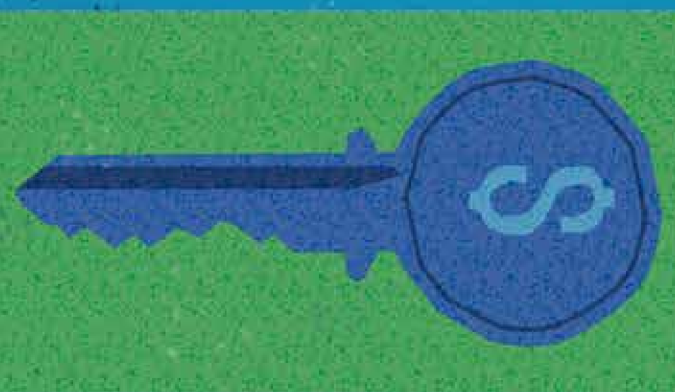
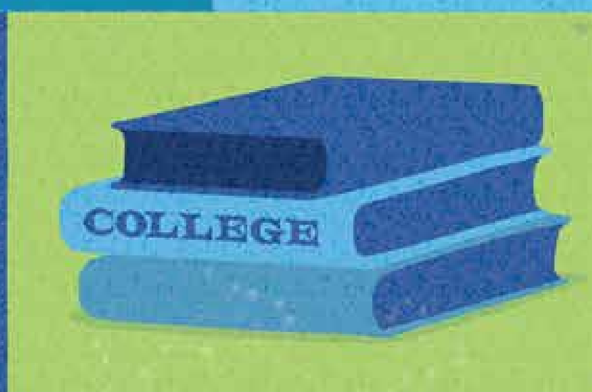
Making retirement security a reality:

What can financial institutions and advisors do?

A research report from the Deloitte Center for Financial Services





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Retirement "crisis" puts the spotlight on financial services sector

THE headlines are rife with reports of Americans struggling to prepare for a financially secure retirement. The latest red flag was raised on March 5, 2015, in a report by the National Institute on Retirement Security, which warned that "86 percent of Americans believe the nation faces a retirement crisis," including 57 percent who strongly agree with that prognosis.[1]

At first blush, such sentiments may be surprising, given that the retirement industry appears to be growing at a healthy clip. Total US retirement assets have increased from $14.2 trillion in 2008 to $24.7 trillion as of the end of 2014.[2]

This is perhaps why a larger share of Americans recently surveyed by the Deloitte Center for Financial Services (see the "About this research" sidebar on page 3) are expressing confidence about the state of their retirement finances. Forty-five percent of respondents say they are very secure in terms of having enough savings and income to maintain a comfortable lifestyle in their senior years, compared to just 28 percent surveyed for our prior retirement study in 2012.

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However, this enhanced sense of security may be short-lived if booming stock values bolstering retirement accounts over the past few years are reversed by a downward shift in the economy or stock market. In addition, the fact remains that the majority of those we surveyed (55 percent) are not secure about retirement despite improved economic conditions—43 percent of whom say they haven't been able to save sufficiently.

The failure to save adequately for retirement has also been documented by a number of other studies, such as the one published in June 2014 by the Employee Benefit Research Institute (EBRI), which concluded that at current savings rates, 83 percent of households in the lowest income quartile will run short of money within 20 years of retirement, as will nearly half of households in the second-lowest income quartile.[3] Looking at the bigger picture, in its "February 2015 Issues Brief," EBRI estimated that the aggregate national retirement savings deficit is about $4.13 trillion for all US households where the head of the household is between 25 and 64 years old.[4]

As a result of these developments, the government has been stepping in more aggressively to address the retirement challenge. Indeed, both houses of Congress this year formed bipartisan retirement security caucuses to study the problem and recommend legislative solutions.[5] Meanwhile, in his 2014 State of the Union address, President Obama announced an executive order launching a low-cost "myRA" starter retirement account initiative,[6] while several states are considering the creation of government-run retirement plans for private-sector workers.[7]

On another front, in an attempt to avoid potential conflicts of interest, President Obama is advocating the imposition of a fiduciary standard on retirement advisors, imposing a legal obligation on financial professionals to put their clients' best interests ahead of their own when making recommendations about which products to buy. The White House asserts that under the current suitability standards, consumers can be steered into higher-cost, lower-return investments that benefit the particular provider or intermediary more than they do the buyer.[8]

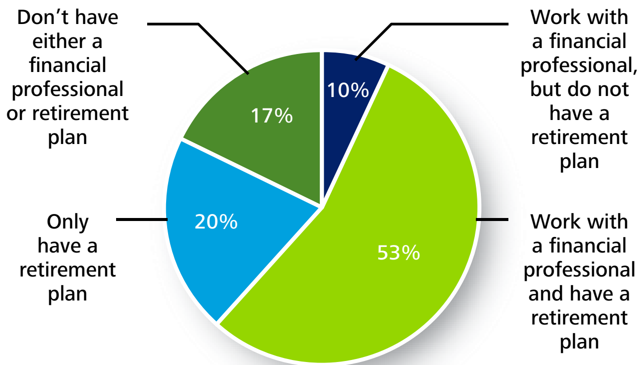
Regardless of how these government-led efforts turn out, it's clear the financial services industry can do more on its own initiative to help a larger percentage of Americans secure their retirement. Our research confirms that many individuals are simply not being effectively engaged by financial services providers and their representatives, including a significant segment of those with substantial assets to invest. Given these realities, the industry should be devising new ways of delivering appropriate retirement advice in a transparent, objective fashion and at an affordable cost to a wider range of clients.

