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Meeting the Retirement Challenge
New approaches and solutions for the financial services industry

Deloitte Center *for* Financial Services

Contents

Executive summary

The fact that so many Americans are not adequately prepared for retirement has been widely documented.[1] However, in considering potential solutions to meet this challenge, the role of financial institutions is often overlooked.

The financial services industry has certainly devoted considerable resources to this effort. In 2011 alone, the industry spent $1.14 billion to advertise a growing number of products and services designed to address retirement and investment needs, up 4.9 percent from the year before.[2] Furthermore, there are hundreds of thousands of financial professionals of various stripes — financial planners, advisors, brokers and insurance agents — educating, marketing and offering retirement advice to millions of Americans.

So why is it that despite this substantial focus on retirement products and services, the industry's efforts have fallen short? Why are there so many who do not have a formal plan for retirement, and don't work with professionals to help them prepare such a plan? And why is there such a fundamental disconnect between the financial services industry and the consumers who so acutely need such advice and solutions?[3]

To help the financial services industry come to grips with this conundrum, the Deloitte Center for Financial Services conducted a survey among nearly 4,500 consumers from a wide range of age and income groups. (See page 19 of this report for more details about the survey sample and methodology.) Our goal was to generate insights into how financial institutions might develop new approaches and solutions by better understanding the attitudinal and behavioral constraints preventing consumers from taking more control of their retirement destiny.

The survey findings reinforce that many people are quite aware that they are not doing enough on their own to prepare for retirement. As a result, they feel far less secure about their long-term financial future. The survey also identified a number of reasons why the inertia on retirement planning persists despite extensive efforts by insurers, banks, mutual funds and brokerage firms to help consumers address this challenge.[4]

Analysis of the survey data revealed five main barriers inhibiting many Americans from taking a more disciplined approach to setting retirement goals and putting in place the required mechanisms to achieve a secure future. These interconnected barriers are:

1. **Conflicting priorities:** While retirement is a leading concern for a majority of the survey respondents, many cited difficulty balancing such long-term needs with other, often more immediate financial priorities.
2. **A failure to communicate:** Financial institutions often do not effectively reach those who may need retirement planning advice and solutions, particularly via the workplace. And even when they do, they don't necessarily integrate consumers' retirement needs as part of a broader financial plan taking into account other priorities.
3. **A lack of product awareness:** Many consumers are simply not familiar with a number of retirement product options at their disposal.
4. **Mistrust in financial institutions and intermediaries:** A significant number of individuals do not have a high degree of trust in financial services providers and their intermediaries to offer objective advice and deliver on what they promise to serve individuals' retirement needs.
5. **The "do-it-myself" mentality:** Many consumers either don't want or feel they don't need professional advice in retirement planning. For many, this might be a short-sighted decision, given the complexity of retirement finances and the potential value an advisor could offer.

In this report, we offer insights about each of these barriers, and suggest how the industry's operating models and marketing approaches might need to evolve so that financial services providers can more effectively reach and serve consumers in tackling their retirement needs.

Potentially, many of these barriers can be overcome by adopting a more holistic approach, in which retirement needs are addressed early in a customer's lifecycle, but in conjunction with other financial priorities. Changing the mindset of both consumers and retirement services providers and encouraging a more integrated discipline to retirement planning is probably a very important step that can be taken to resolve the retirement dilemma.

But this is not the only step needed to help make consumers better prepared for retirement. There are other initiatives financial institutions and their intermediaries might consider to help them overcome the lack of trust and dearth of product familiarity, while perhaps prompting more of those with the "do-it-myself" mentality to reconsider and seek professional advice.

Potentially, many of these barriers can be overcome by adopting a more holistic approach, in which retirement needs are addressed early in a customer's lifecycle, but in conjunction with other financial priorities.

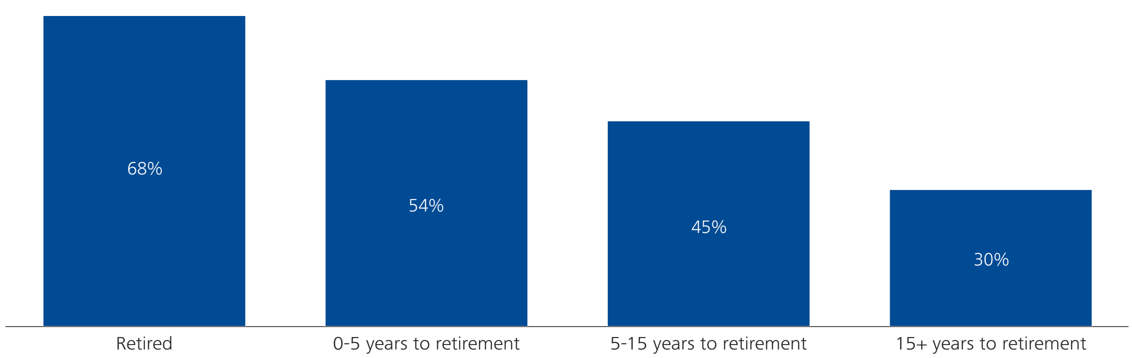
Reality check: Planning makes a big difference

According to Deloitte's Retirement Survey, a majority of Americans — 58 percent — do not have a formal retirement savings and income plan in place. This planning gap widens the further the respondent is from their expected retirement date — rising to 70 percent among those who don't expect to leave the work force for 15 years or more (Exhibit 1).

This is particularly alarming given the fact that 93 percent of respondents 15 years or more from retirement, who do not have a formal retirement plan, believe that Social Security will not meet their retirement needs. In addition, unlike about half of those surveyed who are already retired, 80 percent of this segment will not have a defined benefit pension plan to fall back on. Yet far too few are taking steps to put into place supplements or alternative sources of retirement income to secure their financial future.

