generally not be sufficient to move new hires to begin saving for retirement. While education can create an understanding of the need to save and an intent to do so, context will still interfere and prevent action. Context can be as simple as "I'm too busy right now," the very scenario described above by Teresa Sullivan and Curtis Lloyd. As Shafir described it, such individuals are "savers," they just have not begun to save yet because life interferes.<sup>3</sup>

Shafir maintained that the objective in addressing contextual barriers should be to provide a moment to catch individuals and have their attention, and then make it quick and easy for them to execute a decision at that moment. Shafir acknowledged that this is not necessarily easy to do and may make some uncomfortable because they feel they are manipulating human behavior. But Shafir maintained this is appropriately viewed as designing contextual nuances—which in some form or another cannot be avoided—in ways that help people follow through on their intentions. Shafir explained the use of channel factors to do this, e.g., use education first to create the intention to save and then provide a context that maximizes the likelihood of follow-through.

Shafir discussed other barriers such as when individuals defer a decision because they are overwhelmed by the number of options and thus the choices they must make. He discussed this in terms of "too many" investment options overwhelming individuals with the end-result that they defer the decision to save.<sup>4</sup> The same could be true of the decision regarding what percentage of salary to save—"I'll sign up as soon as I decide how much to save."

He also explained that people make local decisions, i.e. they don't think very carefully about the long term because that's hard to do, but they nonetheless want to make decisions that seem correct now even if the pay-off is decades away. If they do not feel confident that the decision is correct, they will defer the decision. This is often addressed in marketing by presenting an obviously inferior alternative. Shafir noted that individuals can be provided with information regarding the number of others who have made the same decision. Both strategies remove doubt and increase comfort regarding the decision. He also recommended allowing individuals to undo their decision at any time; people are unlikely to revisit and undo their decisions, but knowing that they can makes them more comfortable with deciding.

Shafir concluded by noting that people do not like making a decision that results in a nominal present loss, i.e., that costs them money today.

Gal Zauberman addressed the challenge of motivating individuals to make current sacrifices that will result in future benefits. Zauberman argued that there is ample evidence that individuals place tremendous, in fact what most would consider excessive, weight on the present compared to the future. He further noted that these implicit time preferences are context dependent. For example, individuals' discount rates are in many cases resource dependent as evidenced by the different discount rates that individuals exhibit for time as opposed to money.<sup>5</sup> He also discussed

3 Research examining the impact of TIAA-CREF financial education seminars has shown that financial education can influence workers to reconsider their retirement goals and alter their saving behavior. Many participants in the seminars stated that they intended to alter their saving behavior. Frequently, however, plans to alter retirement savings were not immediately executed. See "Adjusting Retirement Goals and Saving Behavior: The Role of Financial Education," by Robert L. Clark and Madeleine d'Ambrosio, TIAA-CREF Institute *Trends and Issues* (February 2008).

4 Existing research has confirmed this effect. See "The Effects of Choice Proliferation on Retirement Savings Behavior," by Sheena Iyengar, TIAA-CREF Institute *Trends and Issues* (May 2008).

5 See "Resource Slack and Propensity to Discount Delayed Investments of Time versus Money", by Gal Zauberman and John G. Lynch, *Journal of Experimental Psychology, General*, 134 (1) (2005).

evidence that discount rates are highly dependent on time horizon; discount rates will be greater, much greater in some cases, the shorter the period of time involved.<sup>6</sup> Zauberman explained this means that people will care deeply about any deviation from today but are not as sensitive to deviation between any future days. He noted that understanding why this happens and in what contexts it matters might provide insights regarding how to communicate differently and lead individuals to make better decisions.

Zauberman believes the most relevant explanations for such time preferences have to do with individuals' perceptions. One perception issue is related to time; it has been observed that individuals' subjective time horizons do not match objective time horizons. The result being that people tend to make decisions as if they truly do not understand time. Zauberman explained research demonstrating that people have log-like curves of time perception. So while it appears that they have very high discount rates for short periods compared to longer periods, psychologically they have the same discount rates across time, but it is in respect to their own unique perspective on time. Effectively this means that "20 years from now" and "30 years from now" look the same and mean the same thing to an individual. The challenge then is to help people comprehend how these time horizons differ.

A second issue relates to how individuals perceive outcomes. People react to the concrete, not to the abstract, and Zauberman explained that individuals tend to view things in the short-term in very concrete, tangible terms. Not so for things in the more distant future. For example, people have very concrete notions of the reasons they need money in the next month. But they have no concrete notion of what they will need retirement savings for; it's too abstract for them.

Applied to retirement savings, Zauberman explained it is important to be concrete in communications and education—tell individuals what they will need money for in retirement and how much will be needed. Zauberman did not maintain that this will eliminate time perception bias, but he does consider it likely to reduce it.