ABOUT THIS RESEARCH

In September 2014, the Deloitte Center for Financial Services commissioned Andrews Research Associates to conduct an online survey of 2,002 US consumers, designed to generate insights into the factors impacting feelings of security about an individual's retirement finances. This research builds on the center's 2012 study, "Meeting the retirement challenge: New approaches and solutions for the financial services industry," in which 4,500 US respondents from a similarly wide range of age and income groups were queried about their perceptions, motivations, concerns, and behavior in preparing for retirement.[9]

However, this time, Deloitte looked at both sides of the retirement planning coin. The consumer data in the 2014 survey was supplemented with an in-depth telephone survey and interviews with 178 financial advisors experienced in retirement planning. These interviews provided a unique perspective from the front lines about what it might take for financial services institutions to more effectively help consumers save and invest for their retirement.

Figure 1. Profile of respondents who feel very secure about retirement



Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

Planning to fail: Lack of a formal plan, professional advice leave many in the lurch

What can the financial services industry do to help reverse these undesirable savings trends and boost the retirement security of a much larger percentage of the US population?

Our latest research confirmed Deloitte's 2012 survey findings, showing that planning and working with a professional make a big difference in terms of security. We found that those with a formal savings and income plan were far more likely (65 percent versus 25 percent) to be very secure about their retirement than those without one. The same observation held true among respondents who worked with an advisor (60 percent versus 32 percent) to prepare for retirement.

Having *both* a plan and an advisor continues to be the most impactful combination, based on our survey responses. Among the consumers in the latest survey who said they are very secure about their retirement, 53 percent have both a formal plan and an advisor, while another 30 percent have one or the other. Only 17 percent are very secure despite having neither a plan nor professional help (figure 1).

Unfortunately, among all the consumers surveyed by Deloitte, 49 percent do not have a formal retirement plan, while 53 percent do not work with an advisor to address their retirement savings and income needs. Even among those fairly close to retirement with significant assets to invest (those expecting to retire within 15 years, who earn $100,000 annually, and have net worth over $500,000), one-third haven't put a retirement plan together—including half of that subset working with a financial professional.[10] Indeed, 41 percent of the intermediaries we interviewed said that fewer than half of their clients have a written retirement plan in place.

Clearly, more could be done to educate consumers about the need for such a plan, as well as the importance of committing to a long-term savings and investment strategy to finance their retirement. Yet accomplishing this may be easier said than done, given the obstacles preventing, or at least discouraging many individuals from saving enough money for retirement.

Our 2012 retirement survey identified five major barriers for the financial services industry to overcome:

- Conflicting financial priorities
- A general lack of trust in financial institutions and their intermediaries
- A "do it yourself" mentality that prompts many people to navigate retirement planning on their own

- A lack of familiarity with potential retirement solutions

- Ineffective communication with clients and prospects about retirement financing tools, techniques, and options

Beyond validating the staying power of these barriers, our latest research identified inertia as another significant problem. One in five respondents to our latest consumer survey said they don't have a retirement plan because they haven't taken the time to meet with a financial professional to assemble one. Three in 10 said they intend to put a plan together, but haven't set aside the time to do so. (Once again, an even larger segment—37 percent—of those fairly close to retirement with significant assets to invest admit to procrastinating about retirement planning.) Many of the advisors surveyed pinpointed the same issue, as 58 percent said a percentage of their clients were unprepared for retirement because they had "not gotten around to putting together a plan."

Inertia can be tied to the barriers cited above as both a cause and an effect. It's natural for individuals who have conflicting priorities, don't trust third parties to help manage their money, or aren't familiar with their retirement investment options to put off meeting with an advisor, let alone committing to a formal plan and making the investments to implement one. A perceived lack of time to tend to retirement planning may also make individuals less likely to actively seek to learn more about the retirement solutions available to them, contributing to their lack of familiarity with options in this area.

To overcome these barriers and move the needle on retirement security among a much larger segment of the population, financial services institutions and advisors could try new, more proactive approaches to engage both existing clients and those who have yet to take advantage of the industry's expertise and potential solutions. They could launch initiatives to address retirement holistically, as one of many often-conflicting financial needs and goals. Such an approach could help build greater trust that the industry has the overall best interests of clients in mind.

They could also try new methods and channels to more effectively communicate the value of their products and services to individuals who may be skeptical not only about their ability to save for a secure retirement, but the commitment of the financial services industry to offer unbiased advice in helping them achieve this goal.