Moreover, while those with higher incomes are generally more likely to have a plan to finance retirement, greater affluence alone provides no such guarantee. Our survey reveals that even among those with household incomes of over $100,000, 43 percent have no formal retirement plan. These numbers get worse as we go down the income ladder. Among those with household income between $75,000 and $100,000, 57 percent do not have a retirement plan, rising to 61 percent in the $50,000 to $75,000 bracket.

Exhibit 1. Percent having a retirement plan (By proximity to retirement)



Source for all exhibits: Deloitte Center for Financial Services Retirement Survey 2012

According to Deloitte's Retirement Survey, a majority of Americans — 58 percent — do not have a formal retirement savings and income plan in place.

Why don’t you have a formal retirement plan?

“Too scary.”

“No formal plan; just winging it.”

“I need to pay off debt so I can concentrate on savings.”

“Not gotten around to it.”

“Never got one done before I ended up retired. Now I just plan based on what I have.”

Source: Deloitte Center for Financial Services Retirement Survey 2012

Why does planning matter for retirement security?
Academic research on the topic of planning and goal attainment demonstrates that those who establish plans are more likely to engage in behaviors that help them achieve their goals. According to research conducted by Professor Annamaria Lusardi of Dartmouth College, “planning matters for savings.” This is particularly the case among lower-wealth households and those with less education.[5]

Other research supports these findings. For instance, a paper by Ameriks, Caplin and Leahy (2002) shows “that those with a higher propensity [to plan] spend more time developing financial plans, and this shift in planning effort is associated with increased wealth.” Accordingly, planning for retirement can have a significant impact on savings and wealth accumulation behaviors.[6]

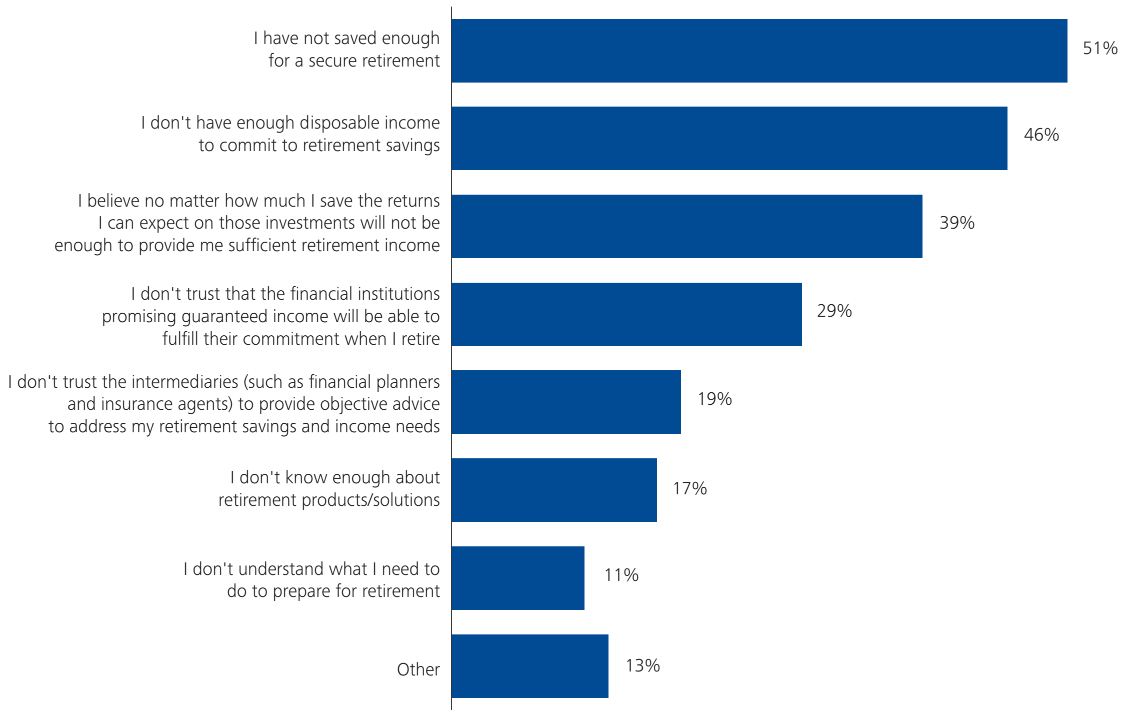
Planning also helps individuals feel more secure about their retirement. Our survey bears this out. Respondents with a formal plan to generate retirement savings and income were four times more likely to feel very secure (52 percent) about their retirement compared to those without a formal plan (only 13 percent). Of course, having a plan does not mean people are actually saving enough for retirement, but it’s a start.

Deloitte’s survey also suggests that there is a relationship between the use of professional advisors and retirement security. Indeed, the survey found that 40 percent of those using financial advisors felt very secure about their retirement, versus only 22 percent of those who do not seek professional advice. In addition, 66 percent of respondents with a financial advisor have a formal plan for retirement savings and income, versus only 28 percent of those without an advisor.

Diving deeper into the underlying factors fueling retirement insecurity, the two main ones (cited by about half of those Deloitte surveyed) is the failure to save enough for retirement needs, followed closely by a perceived lack of disposable income to save toward retirement.

There is cynicism to overcome here as well, with about four in 10 convinced that no matter how much they save, the return on those investments won’t be enough to generate sufficient retirement income (Exhibit 2). Among those who feel this way, 70 percent do not have a formal plan for retirement, while 60 percent do not work with an advisor to address their retirement needs.

Exhibit 2. Reasons for retirement insecurity



Because those with a formal retirement plan feel more secure about their financial future than do those without one, it is reasonable to hypothesize that if more individuals put together such plans, retirement savings, and consequently retirement security, may in turn rise.

The challenge, then, is how to overcome the barriers that are preventing many Americans from seriously addressing their retirement needs as part of a formal planning process.

Retirement game plan: What are the barriers, and how might they be overcome?

