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Employer-Provided Retirement Planning Programs

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Impact of Financial Education in the Workplace

- Objectives of study:
 - What do workers near retirement know?
 - Do participants learn during these programs?
 - Does enhanced financial knowledge alter behavior?
 - Do workers value retirement planning programs provided by their employers?

Methodology

- Partnered with 9 large national employers
- Examine their retirement planning programs for retirement eligible employees
- Develop pre and post event surveys
- Measure learning by evaluating responses to knowledge questions
- Estimate change in key retirement plans

Importance of Study

- Considerable attention to lack of saving throughout the work life
- Less analysis of key financial decisions during the transition from work to retirement
- Many decisions are one time and irreversible but will determine economic well-being in retirement
- Evaluating the effectiveness of employer-provided financial education programs

Key Retirement Decisions

- When to leave career job
- Whether to take lump sum distribution of DB
- Whether to annuitize 401(k) accounts
- When to start SS
- Whether to change investment strategies

Employer Partners

- Nine partners, this paper uses data from 5 employers who offered programs in 2008
- Partners are:
 - Becton, Dickinson, and Company (BD)
 - North Carolina State University
 - Progress Energy
 - Weyerhaeuser
 - The Williams Companies

Selection Process

- By invitation from employer
- Higher rate of attendance by invitees
- Programs are on-going, so over time most retirement eligibles attend

Surveys

- Detailed surveys requiring 10 to 20 complete
- BD, Progress Energy and Weyerhaeuser used hard copy surveys on site
- NCSU and Williams used electronic surveys sent about a week before and the day after the event
- Response rate by varies across employers

Employer Results

- Paper includes summary of each employer partner, their retirement benefits, and mean results from the surveys
- We have provided detailed reports to each partner to help them evaluate their programs
- Econometric results based on pooled data
- Analysis based on 28 seminars with 395 participants

Did Participants Learn?

- Table 3 in paper lists 10 questions concerning general financial knowledge, provisions of national retirement programs, and provision of employer retirement programs
- Mean score before events 7.1; mean score after seminar 8.4
- In general, participants are more knowledgeable than Mitchell and Lusardi find for the HRS respondents, Why?