Revisiting the barriers to a secure retirement

OUR most recent survey found that the barriers to working with financial advisors on retirement that we identified in 2012 remain burdensome to many individuals. In this section, we revisit these barriers, highlight key differences from our last survey, and discuss how advisors generally view these challenges when serving their clients.

Conflicting financial priorities

For many individuals, balancing the long-term need to save for retirement with more immediate financial priorities remains a deep-seated problem. A large segment of the consumers we surveyed, especially younger respondents, say that they have too many other immediate financial needs to "commit any significant savings" toward securing their retirement. The younger the respondent, the more likely this conflict of priorities is to arise: Nearly two-thirds of respondents in the 26–34 age bracket felt that more immediate financial pressures precluded saving for retirement, compared to half that proportion among those aged 56–64 (figure 2).

As we saw in our 2012 study, many Americans are in fact burdened with too many other commitments—student debt, health care expenses, college savings for their children, and mortgage payments—to be able to sock away enough money for their retirement. There is, of course, no lack of advice on what individuals "should" do. But the fact that these recommendations are falling short should be disappointing to both policymakers and financial services firms.

Individuals routinely deal with conflicting priorities in a range of situations. A robust academic literature demonstrates that people generally struggle to focus on long-term concerns (such as retirement), and are motivated primarily by short-term priorities.[11] However, in our survey, nearly two-thirds of respondents said that they "would rather make short-term financial sacrifices for a more secure long-term retirement future." And, as expected, this desire is more pronounced among those closer to retirement.

However, it appears that for many consumers, while the desire to take action exists, the ability—or perhaps the motivation—does not. One possibility is that many individuals may not understand how they might better manage their finances to free up funds for

retirement savings. This area of need offers professional advisors an opportunity to have a positive impact.

In our 2012 study, we recommended holistic financial planning as a potential way to address conflicting financial priorities. As further evidence of the preference to look at retirement as part of a more comprehensive financial plan, over 60 percent of consumers in the current survey say that they prefer to account for retirement needs in a broader context.

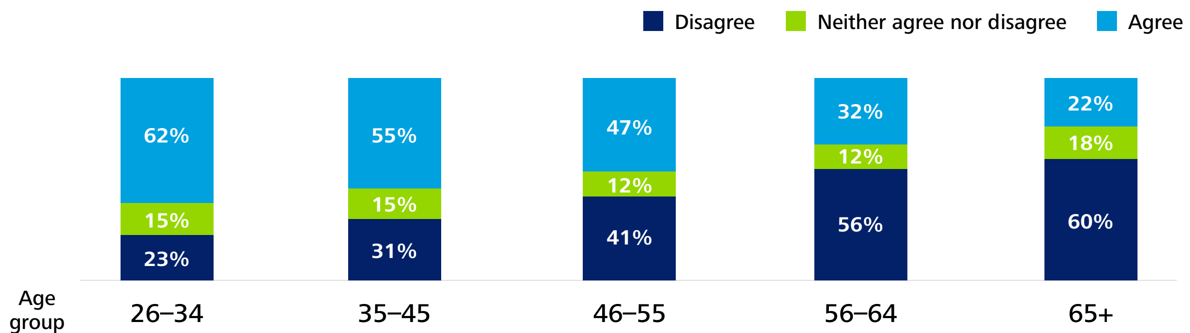
Financial professionals who responded also agree with this approach. Just over half of the financial professionals we interviewed believe that a secure retirement can only be achieved through holistic planning. Perhaps reflecting this belief, over 90 percent of the advisors interviewed said they "offer retirement advice as part of a broader suite of services."

Nevertheless, about one in five of these financial professionals acknowledged that they could be doing a better job in offering holistic financial planning to their clients. According to one advisor in our survey, "a significant number of advisors can't provide holistic advice" because of the lack of requisite knowledge or the inability to get "people to look at more than just their portfolios."

When financial advisors were asked if they encountered any barriers in offering holistic advice, nearly half indicated there were none. For instance, most advisors felt that their institution was set up to provide holistic services; only about 20 percent of the advisors we interviewed said they get very limited support in offering holistic solutions, and only about 1 in 10 said they do not have the right software and tools to do the same. That said, among those who did cite at least one barrier, just over a third believe they are not compensated to provide holistic advice.

These data highlight a disconnect between what advisors say they can do to offer holistic solutions, and consumers' desire to account for retirement needs in a broader context. Could the lack of holistic advice be because consumers are not demanding such comprehensive services, or is it that advisors are not really making the effort to provide more integrated solutions—perhaps because they have no economic incentive to do so? It is likely a combination of these factors.

Figure 2. Consumers' opinion on conflicting priorities: "I have too many immediate financial needs to commit any significant savings right now to secure my retirement."



Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

ADVISOR PERCEPTIONS OF BARRIERS TO PREPARING FOR RETIREMENT

In addition to exploring consumer perceptions of the barriers highlighted in this report, we also wanted to know what financial advisors felt about them. To that end, we queried advisors on how significant each of the barriers was in preventing people from preparing for a secure retirement. Overall, financial advisors were almost unanimous in suggesting that consumers do indeed face significant challenges getting started and staying on track with retirement planning. In particular, they felt that a lack of holistic planning, lack of familiarity with retirement products, and the do-it-yourself mentality were the most significant barriers. Poor communication and trust were also seen as quite significant (figure 3).

Figure 3. Percent of financial advisors who believe each barrier is at least somewhat significant

Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

However, our analysis of the advisor and consumer survey data suggests a disconnect between advisors' and consumers' perceptions on a number of dimensions, as noted elsewhere in this report. To a large extent this is understandable, since financial professionals are wont to look at these issues in a more favorable light. However, this divergence of opinion makes it clear that financial institutions could be doing more to influence consumers' (negative) perceptions.

Lack of trust

Our 2012 study highlighted lack of trust as another impediment to individuals' lack of engagement with financial services firms on retirement planning. In fact, trust in all types of institutions and intermediaries was quite low in that study. This finding was perhaps not surprising at that time: The S&P 500 was barely above 1,400 points, memories of the Great Recession were still fresh in many people's minds, and lack of trust in the financial services industry was widespread. As one individual opined, "After the Wall Street debacle, I don't have much faith or trust [in the financial services industry]."

In the two years that have since passed, it appears that trust in financial institutions and financial professionals has gone up, possibly as a result of strong growth in investment returns over the past couple of years. For instance, 78 percent of surveyed consumers said that they trusted their own financial professional,

compared to 68 percent in 2012.[12] This point was reinforced by one of the advisors interviewed: “Distrust in institutions is down, and people who distrust advisors aren’t clients.”

In addition, our latest survey found that individuals who work with a financial professional for retirement needs tend to be more trusting of, and more satisfied with, their own primary financial institution than individuals who do not.

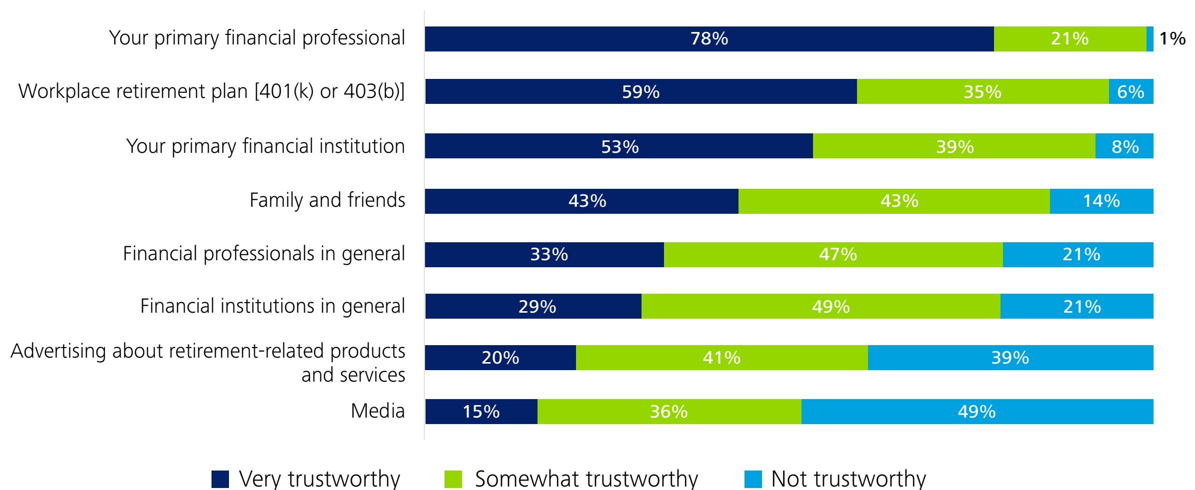
However, the perceived reputation of the industry as a whole is still relatively poor. Fewer than a third of consumers in the current survey felt that financial institutions in general were highly trustworthy, while only a third of respondents felt that way about financial professionals overall. Although the latter response is significantly higher than the 15 percent figure of two years ago, these results strongly suggest that there is considerable room for improvement on the trust factor.

One finding that points to the workplace as a potentially fruitful venue for engaging individuals in retirement planning is that consumers show a relatively high level of trust in workplace retirement plans. Indeed, such plans were rated the second-most trusted source for financial information, ahead of an individual’s primary financial institution and behind only his or her primary financial advisor (figure 4).

A vast majority of the financial advisors (74 percent) we surveyed also felt the level of client trust in them has gone up over the last five years. This is certainly a positive sign, but once again, one has to wonder to what extent this view is supported by the more positive investment climate rather than any real change in the way advisors interact with their customers. In the words of one financial advisor, “Trust has gone up, but so has the market. We have a long way to go in the transparency department.”

Likewise, more than 80 percent of surveyed advisors also believe that their clients have a great deal of trust in them to “act in their best interests” (figure 5). This is a highly relevant finding at a time when there is intense debate

Figure 4. Level of trust in different sources of financial information



Percentages may not add up to 100 due to rounding
Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

on whether the federal government should impose a fiduciary standard on those providing retirement advice.