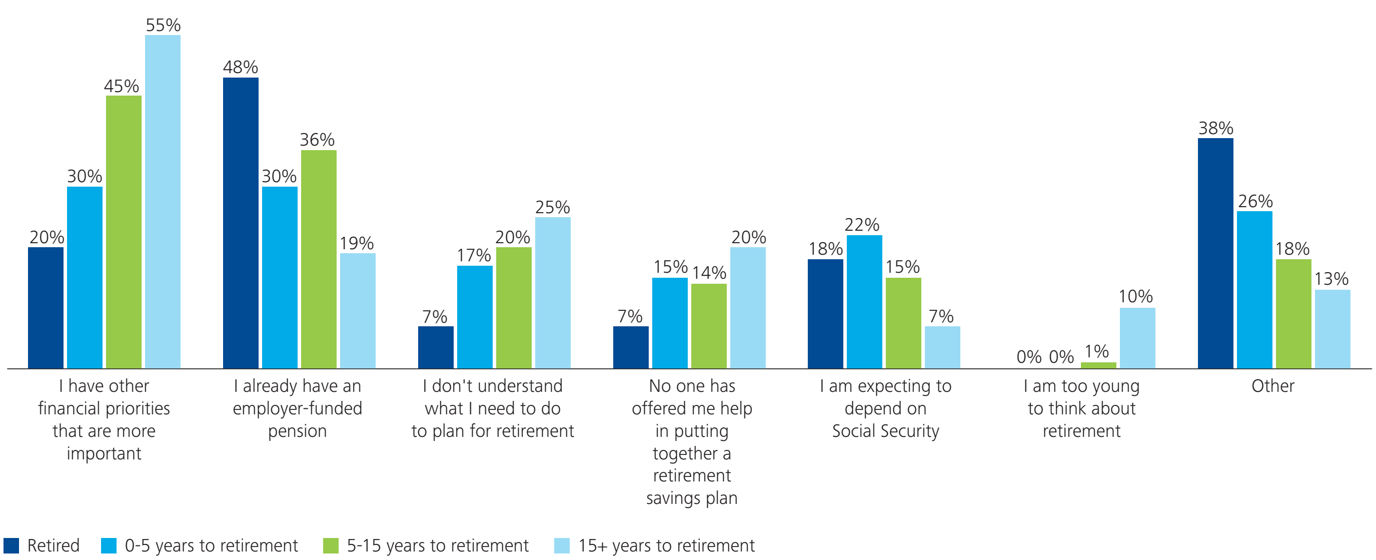
1 The 'conflicting priority' barrier

While there are multiple concerns requiring consumers' attention, most Americans consider retirement their most important priority. Deloitte's survey found that saving for retirement is by far the most highly ranked financial goal, even among those who are years away from retiring.

For those who don't anticipate retiring for 15 years or more, just over half cited retirement savings as their first or second priority, dwarfing other considerations such as paying off a mortgage (26 percent) or closing out other debts (30 percent). Not surprisingly, retirement savings becomes more important as people get closer to their anticipated retirement — it is a first or second priority for 69 percent among those between five and 15 years from retirement, and 74 percent among those within five years of retiring.

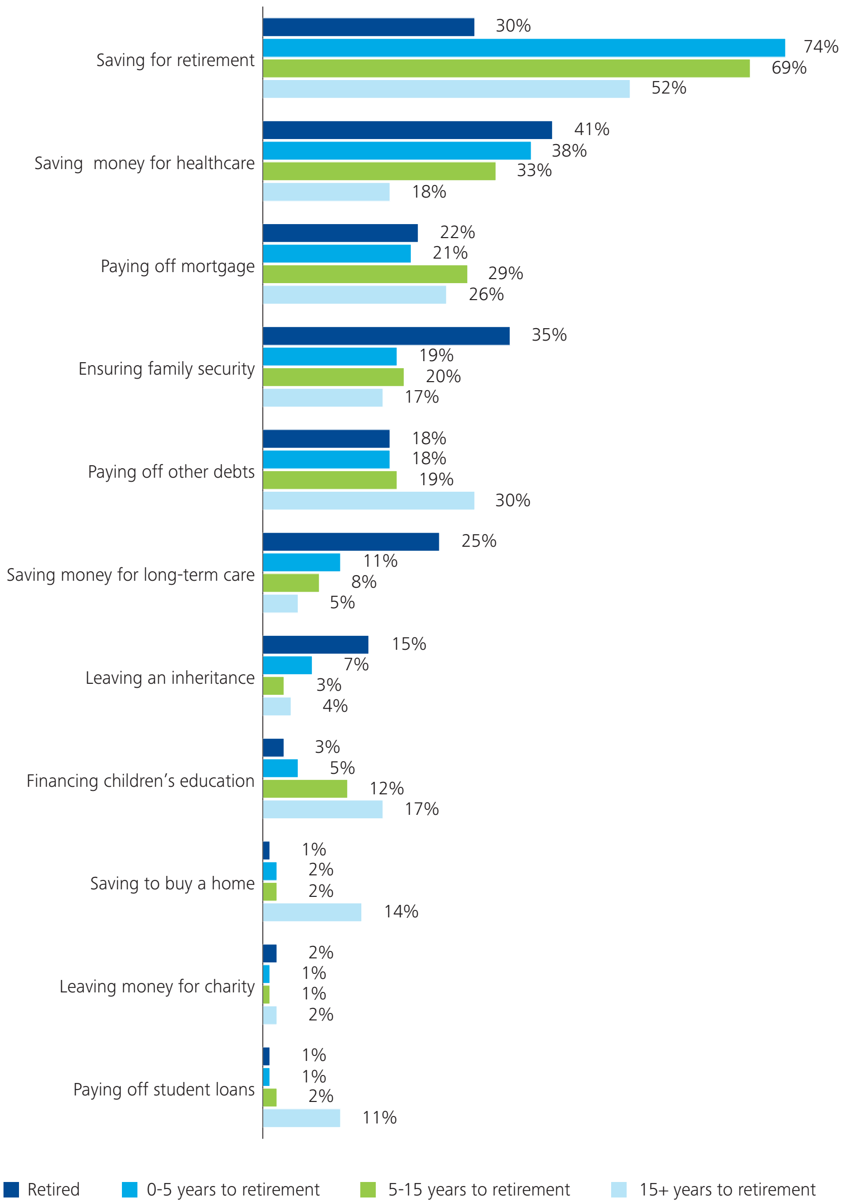
Yet the most common reason for not being able to save for retirement, cited by about 40 percent of respondents, is that other financial priorities get in the way — including paying off a mortgage, student loans and other debt, or saving for their children's education. As one respondent said, *"Right now I have more pressing ways to allocate my money."* This is particularly the case among the younger respondents (Exhibit 3).