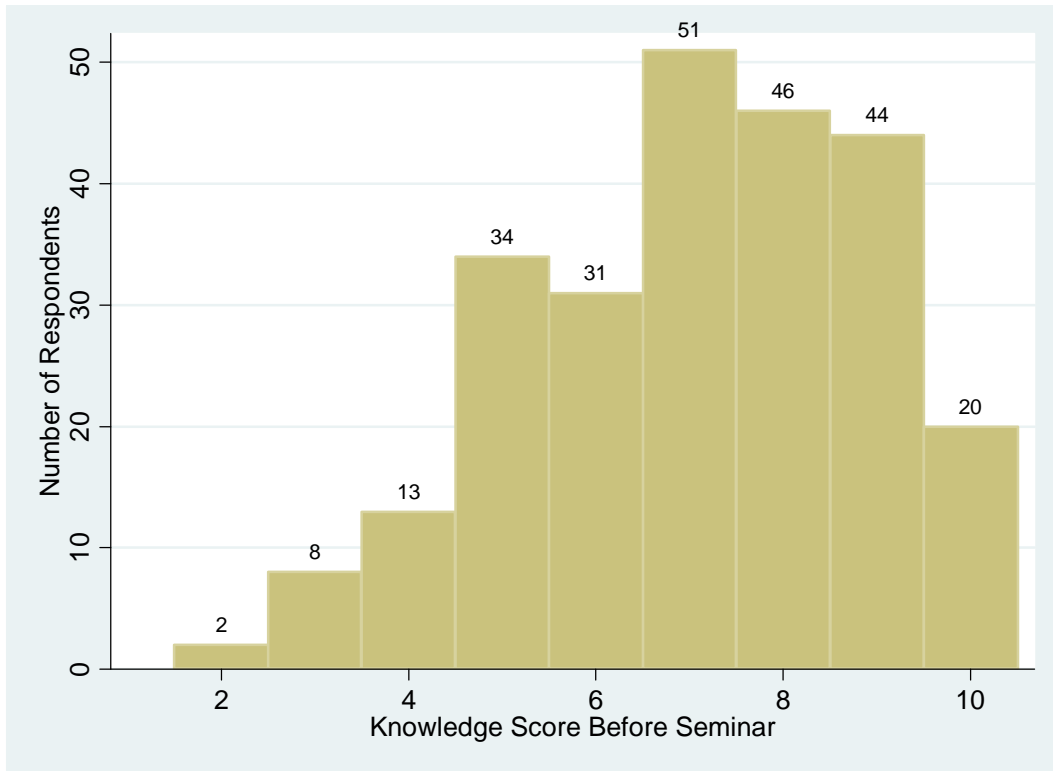


Figure 1A: Knowledge Score Before Seminar

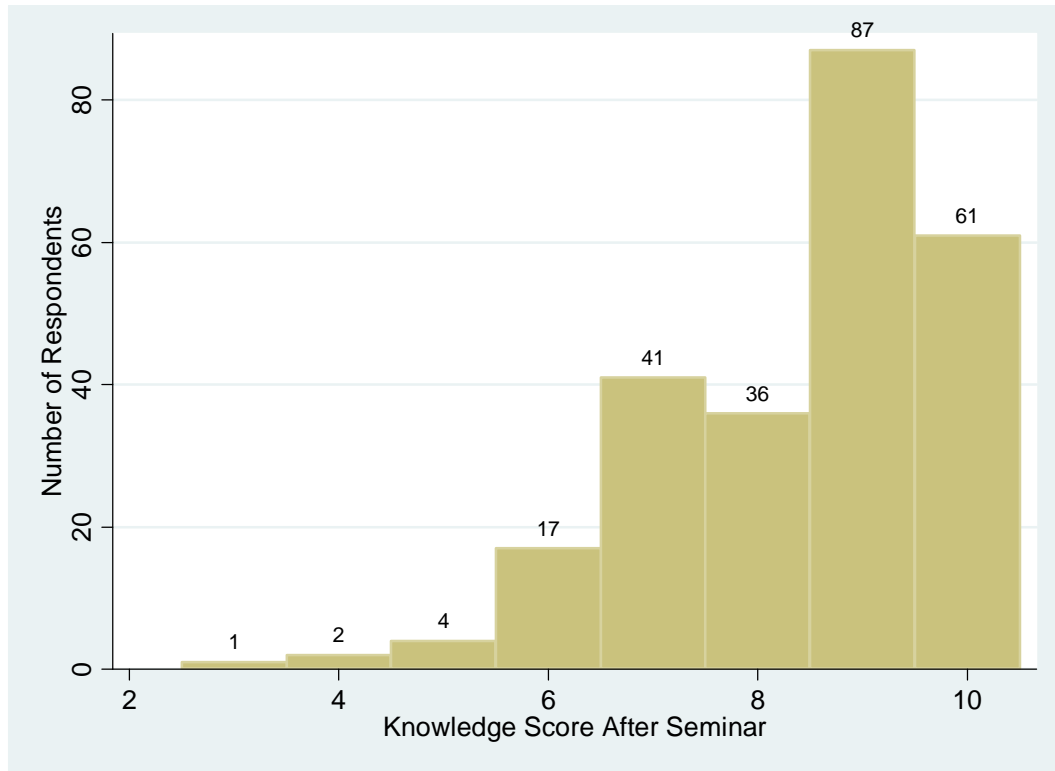
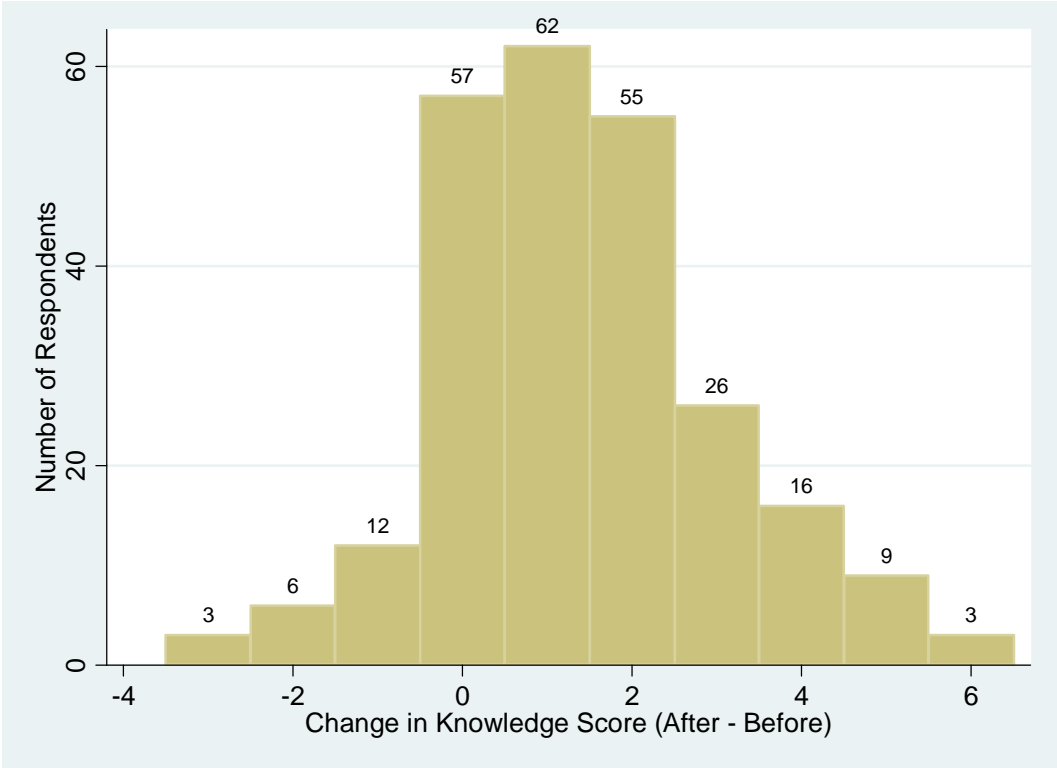