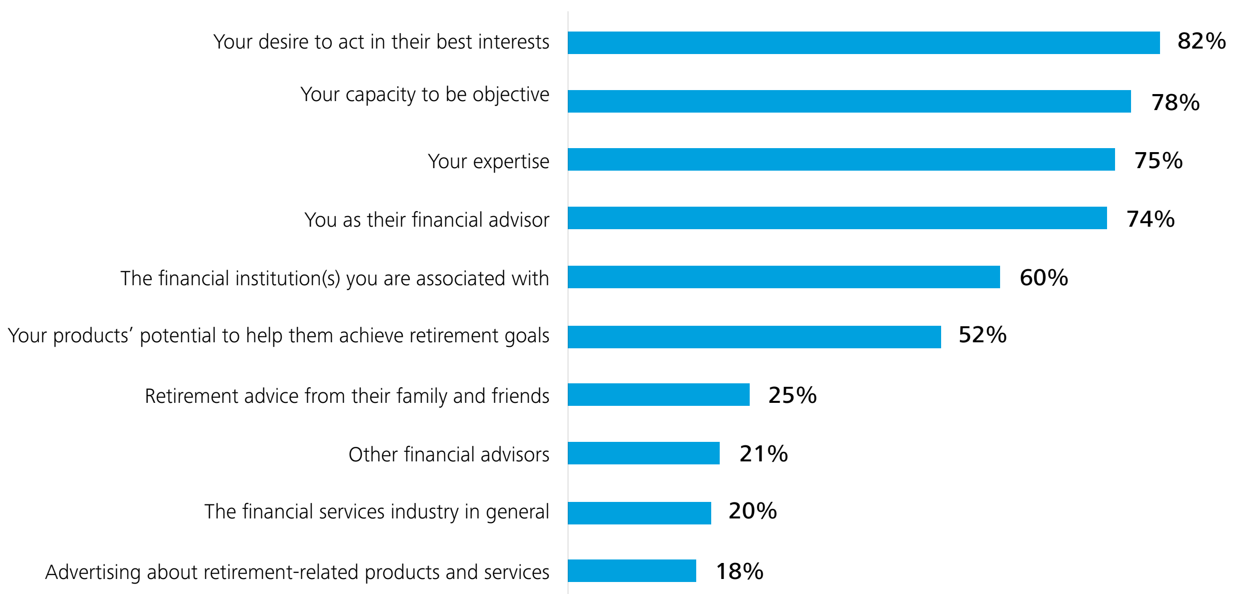
However, with regard to retirement planning, trust is lacking in one key area: Only about half of the advisors we surveyed indicated that their clients trust *the products* they offer to help meet their retirement goals. Perhaps this has to do with advisors' lack of familiarity with these products or the tools they are given to educate clients about them. In either case, this is certainly one area financial institutions could further explore to determine whether their products truly serve consumers' retirement goals and are relatively easy for average consumers to understand.

Interestingly, we observed a positive relationship between trust and retirement preparedness. Those who have a formal retirement plan also tend to be more trusting in general, particularly of financial institutions. Our data show that, among those who have a formal retirement plan, twice as many (38 percent) say they consider financial institutions to be very trustworthy, compared to only 20 percent who do not have a formal plan. It is, of course, a point for further research: whether consumers who develop retirement plans are more trusting of financial institutions to begin with—or whether the process of creating a retirement plan fosters such trust. If the latter, financial services firms may have even more of an incentive to assist customers in planning for retirement: the prospect of building their clients' trust.

The "do-it-yourself" mentality

As in other domains, consumers planning for retirement include a segment of do-it-yourselfers who prefer to take total control over their own retirement destiny rather than rely on, or defer to, a financial advisor to guide them. But the reality is that a fair proportion of these individuals could likely benefit from professional financial advice in attaining retirement security. Indeed, our survey shows that the individuals who avail themselves of professional advice also tend to feel more secure about their retirement prospects and are more likely to have a formal retirement plan (figure 6). As one advisor said, "The do-it-yourself

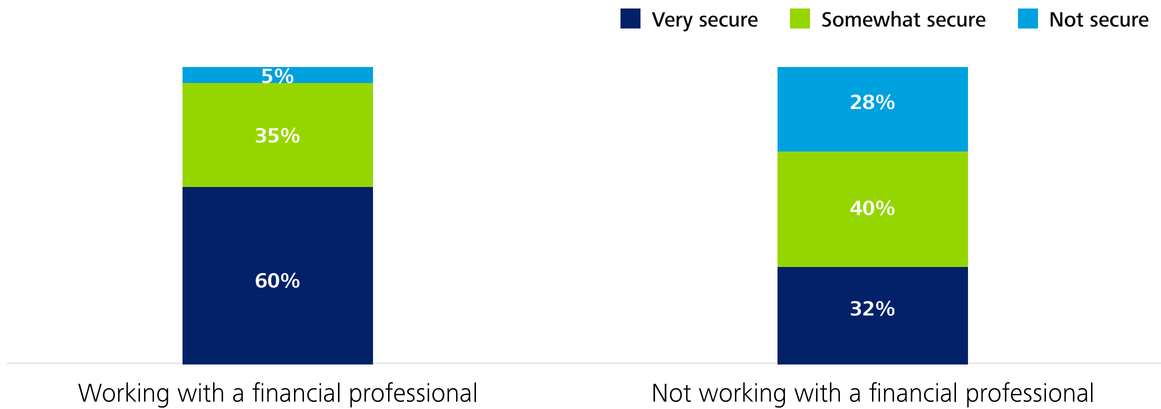
Figure 5. Percent of advisors who think their clients have high trust in the following sources in helping them to meet their retirement goals



Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

Figure 6. Relationship between retirement security and working with a financial professional



Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

mentality will always be around, and sometimes it works and sometimes it doesn't. This is not good for the majority of people."

Of course, not everyone can afford professional advice—it doesn't come free, after all. But the solutions the industry has offered thus far to attract do-it-yourselfers have not been effective, our study indicates.

In our latest consumer survey, close to half said they work with financial professionals on their retirement needs, and 80 percent of them are satisfied with the services they receive. On the other hand, this leaves a fair proportion of individuals who do not work with financial professionals on retirement (52 percent)—and the most common reason is that they are more

Figure 7. Percent of consumers who say a particular factor might convince them to seek out the help of a financial professional for retirement needs

Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

Figure 8. Percent of advisors who think a particular factor will help convince consumers to seek out the help of a financial professional

Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

comfortable handling retirement planning on their own. Only a quarter say they can't afford professional advice, and even fewer point to lack of trust in financial professionals as an impediment. (That said, the latter factors should not be dismissed. When asked what could prompt them to seek professional help, over one-third of our respondents said "affordable advice," followed by "advice from a professional I trust" [figure 7].)

The tendency to plan for retirement on one's own is prevalent even among those with a net worth of at least $1 million. Of those respondents, nearly one-third say that they have not consulted a professional for their retirement needs. This could be a missed opportunity for financial institutions targeting this coveted segment of investors.

When asked what could be done to entice more do-it-yourselfers to seek professional financial advice, almost all of the advisors interviewed identify "advice from a professional [they] trust" as a factor, highlighting the belief among advisors that trust is paramount. And more than three-quarters also suggest holistic financial advice, better quality of advice, and investment products that better suit consumers' needs (figure 8).

But in general, what is most notable is the discrepancy between advisors' and consumers' views on what could convince consumers to seek professional advisors (figures 6 and 7). For instance, "More affordable fees for advice" was the factor most often selected by consumers, but least often selected by advisors, as an encouragement to work with an advisor. These discrepancies further reinforce the need to change certain industry practices and communicate them to individuals more effectively.

Lack of product familiarity

As our 2012 report pointed out, many individuals lack even the most basic knowledge about important retirement investment products. For instance, in the previous survey, 60 percent of consumers said that they didn't know anything about target date mutual funds, or didn't understand how such funds work. Similarly, about 40 percent of individuals confessed to not knowing anything about annuities. Both are common retirement planning solutions, yet a large segment of respondents lacked knowledge about them. About one-third of the advisors in our current survey cited this factor as a key reason why some of their clients are not prepared for retirement.

Clearly, from both the consumers' and advisors' perspectives, lack of product familiarity is a serious impediment to achieving retirement security. This could be interpreted as a breakdown in communication about available financial services products.

Financial institutions have spent billions of dollars in retirement-related marketing and advertising, yet either the message is not reaching the average investor, or the messages themselves are not adequately explaining what these products are and how they can help finance retirement. In the words of one advisor, the industry needs a new approach: "Create a forum for people to have conversations that are non-threatening. We need to create an environment of knowledge and comfort."

Ineffective communication about retirement financing tools, techniques, and options