Exhibit 3. 'Other priorities' cited as top reason for not having a formal retirement plan (By proximity to retirement)



Yet the most common reason for not being able to save for retirement, cited by about 40 percent of respondents, is that other financial priorities get in the way.

Exhibit 4. Importance of financial goals (by proximity to retirement) – Percent rating as the top two goals



Next to retirement, the second most important financial priority, especially among older respondents, is saving money to pay healthcare costs (Exhibit 4). This is not surprising, considering that 70 percent of those surveyed said they expect their medical expenses to increase during retirement. This concern appears justified, when considering that healthcare expenditures are expected to grow despite recent reform efforts.[7]

A smaller but not insignificant number of respondents listed a related concern — long-term care expenses — as a top two priority as well. These findings are in line with a study from the Insured Retirement Institute showing that *"confidence in meeting long-term care costs appears to decline with age."*[8]

Concern over medical costs not only undermines retirement security but also appears to discourage the retirement planning process itself. One-third of respondents within five years of retirement surveyed by Deloitte said that no matter how well they prepare, they are concerned that healthcare and/or long-term care expenses could overwhelm their retirement savings and income goals. That percentage of doubters increases to 40 percent for those more than five years from retirement.

Overcoming the 'conflicting priority' barrier

As a result of multiple, often conflicting financial concerns, the majority of individuals tend to deal with their financial priorities in a disjointed fashion. Indeed, only one in five of those surveyed by Deloitte say they address retirement savings and income needs as interconnected with other priorities.

This myopic focus on the most immediate financial priorities prevents many from seeing the bigger picture, and discourages them from considering and accounting for longer-term needs such as retirement.

In addition, a large segment of respondents is pessimistic about their ability to address long-term retirement needs even if they tried. This cynicism is clearly evident in the fact that many respondents believe (a) they don't expect to earn enough of a return on their investments to provide sufficient retirement income, and (b) no matter how much they save, healthcare costs will ultimately overwhelm their nest egg.

This lack of confidence in their ability to make a difference with retirement planning could be one prime reason why so many people don't bother trying to put together a retirement plan in the first place, and therefore see no reason to seek out professional help to do so. After all, in the view of such individuals, what would be the point?

To begin to overcome the 'conflicting priority' barrier, financial services providers should consider offering prospects and current clients holistic approaches and solutions. It likely does little good to pitch retirement products alone to someone who is more concerned for the moment with mortgage or other debt issues.

Conflicting priorities could be addressed as part of a comprehensive financial plan that at least gets the prospect started on retirement preparation, even if the initial efforts are relatively modest. By addressing the bigger picture and taking other priorities into account, consumers will likely gain more confidence that they can in fact start accounting for retirement needs at the same time, making adjustments as they advance in the life cycle.

For example, concerns about financing healthcare and long-term care costs could be addressed in conjunction with retirement savings and income planning. Indeed, they are likely to be key components in any comprehensive plan to adequately prepare for retirement.

Part of the challenge in overcoming this barrier may be the product-centric organizational structure that is quite common in many financial services companies. For instance, institutional businesses (such as employee benefit services) might be separate from consumer-focused retail operations, or insurance separate from investments. Or distribution might not be well integrated with the product development function.

Also, current incentive structures may not encourage collaboration across business lines to offer the holistic solutions that many consumers need. In order to provide such services and be successful at it, certain structural changes in operating models might be required.

A financial institution may not be able to directly address all of a consumer's financial needs under one umbrella. But broadening the discussion beyond retirement savings and income considerations, and helping consumers to think through their often conflicting concerns could transform a financial institution from a product provider into a financial facilitator and enabler, which may help them capture a greater share of the retirement piggy bank in the long run.

Establishing marketing partnerships with other providers, such as health or long-term care insurers, is one way to possibly expand the dialogue and deal more holistically with clients on retirement.

2 The communications barrier

Many consumers, even those who might be considered more lucrative from an asset-gathering perspective, are not being actively engaged by financial services providers. Six in 10 surveyed by Deloitte say they have not had interactions in the past two years with any financial institution about their retirement savings and income needs, whether via in-person meetings, phone conversations, e-mail communications or seminars. This disengaged percentage rose to about three out of four among those 45 and younger.

Even half of the respondents between ages 56 and 64 — those presumably with the greatest need for assistance given their proximity to retirement — said no one had been in touch with them on this subject. And fewer than one in four with a 401(k) plan say they have been contacted by the plan provider to discuss their retirement needs.