Figure 1B: Knowledge Score After Seminar



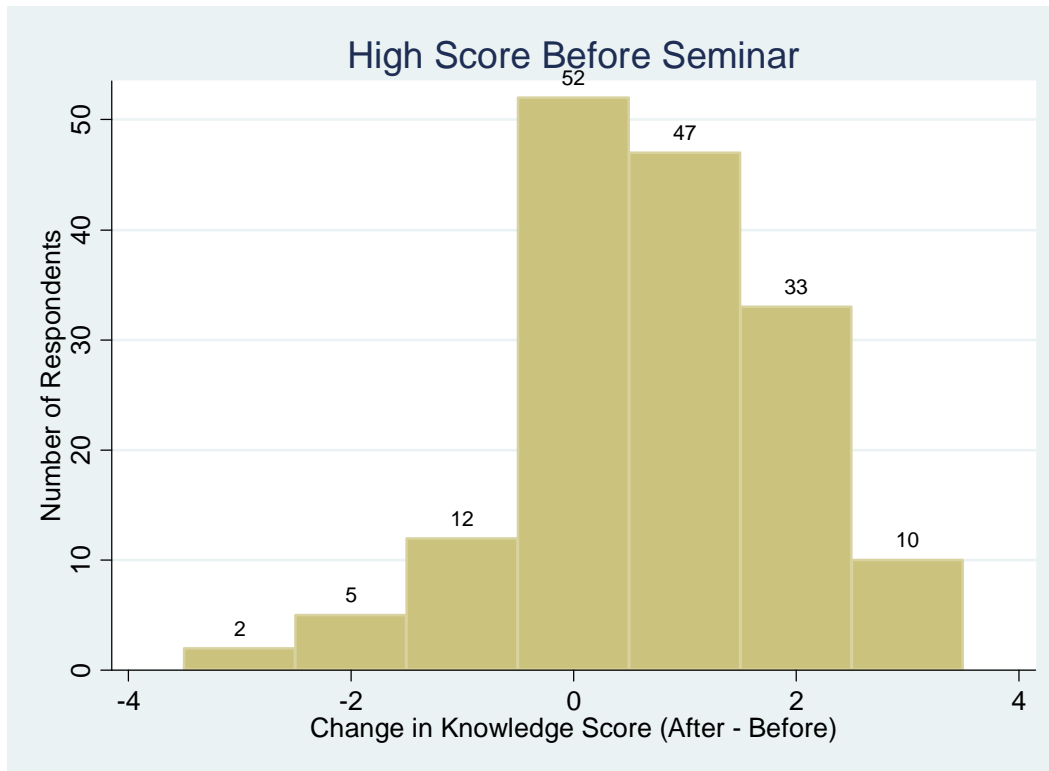


Figure 2B: Change in Knowledge if Score Before Seminar was 7-10 Questions Correct.