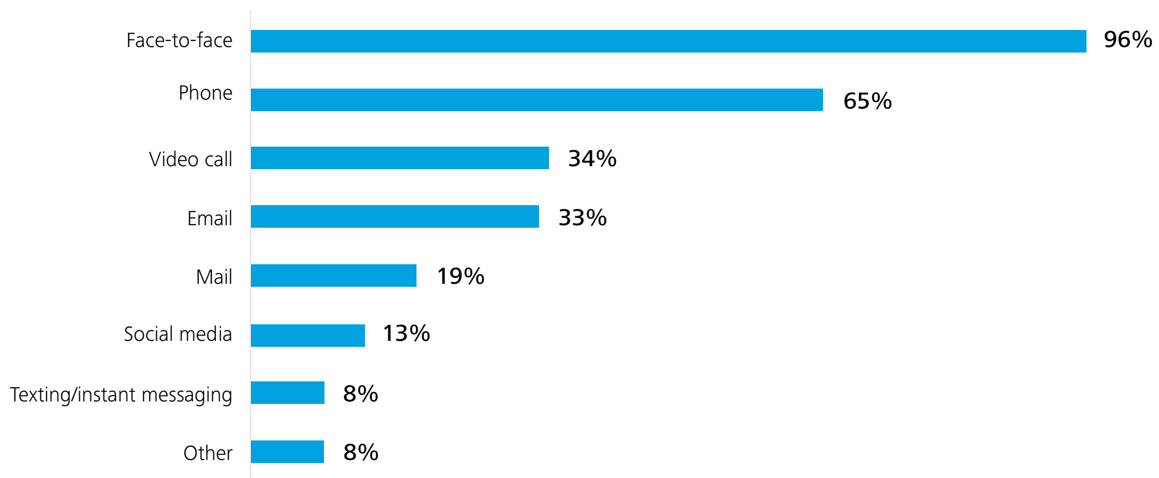
The potential ineffectiveness of communications from financial institutions and their representatives is not a trivial problem. Mass communications, although widely used, are perhaps the least effective of the tools employed by financial services firms, based on our research. For instance, consumers have very little trust in advertising about retirement-related products. Only 20 percent of those responding to our latest survey found such advertising to be very trustworthy, while twice as many consumers felt the opposite way. The same small percentage of advisors surveyed thought that the ads put out by their providers were seen as very trustworthy by clients.

Advisors in our study indicated that direct methods of communication are most effective. For instance, face-to-face interaction received the highest grade for relationship-building effectiveness, followed by phone and email exchanges (figure 9).

Our 2012 survey found that many consumers, including the more affluent, indicated that they are rarely engaged by financial institutions on retirement-related issues. The ability to communicate effectively and engage with consumers becomes more important as the focus shifts to holistic advice.

The advisors in our study had many suggestions for improving communications with clients on retirement issues. These ranged from more frequent touch points with clients to more face-to-face meetings, greater use of social media, and better listening skills.

Figure 9. Percent of advisors rating different types of interactions in building customer relationships as "extremely or very effective"



Source: Deloitte Center for Financial Services 2015 Retirement Study.

Graphic: Deloitte University Press | DUPress.com

Overcoming the barriers: Specific solutions to consider

IT is clear from our data that at least five major barriers potentially stand in the way of consumer engagement with financial services providers for their retirement needs. It is also clear that the industry's traditional practices have not been effective in helping many individuals bolster their retirement security. Continuing down the same path is likely to lead to similar, unsatisfactory results for consumers and the industry alike. An alternate course, with the opportunity for better potential outcomes for all, may be for providers and their intermediaries to experiment with innovative outreach, advisory, and product approaches.

We outline a few possible solutions below, focusing on four key themes: broadening the delivery of holistic advice and planning, enhancing educational efforts, engaging clients as early as possible, and using the workplace to foster disciplined retirement planning.

In developing these potential solutions, another point became clear: The potential barriers to achieving retirement security identified in our research are complex and intertwined. Therefore, the solutions mentioned here may be applied to more than one barrier. The end goal is to overcome the barriers with an emphasis on building a trusted relationship between financial institutions and their intermediaries on one hand, and with their clients on the other.

Reimagine the delivery of holistic financial advice and planning

As indicated by our research, people who are most confident about their retirement security have both a formal plan and a financial advisor helping them with retirement needs. Yet many financial services organizations still struggle to offer an engaging customer experience around retirement advice and planning. The financial industry could work toward better results for clients by making advice and planning a top priority and delivering planning offerings that are focused on the needs of the client. Advice and planning programs can supplement educational programs, build product awareness, help clients set their financial priorities, and provide a clearer path to transition consumers from do-it-yourselfers to advice-seekers.

At many financial services providers, advice offerings are siloed among the various arms of the organization. For example, it is common

for a firm's advice offerings for 401(k) and wealth management brokerage clients to be independent of each other, even for shared clients. It is also common for advice offerings to focus on portfolio management rather than providing consumers with a holistic view of their finances that covers the full range of a client's assets, liabilities, and goals.

There are legitimate reasons why many firms' advice offerings operate independently. Among them is the reality that regulatory compliance and reporting requirements differ between the retail and institutional divisions. Financial services firms often maintain unique recordkeeping systems for different divisions. Many large firms were created via mergers and acquisitions involving companies that had pre-existing advice offerings, which may not have been integrated with each other. Finally, management teams may differ for different enterprises, leading to dissimilar economic incentives.

All of these obstacles can make it difficult to streamline advice and product offerings. However, as we highlighted in our 2012 report, holistic retirement planning—an approach that takes into account a much wider array of financial concerns rather than focusing only on retirement issues—could be a viable solution for helping clients to overcome barriers such as conflicting financial priorities and lack of trust in advisors and financial firms. As noted elsewhere in this report, advisors rate holistic planning as a key way to help clients. And although surveyed clients did not list holistic planning as their top concern, 66 percent did rate it as an important issue.