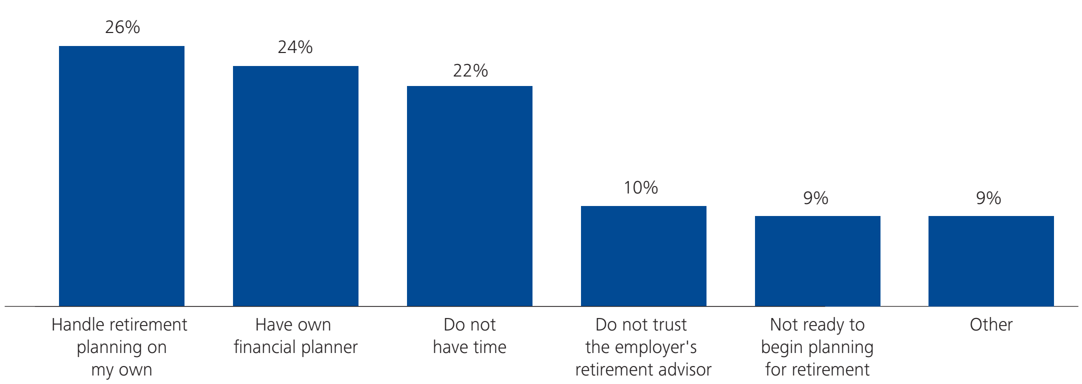
Not surprisingly, financial institutions appear to be concentrating most of their marketing efforts at the affluent segment. Deloitte's survey confirmed that the higher one's household income, the more likely respondents were to say they had been contacted by a financial institution about their retirement needs, particularly among those reporting household incomes above $200,000. That leaves large segments of the population underserved when it comes to retirement services.

Ideally, the workplace is a natural venue to communicate with the widest range of consumers about their retirement needs, given that for many Americans, a work-based 401(k) may be the only "plan" they have in place beyond Social Security to finance their retirement. Indeed, since their introduction in the 1970s, 401(k)s have radically altered the retirement landscape, putting more of the onus on individual savings while making the workplace one of the more important channels for retirement awareness and planning.

Indeed, four in 10 between the ages of 26 and 45 surveyed by Deloitte cited affiliation with their employer as one of the reasons for choosing a financial institution to meet their retirement needs. However, it appears that financial services institutions have not been able to fully tap the potential of workplace marketing.

Deloitte's survey found that nearly half of those with a 401(k) or some other workplace retirement plan were either not being offered retirement advice through their plan provider (28 percent) or didn't know if such advice was even available (19 percent).

Exhibit 5. Why don't employees seek advice via workplace plan providers?



Meanwhile, 57 percent of respondents who were offered retirement advice through their plan provider did not take advantage of this opportunity. One in four said that the main reason why was because they didn't need retirement planning advice. About the same percentage said they already had their own financial planner. But about 20 percent said they didn't feel they had the time for such consultations, while 10 percent do not trust the employer's retirement advisor (Exhibit 5).

Changes promulgated by the Pension Protection Act of 2006 (PPA) have provided employers with some additional flexibility to offer investment advice to 401(k) plan participants.[9] But significant restrictions remain under the statute and related regulations. As a consequence, many employers are concerned about incurring liabilities from providing investment advice in the employment context.

Overcoming the communications barrier

One way to overcome the communications barrier in an economically feasible way might be to bolster workplace marketing efforts. The workplace already has set the stage for holistic financial planning, given the easy access to retirement accounts, life and health insurance, and other financial services delivered via employee benefit plans and funded by payroll deductions.

Progress has already been made in leveraging this channel by influencing savings behaviors through auto enrollment and default investment options in 401(k) plans. But there may be additional steps financial institutions can take to proactively reach more prospects via the workplace.

Many of the diagnostic tools offered through workplace marketing today require the consumer to take the initiative, typically through web-based retirement calculators that offer very broad investment option suggestions.

Enhanced financial planning seminars for employees and their spouses — addressing multiple priorities including retirement — might be one solution to spur greater dialogue with financial institutions. Plan participants are already offered information about retirement through a number of workplace channels — including on-site seminars — but our survey analysis suggests that many don't take full advantage of this opportunity.

To generate greater interest in such advisory services, institutions and financial planners might have to entice plan participants with a broader curriculum that addresses retirement planning in a holistic context. Such presentations could be comprehensive and thought-provoking, designed to help prospects deal with a variety of financial priorities while prompting them to start a formal planning process so they may take charge of their own retirement security.

For the long term, financial institutions and employer groups might strengthen this channel for service providers and consumers alike by seeking additional legislative and regulatory reforms giving plan providers more flexibility to address employee retirement needs, while also offering employers more protection from potential liability.

> One way to overcome the communications barrier in an economically feasible way might be to bolster workplace marketing efforts.

3 The product awareness barrier

Accentuating the challenge for financial institutions is the fact that many consumers don't know enough about the most common products marketed to help address retirement savings and income needs (Exhibit 6).

For example, six in 10 either don't know anything about target date mutual funds (48 percent) or say they have heard of the product but don't understand how it works (12 percent). The percentages showing lack of awareness are consistently high across age and income segments.

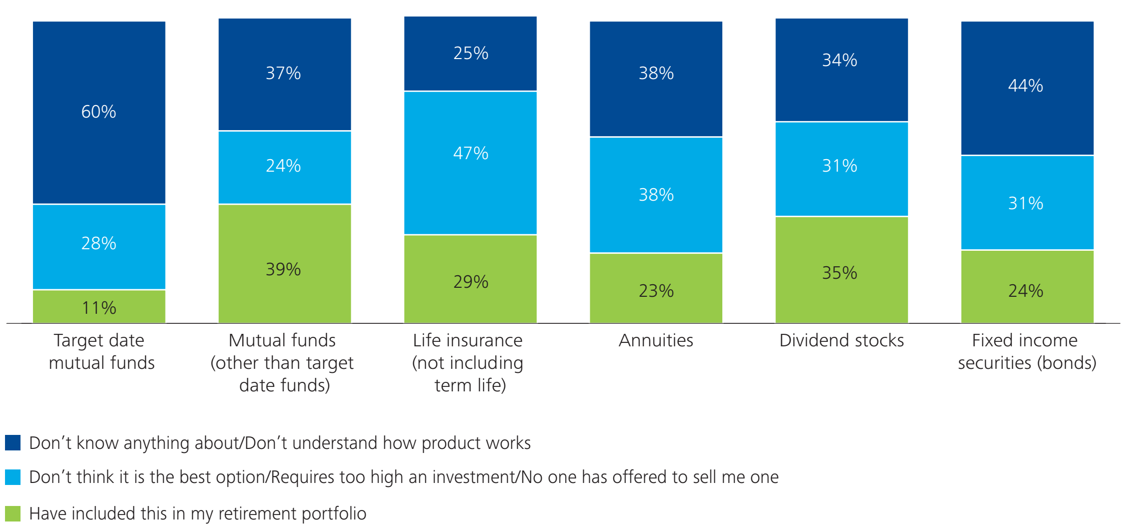
This lack of product knowledge extends to annuities and non-term life insurance as well. Nearly 40 percent surveyed by Deloitte don't know anything about annuities or understand how they work, with the percentage even higher among younger respondents. Twenty-five percent either don't know about non-term life insurance, or if they are aware, don't know what these products can do to bolster retirement savings and income.

