As an employer, you share an important motivation with your older employees: Neither of you wants to continue working beyond retirement age simply because you believe you can’t afford to retire. And research shows your older employees may benefit from more active guidance from you to get their retirement plan in shape.

Statistics regarding baby boomers serve as a good barometer about the preparedness of soon-to-retire Americans, because the youngest baby boomers are in their 50s now, and an average of about 10,000 boomers will reach age 65 each day until 2030, according to the Pew Research Center (http://tinyurl.com/7tddcdn).

Results from the 16th Annual Transamerica Retirement Survey (http://tinyurl.com/j3gxfvf), published in August 2015, include some red flags about how unprepared boomers may be to retire on time. For example:

- Only 14 percent of boomer survey respondents have a written retirement strategy. Perhaps this isn’t as serious an issue at age 50 as it is at age 60, but it’s still troublesome. Fifty-one percent said they have a strategy but it isn’t written, while 35 percent have no strategy at all.
- Almost half of boomers estimated the amount they’d need to save for retirement by guessing. Only 6 percent used a retirement calculator and 4 percent used an amount provided by a financial advisor.
- The median contribution rate to a 401(k) or similar plan is only 8 percent for boomers. This rate could very well leave workers considerably short of an adequate nest egg. Less than half the boomers surveyed believe they have a sufficient nest egg.

These numbers are probably driving upward the age at which boomers expect to retire. Half of the boomer survey respondents expect to retire after age 65 and 15 percent don’t plan to retire at all.

Consider the Cost to Your CU When Employees Can’t Retire

Employees who stay on the job up to and beyond their traditional retirement age can be a major asset for CUs. Experience and institutional knowledge are critical. Your longest-tenured employees may well be your most effective leaders and mentors. If retirement-age employees are staying solely for the paycheck and benefits, however, their morale and performance can suffer. This can exacerbate two key risks employers must manage with older workers:

Higher overall costs: Employers typically pay higher salaries and higher health/disability insurance premiums for older workers, who normally have and use more vacation and leave time. For a high-performing employee, this shouldn’t be an issue—you’re paying fair value for the employee’s knowledge, experience and competence. But poor morale and productivity can spread to other employees.

Career log jams: Younger employees who are ready to move up the line can be blocked by employees who choose to work past retirement age. You don’t want to lose the resources you’ve invested in grooming employees for leadership because their path upward is blocked and they’re poached by a competitor.

A log jam affects not only the employee at the front of the jam, but all those stacking up behind, waiting for their shot. For every one of these blocked employees who leaves, you take on the additional cost to recruit, hire, and train a replacement, who may take many months or years to perform at the level of the person who has left.

To avoid these expenses and encourage more talent to stay with you, invest in helping your older employees prepare to retire when they really want to retire.

Three Ways to Help Boomers Prepare for Retirement

Including some key features in your defined contribution plan—such as automatic enrollment, matching contributions, and automatic deferral escalation—can make a significant difference in how effectively all your employees save for retirement. But for older employees, take some additional steps to help them make the right decisions:

1. Track income replacement forecasts. CUs should be getting annual or quarterly status reports from their retirement plan providers. You should be able to sort such reports by age group. Pay special attention to the age group of 50 and older.

2. Career log jams: Younger employees who are not contributing to their retirement plan, or who are contributing less than average.

3. Look at allocations. If you have target date funds available, are older employees using them? If they are choosing their own
investment mix, is it appropriate for their age? A key goal in reviewing this type of data is to look for trends. If a majority of your older employees seem to be making poor decisions regarding their 401(k) or similar plan, you may need to rethink your strategy.

2. **Help soon-to-retire employees understand their Social Security benefits.** According to a 2016 report by Willis Towers Watson (http://tinyurl.com/judshbd), the main reason most employees retire is shifting. Eligibility for government programs has become more important. The reduction in defined benefit pension programs is likely a key driver of this shift. (See “Why do Workers Retire?,” below, for detailed survey results.)

One consequence of this trend is that it's becoming more important for older employees to understand how their Social Security and Medicare decisions will affect their standard of living as retirees. Make a concerted effort to educate employees who are nearing retirement age about how government programs work, and about changing eligibility rules for Social Security.

3. **Provide the tools employees need to make informed decisions.** According to the Insured Retirement Institute's 2016 update on the retirement preparedness of boomers (http://tinyurl.com/onbmxzr), more than eight in 10 boomers who work with a financial professional said they are better prepared for retirement as a result.

If your retirement plan provider doesn't offer access to personal, one-on-one retirement planning advice, and/or your CU doesn't have an arrangement with in-house or outside advisors, arrange for that service. It doesn't have to be face to face. In fact, many workers prefer remote (via phone and Internet) access to advisors.

Remember, you have one natural motivator you can use to get older employees more engaged in planning their exit: time.

Employees can put off retirement planning quite easily in their 20s, 30s, and 40s. But after that, you should be able to get their attention and buy-in—it’s ultimately in both your best interests.

Rob Peters is a retirement services senior marketing consultant for CUES Supplier member and strategic partner CUNA Mutual Group, Madison, Wis. For more information, contact him at Rob.Peters@cunamutual.com.

### Why do Workers Retire?

A January 2016 research report from Willis Towers Watson (http://tinyurl.com/judshbd) was based on a survey of Americans 65 and older who were asked what motivated them to retire when they did, and how they feel about retirement now. The percentage of those who based their decision on employer benefits decreased by almost a third, while the percentage of those who based their decision on eligibility for government benefits increased threefold.

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<tbody>
<tr>
<td><strong>Personal</strong> (health, desire for leisure and enjoyment)</td>
<td>25%</td>
<td>29%</td>
<td>38%</td>
<td>39%</td>
<td>+14</td>
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<tr>
<td><strong>Employer</strong> (retirement incentives)</td>
<td>41%</td>
<td>40%</td>
<td>34%</td>
<td>27%</td>
<td>-14</td>
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<tr>
<td><strong>Normative</strong> (eligibility for government programs)</td>
<td>6%</td>
<td>10%</td>
<td>14%</td>
<td>18%</td>
<td>+12</td>
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<tr>
<td><strong>Workplace</strong> (dismissive corporate culture, disengagement, not feeling valued)</td>
<td>10%</td>
<td>15%</td>
<td>14%</td>
<td>19%</td>
<td>+9</td>
</tr>
<tr>
<td><strong>Family</strong> (spouse’s retirement or health of family member)</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
<td>11%</td>
<td>+1</td>
</tr>
<tr>
<td><strong>Capacity</strong> (ability to perform job)</td>
<td>3%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>+5</td>
</tr>
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Source: Willis Towers Watson