A final time perception issue is what Zauberman called slack theory<sup>7</sup> which implies that people will be very willing to commit to doing something in the future, but when the future arrives they will wish they had not done so. People have a perceived lack of time in the present compared to a perceived time slack in the future. Even if there is every reason to believe that the future will be just as busy as today, individuals tend to behave today as if that is not the case. Zauberman explained slack theory implies that new hires will be more willing to commit to attending a retirement saving seminar or meeting if the session is next month as opposed to next week. Zauberman further explained that if they pre-commit and it's difficult to cancel, then they will go through with the meeting. He also noted that slack theory implies value in helping individuals realize that next month will be just as busy as today, so they might as well take action now.

Zauberman explained that slack theory applies to money as well time; often not as dramatically, but the pattern is the same. For new hires who will experience increasing salaries, this perception at least partially reflects their reality. But as Zauberman noted, they will also likely experience increased levels of spending dictated by necessities so that their "available" money may not increase or increase as much as expected. Helping individuals understand this reality may be helpful as well.

Zauberman did not maintain that helping people understand their misperceptions of time will completely address the challenge of motivating new hires to begin saving for retirement, but it can certainly make a valuable contribution particularly if incorporated with the insights put forth by Shafir.

6 See "Some Empirical Evidence on Dynamic Inconsistency," by Richard Thaler, *Economic Letters*, 8 (1981).

7 Zauberman and Lynch (2005).

## LEVERAGING PLAN DESIGN

There are retirement plans in higher education where participation is mandatory immediately and contribution levels by the individual and the institution are non-discretionary. An alternative is automatic enrollment whereby individuals are defaulted at the time they begin employment into a plan. Individuals always have the option of opting out of plan participation. Research has demonstrated automatic enrollment to be effective in boosting participation rates<sup>8</sup> and while not a focus of the symposium presentations, a number of participants raised this as a viable strategy to be considered given the tendencies of human behavior that were discussed.

Some institutions may not view participation defaults as the ultimate answer. While unlikely for most, some new employees will inevitably opt out thinking that at this point in their career they do not need to save or cannot afford to save. If they do not opt out and take no action, their contribution rates and asset allocations remain set by the default.<sup>9</sup> Auto-enrollment may or may not lead to a more active engagement of individuals over time. At some point individuals need to become active participants in their retirement planning and saving to ensure accumulations sufficient for an adequate and secure retirement income, even if this active engagement results in the maintenance of the default allocations and contribution amounts.

## COMMUNICATION, EDUCATION AND MARKETING

Previous symposium presentations and discussion made clear that while education may increase understanding, change beliefs and create an intention to act, it may not actually result in an executed decision to save. Furthermore, there is even the possibility that education could change behavior in an unintended direction. For example, educating someone regarding the amount of savings needed for a secure retirement may discourage him or her from saving if that amount is viewed as unachievable. This led to the premise that retirement savings needs to be marketed.

Punam Keller reiterated the inadequacy of education alone in moving new hires to begin saving for retirement and advocated a role for social marketing<sup>10</sup> in addressing the challenge. While Keller acknowledged that context and perceptions of time and slack are barriers to beginning to save, she explained that marketing can address these types of barriers. Keller outlined how social marketers begin with the premise that their good ideas may not be viewed as such by their target audience. Accordingly, the first step is careful listening. Social marketers would start by asking new hires what they think about retirement and retirement planning with a special emphasis on the barriers that prevent them from saving for retirement. She emphasized the imperative to delve into the thinking of the individual by making them understand that it is not a foregone conclusion that they are currently making the wrong decision by not saving.

Keller, along with Annamaria Lusardi and Adam Keller, has applied social marketing principles to the Dartmouth College supplemental retirement savings plan. Common barriers to participation were found to include financial issues such as a perceived lack of income, existing debt payments, and non-discretionary spending needs. A common and critical barrier was also the reaction—"I don't know where to start," which can reflect issues such as uncertainty regarding where to go, how much time it will take, what information will be needed in order to sign up, and what decisions need to be made in the process of signing up. They also found that small actions can cause huge barriers to beginning to save, such as not knowing the social security number of a beneficiary. Furthermore, they found that barriers differed across different segments of employees.

8 See "Capitalizing on Inertia: Automation Boosts Retirement Savings," by Mimi Lord, TIAA-CREF Institute *Trends and Issues* (June 2006) and "Enhancing Retirement Savings Outcomes in Employer Sponsored Savings Plans Part 1—Increasing Participation," by Brigitte Madrian, TIAA-CREF Institute *Trends and Issues* (October 2005).

9 Target-date lifecycle funds can be used for the default asset allocation and contribution rates can be automatically increased on an annual basis (again with the ability to opt out of the automatic increase.)