Overcoming the product knowledge barrier

Most consumers may not need to know everything about the products they invest in for retirement, but some familiarity might be necessary to increase the buyer's comfort level to make investment decisions and to commit to a plan to bolster their overall retirement security. The challenge is how financial services providers can accomplish this.

One possibility is to reengineer or rebrand some existing products to provide greater transparency and clarity, so that consumers have a better idea how they can facilitate their retirement security — particularly for more recently introduced options. This might help overcome the fact that of those surveyed who had been contacted by financial institutions in the last two years about retirement planning, 25 percent took no action based on these interactions because the products and services offered did not meet their needs.

Exhibit 6. Familiarity with investment products



For longstanding product lines such as annuities and non-term life insurance, more aggressive campaigns to educate consumers about how the products work and what benefits they offer might draw more prospects over time. But consumers also might respond in greater numbers to more simplified, repackaged or even rebranded versions of these standard product lines.

In the spirit of holistic retirement planning, it may be worthwhile to consider additional hybrid product designs that address multiple financial priorities, such as efforts to market combinations offering long-term care options within a life insurance policy. Also, a dynamic portfolio approach to product allocation that accounts for changes in life goals, risk aversion and life stage both in the asset accumulation and decumulation phases could be the next frontier.

It is apparent from our survey that many individuals care about "easy access to money," principal protection and guaranteed income. While there are individual product sets that address these needs separately, the industry does not yet appear to be at a place where such product attributes can be bundled and sold at economically attractive price points.

As noted earlier, no one provider may be able to accommodate all of the various features sought by consumers because of their business focus and concentration on related capabilities.

One opportunity to overcome this problem might be to partner with other financial services firms offering complementary product lines.

This is also where the value could be emphasized of having a professional advisor to offer comprehensive advice and coordinate products and services from multiple providers under a single, holistic financial plan.

If consumers aren't aware of all of the options at their disposal in planning for retirement, or don't comprehend how some of these products function, the chances of consumers making sound choices for their retirement planning are likely to be reduced. The same can be said of those who choose to "do-it-myself" without understanding what solutions are available in the market.

4 The trust barrier

Lack of trust is another major reason why a large segment of consumers may be reluctant to allow financial services providers to help them with their retirement planning. The survey found that trust in all types of financial institutions is quite low, with no more than two in 10 of all respondents having a high degree of trust in any type of financial institution (Exhibit 7). Intermediaries did not fare any better, with only 15 percent expressing a high degree of trust in financial advisors, and only 11 percent finding insurance agents and brokers to be highly trustworthy.

Lack of trust for some may stem from a fear of losing control over their retirement portfolio, perhaps out of concern that financial services institutions and their intermediaries might be motivated to guide them towards investments benefitting the provider rather than the client. Such motivations might be commissions earned on investment transactions, placement with a favored provider or the marketing of an affiliated product.

This is illustrated by the finding that 20 percent of those surveyed by Deloitte indicated they don't trust intermediaries (such as financial planners and insurance agents) to provide objective advice to address their retirement savings and income needs.

Why don't you trust financial institutions or professionals for your retirement needs?

"After the Wall Street debacle, I don't have much faith or trust."

"Because I know so little about things in general, it's hard to trust someone because they could be leading me astray and I'd be none the wiser."

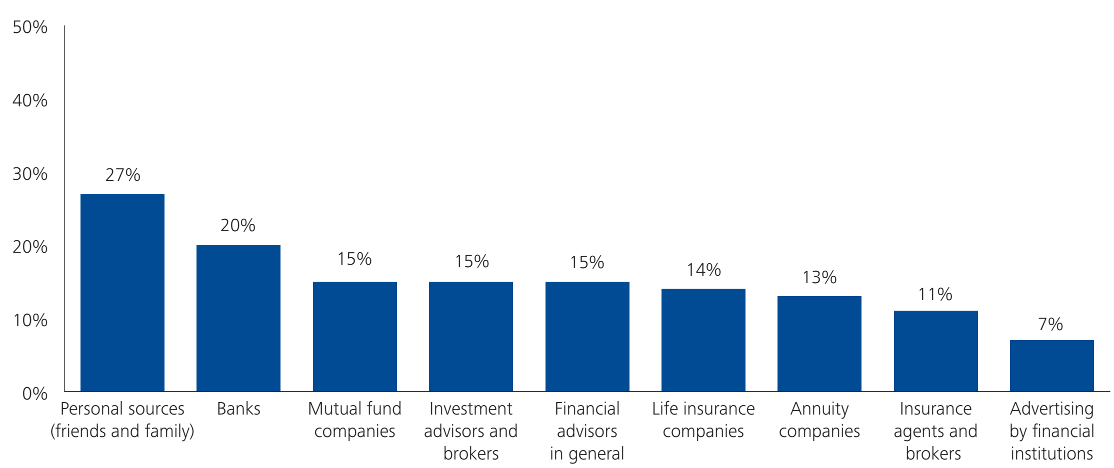
"Advertising is deceptive. I think brokers and insurance agents are out to make money, not to help you."