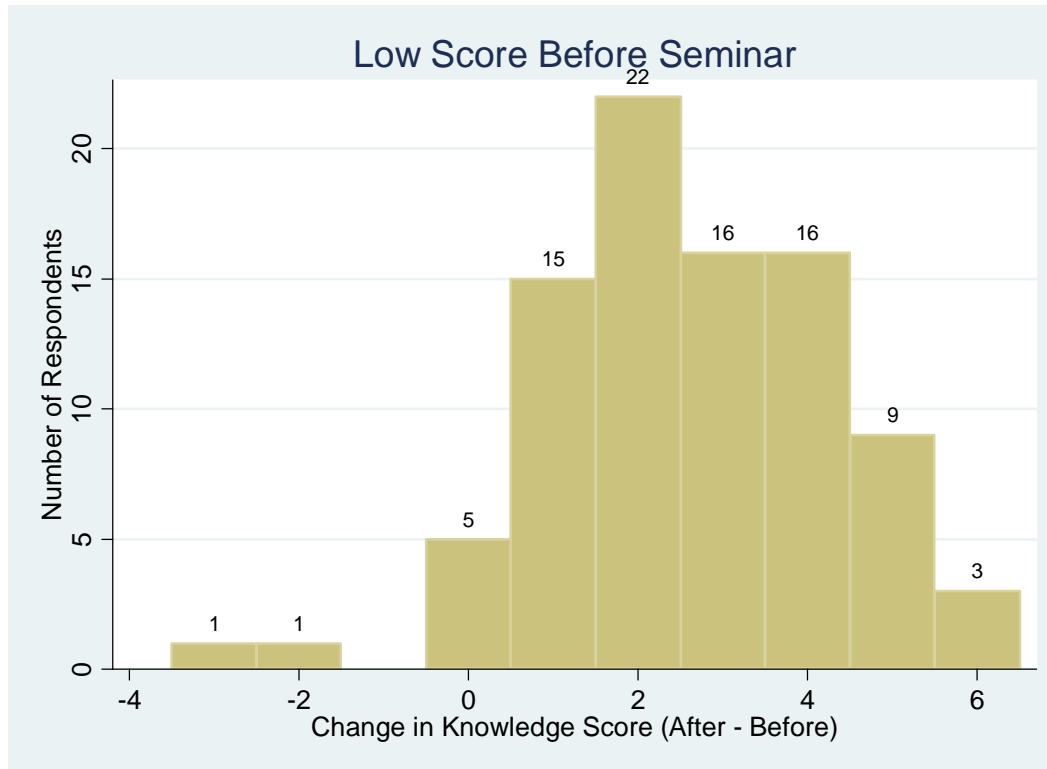


Figure 2C: Change in Knowledge if Score Before Seminar was 0-6 Questions Correct.

Index of Knowledge (Potential Scores 0 -10)

Characteristic	Categories	Before Seminar	After Seminar
Full Sample		7.06	8.44
Age	50-58	6.86	8.40
	59-65	7.37	8.50
Gender	Male	7.34	8.61
	Female	6.50	8.11
Education	HS or Less	6.00	7.41
	Some College	7.18	8.56
Earnings	50K or Less	6.34	7.88
	More than 50K	7.34	8.68
Years of Service	Less than 20	6.86	8.38
	20 or More	7.15	8.46
Self-Assessed Knowledge	1-4	6.56	8.17
	5-7	7.70	8.76
Years from Planned Retirement	Less Than 5	7.48	8.69
	Five or More	6.48	8.10

	Knowledge Score Before		Knowledge Score After	
	(1)	(2)	(3)	(4)
Age	0.099 (0.034)**	0.130 (0.035)**	0.019 (0.025)	0.030 (0.025)
Male	0.708 (0.280)*	0.297 (0.320)	0.556 (0.203)**	0.365 (0.231)
Married	0.027 (0.321)	-0.104 (0.328)	-0.036 (0.232)	-0.274 (0.237)
Tenure	0.010 (0.014)	0.010 (0.014)	0.007 (0.010)	0.004 (0.010)
Some College	0.964 (0.373)*	0.916 (0.365)*	0.928 (0.270)**	0.794 (0.277)**
Earnings Medium		0.514 (0.463)		0.666 (0.333)*
Earnings High		1.097 (0.501)*		0.886 (0.361)*
401(k) Account Balance Medium		0.590 (0.507)		0.728 (0.365)*
401(k) Account Balance High		0.677 (0.597)		0.817 (0.431+
Company Fixed Effects	X	X	X	X
Constant	0.091 (2.036)	-2.659 (2.170)	6.736 (1.471)**	5.191 (1.565)**
Number of Obs.	249	239	249	239
R-Squared	0.12	0.16	0.18	0.23

Change in Retirement Plans

- ***24.4% of Respondents Changed Planned Retirement Age***
- ***30.9% of Respondents Changed Planned Age to Start Receiving SS Benefits***
- ***46.6% Expected to Work after Retiring before the seminar; after the seminar 56.9%***
- ***Plans to annuitize 401(k) accounts and/or take lump sum distributions also were altered***

Desire for Program and Program Evaluation

Question	
The program provided all or most of the information needed for retirement.	96.8%
Overall very good or excellent program.	92.8%
Overall very good or excellent presenters and program leaders.	96.4%
Will be able to make better choices	88.3%
Plan to change some retirement plans because of program.	80.2%
Participation raised awareness of benefits provided.	77.2%

Concluding Observations

- Participants increased their financial knowledge by attending these programs
- Participants altered retirement plans based on new knowledge
- Participants gave programs high marks for quality and content