10 Social marketing aims to improve the welfare of individuals and society by applying commercial marketing principles and strategies to social behavioral issues (such as inadequate retirement savings rates) with the objective of changing individual behavior voluntarily.

In her comments, Keller argued that such barriers are real and given these barriers, individuals are behaving rationally in terms of why they don't save and why they don't think about retirement. It is important therefore to address the small barriers while encouraging new employees to think differently about the big barriers. Based on the Dartmouth project experience, this can be accomplished by designing a planning aid that addresses the barriers preventing action, thus allowing individuals to readily overcome them. The planning aid must be short and simple, while giving all the information an individual needs to successfully sign up for the retirement plan.

The planning aid developed at Dartmouth greatly enhanced enrollment in the supplementary retirement savings plan. Compared to a control group that was not exposed to a planning aid, Lusardi, Keller, and Keller observed a sharp increase in participation. The percentage of employees exposed to the aid who enrolled in the supplemental savings plan within 30 days was triple that of those in the control group (21.7 percent versus 7.3 percent.) A much higher fraction, 44.7 percent, opened a supplemental savings account within 60 days versus an enrollment of 28.9 percent in the control group after 60 days. Further modification of the aid, resulted in an increase in participation to 27.6 percent from 21.7 percent in the immediate run (30 days).

The research indicated a set of principles that may guide the development of "best practices"—simplification, exploiting teachable moments, targeting specific subgroups and developing planning aids for individuals to complement saving programs.<sup>11</sup>

Jamie DePeau observed that historically TIAA-CREF and its client institutions have not viewed engaging new hires in retirement savings as a marketing opportunity. Her comments emphasized the need for a genuine partnership between the college or university as plan sponsor and its retirement plan provider, such as TIAA-CREF, to boost enrollment. She noted, for example, that while Keller's planning aid from Dartmouth is a fabulous tool, a plan provider could not produce it due to regulatory restrictions.

DePeau explained that traditional strategies such as benefits fairs, orientation meetings, enrollment material and large group seminars are no longer adequate to engage new employees in retirement saving, even if they do attend and review the materials. She maintained that education is still important to enrollment, but it has to be completely redesigned. More specifically, a "marketing" mindset must replace the traditional "plan communications" mindset.

DePeau referred to research currently underway to gain a deeper understanding of the new hire experience and learn the points at which these individuals make their retirement saving decisions. She observed that it was typical for only 15 minutes to be spent on the retirement plan and retirement savings during new employee orientations. This led DePeau into a discussion of channels for content delivery. Preliminary findings indicate that 90 percent of new hires report that after receiving the enrollment materials they have used or will likely use their institution's website to learn more about their benefits, including the retirement plans. Only 30 percent say they will use the plan provider's website. This signals an opportunity for partnering where the plan provider provides content that can be repurposed for use on the institution's benefits website.

She noted how the symposium's discussion explained why the research has found that new hires are not interested in a one-on-one retirement saving session. This necessitates returning to new hires with a second touch after they have been on campus for a while. Still to be determined through additional testing with various marketing outreaches is when that second touch is most appropriate and effective.

She also noted two other early findings in the research. Small group sessions that are sponsored by an authority figure such as a dean or department chair are much more likely to be attended by new faculty. The other was that

11 See "New Ways to Make People Save: The Dartmouth Project," by Annamaria Lusardi, Punam Keller and Adam Keller, TIAA-CREF Institute *Trends and Issues* (June 2008).

personalized advice sessions have real value since they allow targeting at the individual level.

DePeau concluded with a discussion of the importance of social marketing, especially given that new faculty are from Generation X, Generation Y and the Millennials. She believes that opportunities to educate, market and engage individuals in retirement saving through channels such as podcasts, blogs and YouTube need to be explored. The potential value of such channels lies in proactive outreach to individuals as opposed to waiting for them to come to a website. She also raised the potential of engaging new hires through social networking via the internet.

Subsequent discussion among symposium participants addressed the value-added of engaging the spouse of the employee when possible. The importance of a prominent role by the human resources office was reiterated and combined with a discussion of the challenge of partnering when there are multiple plan providers on campus. There was elaboration on targeting and understanding the target audience, and on the need to be flexible enough to reach individuals when they want, through the channel they want, with a message that will motivate them. This was viewed as marketing that is specialized and segmented, and that ultimately has the most potential for success.

### **KEY TAKEAWAYS**

Andy Brantley began the closing session by noting the complex environment in which college and university human resource professionals function. This complexity arises from various sources, but an end result is the pressure to provide employees with as much choice as possible. This often translates into multiple retirement plan providers operating on campus. Yet within this complex environment, Brantley emphasized the strong desire of HR officials to make their benefit programs understandable for employees.