"I am concerned they are in it for the bottom line and not for my needs."

"I believe the bias in products/ services which they sell compromises their ability to objectively offer advice appropriate to my situation."

Source: Deloitte Center for Financial Services Retirement Survey 2012

Exhibit 7. Who do consumers trust on retirement? — percent cited as highly trustworthy



Gaining such trust is imperative. The Deloitte survey found that among respondents with formal plans for retirement, 83 percent of those who have a high level of trust in advisors used one to help put their plan together, compared with only 32 percent of those who have a low level of trust in such intermediaries.

The trust barrier likely influences product choice as well. For example, three in 10 respondents in Deloitte's survey said they don't trust institutions promising guaranteed income in terms of being able to deliver on their commitment when they retire.

Complicating efforts to overcome the trust barrier is the widespread skepticism towards advertising about retirement products and services, with only seven percent of those surveyed characterizing ads from financial institutions as highly trustworthy.

Overcoming the trust barrier

There may be no real easy or quick way to build something as complex and multi-faceted as trust. But there are several approaches that could be emphasized.

One possible way to engender greater trust is to use personal sources — including family and friends — as channels of communication regarding retirement matters. Nearly one in five of those with plans, but without advisors, said recommendations from a family member or friend might convince them to seek outside help with retirement planning. New social media strategies might be considered to leverage the power of personal recommendations.

Also, talking about retirement in the context of other financial and lifestyle concerns could result in greater trust and willingness to embrace the retirement planning discipline.

"Because of my lack of knowledge of retirement funds and plans, I feel that I could be taken advantage of by someone who would know that I was not knowledgeable."

Source: Deloitte Center for Financial Services Retirement Survey 2012

Reaching out to prospects at a younger age and establishing a longstanding financial planning relationship might also build greater trust and confidence in a provider's advice, products and services over time. This will allow retirement issues to be raised and addressed sequentially and gradually, rather than taking a more transactional approach that may be viewed as pushing one particular line of retirement-related products prematurely with the risk of alienating the client.

The preferred medium to overcome such barriers is face-to-face communication. This is where personal relationships can be most easily established and a wide array of priorities addressed to gain the confidence of consumers. The challenge is to get in the door for such one-on-one sessions.

But the biggest problem might be the costs involved in facilitating these high-touch interactions. Thus, this approach may be viable only for those evidencing strong prospects, and not every segment of the population, who might be more economically reached and serviced via online interactions.

5 The "do-it-myself" barrier

Deloitte's survey results suggest that using professional advisors has a significant impact on retirement planning and security. As noted earlier, those with a formal retirement plan are much more likely to feel secure about their long-term financial future. And those who seek professional advice on retirement are much more likely to have a retirement plan.

But nearly two-thirds of those surveyed by Deloitte (and about three-quarters of those who are 15 years or more from retirement) do not consult with a professional financial advisor for their retirement needs. Relatively few (13 percent) say that's because they've had a bad experience with an advisor. Fewer think price is an issue, with only 12 percent saying they can't afford an advisor's services.

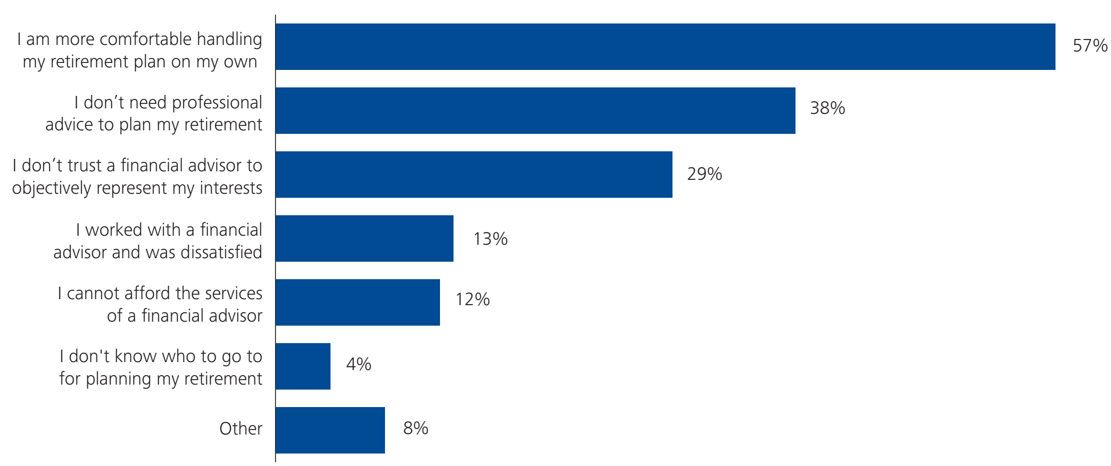
So, what's holding most people back from seeking professional advice?

Beyond the trust issues already addressed in the prior section of this report, there are a number of reasons why many choose not to consult with an advisor (Exhibit 8). But the main reasons for many represent two sides of the same coin — their higher comfort level in handling retirement planning on their own (Exhibit 9), and the belief that they don't need professional advice.

This "do-it-myself" mentality — while perhaps valid for those who have the expertise and experience in managing investments on their own — may not be the most appropriate method for many to navigate the potentially bumpy road to retirement, particularly given the survey's results regarding consumers' lack of knowledge when it comes to retirement products and services.

The challenge for financial institutions may be to effectively identify, target and educate more of these "do-it-yourselfers" about the benefits of professional advisory services.

Exhibit 8. Reasons for not consulting a financial advisor



Overcoming the "do-it-myself" barrier

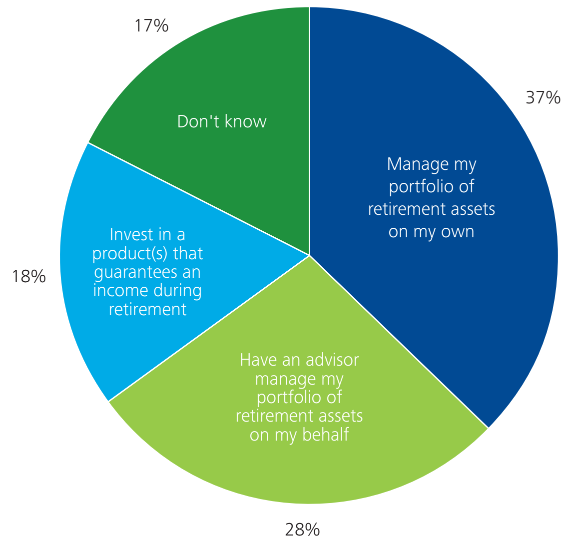
Targeting non-consumers of professional advice presents some interesting challenges for financial services firms. Obviously, only a subset of this segment might be persuaded to engage with professional advisors. But converting these do-it-yourselfers to advice-seekers could be rewarding if executed in the right manner.

The key might be to determine that the client feels they will remain in full control of their retirement portfolio. Once again, by serving as facilitators and enablers, providers could emphasize that while consumers are ultimately in charge of their own investment decisions, there is value in having expert advice so they are able to make more informed decisions, based on all the available options.

Also, to drive home the need for professional advice, new marketing and advertising campaigns could be deployed to point out the risks of "doing-it-myself" when it comes to something as critical and potentially complex as retirement planning. Following the lead of ad campaigns in the personal auto insurance market, such messages could be delivered in a humorous, entertaining fashion.

Providers could emphasize that while consumers are ultimately in charge of their own investment decisions, there is value in having expert advice.

Exhibit 9. Preferences for managing retirement assets



Conclusion: Meeting the retirement challenge

The retirement challenge facing many Americans seems increasingly more daunting. Efforts to help consumers meet these challenges appear to have resulted in limited success, judging by the general lack of preparedness among survey respondents, knowledge about the options available, and trust in financial institutions and professionals offering retirement solutions. This state of affairs, despite the billions of dollars spent by the retirement industry on sales, marketing and advertising of retirement products and services, presents quite a paradox.[10]

However, the onus might not solely be on the financial services industry — the government, employers and, most importantly, individuals themselves have to play a more active role. But there is more the industry could do.

There is perhaps no one easy solution for overcoming the barriers outlined in this report. But one of the first steps potentially is to convince more people to be more disciplined and take the initiative to put a retirement plan in place. Such changes in attitudes and behaviors are not easy to achieve and will likely take time. But the key is probably to initiate these changes sooner rather than later.

To encourage more consumers to initiate the planning process, the industry's approach likely needs to be more holistic in nature, taking into account a broader array of financial considerations that are relevant to most individuals. Retirement goals probably should not be addressed in a vacuum, oblivious to the more immediate, pressing financial demands on most people.

Part of this process could involve addressing a consumer's financial priorities sequentially — conducting a financial triage of sorts, tackling the most immediate priorities without ignoring longer-term concerns such as retirement. This is likely a new way of thinking not only for many consumers, but also for the industry.

What can financial institutions and advisors do to help consumers with retirement?

"Lots of advice that doesn't come off like trying to sell something. I want to trust you before I give you my money for a long time. Financial advisors should not come off like car salesmen."

"Break it down to the basics. 'Financial Advice for Dummies'."

"Be more proactive about helping me and make sure I understand everything you are telling me."

"Be open and honest. Provide all the options on the table including fees they earn so I can understand why they are selecting the various investment options."

"Explain all my options in layman terms without being condescending or assuming that I know certain basics. Do follow ups on a routine basis."

"I think there needs to be more education given to consumers on a variety of topics relating to retirement and other investment opportunities. It can be very confusing and time consuming to research it yourself."

Source: Deloitte Center for Financial Services Retirement Survey 2012

Our survey results suggest that there may be a fundamental disconnect between the retirement industry and a vast swath of consumers.

Instead of taking a narrow, product- and sales-centric view in addressing retirement needs, our research suggests that a different approach emphasizing holistic advice- and service-oriented solutions might be more productive, both for individual consumers and the industry.

Lastly, the workplace is potentially fertile ground to begin holistic conversations about retirement and related concerns, but such an approach can also be effective when contacting prospects individually outside of their jobs, as well as those who do not have access to employer-sponsored retirement options.

Retirement planning is probably one of the biggest financial challenges most consumers will ever face. The majority likely requires help to set the stage for a financially secure retirement, even if many of them don't yet recognize that need, or think they are better off handling their own portfolios rather than receiving assistance from a professional advisor.

Ultimately, it is the consumer who must take control of their own retirement destiny. But that doesn't mean financial services firms cannot play a bigger role.

Our survey results suggest that there may be a fundamental disconnect between the retirement industry and a vast swath of consumers. For a variety of reasons revealed in this survey, too many Americans either are not adequately preparing for retirement or believe a successful plan is beyond their capabilities. Too few are turning to professionals for advice and solutions. It's ultimately up to financial services institutions to rethink their operating models and approaches to more effectively meet this challenge.

About the survey

The data presented in this report are from an online survey conducted by Harris Interactive on behalf of the Deloitte Center for Financial Services. The survey was conducted during the last two weeks of August 2012 and had a total sample of 4,491 respondents. Survey respondents were required to be at least 26 years of age and be responsible for financial decisions in the household. Respondents were distributed across various geographic regions, income levels and age groups. The sample also included nearly a third of respondents from households with income above $100,000 per annum. The sample was weighted to represent the broader U.S. adult population. The information obtained during this survey was taken "as is" and was not validated or confirmed by Deloitte.

Endnotes

1 Employee Benefit Research Institute, "Retirement Confidence Survey," October 2012.

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