In highlighting key takeaways from the symposium, Brantley emphasized:

- That retirement plans should be viewed in the context of an overall total reward strategy and that benefit packages in higher education need to be reinvented to be flexible in meeting the needs of employees' different life stages and circumstances.
- The importance of retirement plan design, including the consideration of mandatory retirement plan participation.
- The importance of tailoring retirement saving communications to younger staff in terms of scope, content and delivery channel.
- The potential of priming new faculty regarding retirement saving while still in graduate school.
- The desirability of providing resources to the non-HR individuals that new faculty tend to approach for guidance.
- The need to change the vocabulary away from "retirement."
- The value of providing new faculty and staff with information regarding the retirement savings tendencies of existing faculty and staff, not as recommendations, but as motivation.

Cathy McCabe commented that a key takeaway was that success with new entrants will require an emphasis on integrating the efforts of colleges and universities sponsoring retirement plans with those of their plan providers. Notable areas for these coordinated efforts include:

- Better understanding the triggers that drive action as opposed to simply building awareness.
- Positioning retirement savings in concrete terms rather than the abstract and pursuing segmentation to customize messages within the new hire population.
- Clearly defining success for the new hire population at a given institution and developing initiatives focused on these benchmarks.

- Leveraging respected colleagues and administrators.
- Exploring opportunities to engender a predisposition to retirement saving in graduate students, or maybe within the recruitment process.
- Establishing the provision of objective advice as crucial to the ultimate retirement income security of an employee; she noted that TIAA-CREF sessions have led individuals to begin saving and savers to increase their savings rates as much as 40 percent.

In her observations on the day, Olivia S. Mitchell proposed a series of small steps that would lead over time to full engagement in retirement planning. She emphasized the need to change the focus away from retirement planning and saving and toward financial risk management in a career, with the latter including life, disability, and health insurance along with retirement saving. She noted the importance of providers reaching out to faculty frequently—when they are reappointed, when they become tenured, and when they are promoted; each transition being a ‘teachable moment.’ She also discussed ways to make saving fun and referred to the example of lottery bonds in the United Kingdom. Mitchell suggested that there could be great value in using senior faculty to launch the career risk management discussion, either through meetings with junior faculty or via on-line testimonials.

## **CONCLUSION**

How can the insights from this symposium be used to address the challenge of motivating new faculty, staff and administrators to begin saving for retirement? It is clear that a deep understanding of the barriers that keep new employees from beginning to save is requisite. Such barriers can result from the context of the new hire experience, biases in time perceptions, feeling overwhelmed by the decisions that must be made while enrolling, wanting to be sure that the right decision is made, as well as other factors. Social marketing provides a framework for gaining such understanding and then developing strategies and aids to market retirement savings to new employees and make it easy for them to begin saving. Ideally, the development and execution of these strategies will result from a partnership between the college or university and its retirement plan provider, such as TIAA-CREF.

For example, one possibility is a brief meeting to educate new hires about the retirement plan, to provide them with concrete examples of why they will need retirement savings and how much will be needed, and to inform them of the retirement savings participation of other groups of employees. Such meetings could be sponsored by department chairs and college deans. The meeting would also provide the opportunity to sign up quickly on the spot; individuals would be reminded that next week and next month will be just as busy as today, so they might as well sign up now. The objective being to create a context that encourages and makes it easy to follow through on intent to save.

Furthermore, the decisions required during sign-up could be limited. For example, individuals may simply choose to begin saving in the plan and then a predetermined amount is deducted from their salary (say, 5 percent) and invested in a predetermined portfolio (say, a life-cycle fund.)<sup>12</sup> Alternatively, individuals could be given a limited number of contribution rates (say, 3 percent, 5 percent or 7 percent) and a limited set of model investment portfolios from which to choose.<sup>13</sup> Also, the plan could be structured so that salary deductions do not begin for a period of time, e.g., six months, so that there is no nominal present loss associated with the decision.

An additional tact is trying to make new faculty pre-disposed to retirement saving before arriving on campus through financial planning education offered to Ph.D. students while still in graduate school. The task of marketing retirement savings to new faculty would be easier if they arrived already educated about the need.

12 Research has shown that such an enrollment process can be effective in increasing participation rates. See “Defined Contribution Plans: Plan Rules, Participant Decisions, and the Path of Least Resistance,” by James J. Choi, David Laibson, Brigitte C. Madrian and Andrew Metrick, Pension Research Council Working Paper 2002-3 (2002).

13 A further objective would then be to have the individual make an informed evaluation of his or her contribution amount and asset allocation at a subsequent time, say one year later, and make the appropriate adjustments.

**ABOUT THE AUTHOR**

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