Create an integrated personal financial management platform

One way to enable holistic financial planning, including retirement planning, is through a centralized, firm-wide financial management platform. Indeed, today's technology makes delivering holistic advice and planning offerings to a mass and emerging affluent client base more viable than ever before. For example, some start-up wealth managers are offering technology-centric planning and advice offerings—sometimes known as "robo advisors"—that use algorithms to create portfolios and leading-edge communication technology to interact with clients. While these firms have made strides in delivering tech-enabled service, their most valuable contribution may be the potential to push the rest of the industry forward in the use of technology to offer advice.

Based on current leading practices, we generally expect the effective automated advice offering of the future to be a service provided by the financial institution, possibly cloud-based, and able to draw on data from systems both at the financial services institution and from outside accounts as authorized by the client. Ideally, different divisions of the same institution would be able to use the same technology backbone. While many financial institutions offer aggregation today, the next step might be to offer personalized advice based on the data gathered. This approach could allow a better view of a client's total financial picture.

From the consumer's perspective, a technology-enabled service platform should enable deeper, richer interactions with an advisor and the financial institution itself. Digital channels in particular can be efficient and cost-effective ways to communicate with and educate clients. Using technology, financial services firms should be able to offer a digital and mobile client experience that rivals what consumers expect from the leading start-up wealth managers while leveraging advanced communication tools such as direct messaging, texting, and video calling.

An integrated infrastructure can be used to support a variety of advice experiences, whether self-service, fully human-advised, or a combination of the two. Although we generally expect the high-net-worth segments to continue to be largely supported by financial advisors, self-service will likely become an increasingly important part of the way financial institutions deliver advice to those in lower-income brackets.

For institutions that primarily deliver services through advisors, a client-centric, technology-enabled financial management and advice offering can still offer potential benefits. Such an offering can make it easier to build tightly integrated advisor workstations that link customer relationship management tools, planning systems, client account opening tools, and managed account platforms. It can also include a dedicated, secure client portal where the customer and advisor can share documents and data. With technology streamlining the administration and delivery of advice and planning, human advisors could have more time to spend on performing client service and building their customer base.

Such a platform could help wealth managers in ramping up their advisor team-based efforts. Many firms have experts in various disciplines such as retirement, insurance, or estate planning, who are regionally based. Historically, the perceived need for face-to-face client meetings has limited the reach of these experts to clients in their immediate vicinity. However, today's more secure communication and presentation technologies, along with document-sharing applications, enable effective virtual meetings over the Web.

Engaging clients early on with such a platform may even help create a path to convert do-it-yourselfers into clients of human advisors. An effective advice offering should evolve with a customer from early in their lifecycle, when the greatest need might be for savings and investment advice, through to retirement, when advice needs are likely to become more complex (such as helping the client determine which retirement funds and products should be drawn down first). Initially, the offering could be delivered largely via digital channels; as the client's needs become more complex, human advisors can be brought into the mix. Used in this way, a digital platform does not compete with human advisors, but becomes a feeder system to help transition clients from do-it-yourselfers to fully-advised.

In the end, a consumer-centric offering that follows a client through his or her financial lifecycle could be of value to many individuals. It can provide a platform for delivering comprehensive, holistic advice that can account for most of a client's assets, liabilities, risk tolerance, and goals. Such a platform could help clients overcome many of the barriers to retirement planning by building a relationship earlier in the financial lifecycle and providing a lower-cost platform to educate customers. It can also give do-it-yourselfers a path toward an advised relationship if they desire one.

From a financial services firm's perspective, an integrated financial management and advice platform can also yield many potential benefits.

From the financial services firm's perspective, an integrated financial management and advice platform can also yield many potential benefits. It can help drive the development of a consistent advice methodology across the firm. It can give the firm a platform flexible enough to serve all types of customers, from the do-it-yourselfer to the fully advised. It can allow advisors to serve more clients, and to do so more effectively and efficiently. In addition, it can deliver a digital customer experience that rivals in-person client experiences and potentially positions the firm as a technology leader.

Empower clients through education

Third-party research shows that consumer education goes a long way toward improving customer loyalty and engagement.[13] Therefore, providing education about key financial issues clients face at various life stages can help overcome the product familiarity barrier, explain the implications of conflicting priorities, and teach the value of working with an advisor and having a financial plan.

The more personalized the educational content, the more likely it is to be consumed and valued. Data and analytics can be used to turn a one-size-fits-all education platform into a focused and personalized tool targeted to a specific client based on such factors as age, wealth, and financial needs. Education can be delivered via self-service technologies, thus giving advisors more time to focus on developing new client relationships and strengthening existing ones.

While these educational tools can be used to reach many types of prospects, they may be most helpful to customer segments that might not yet be cost-effective to advise in person. These segments would typically include individuals who have not yet accumulated substantial assets, or those who are unable or unwilling to set aside savings.

Some financial services firms are already using tools such as blogs, video presentations, social media, and online communities or education portals to communicate with clients, but much more can be done. Companies could offer education certificates or reward programs to encourage individuals to learn about various products, such as target-date funds or annuities.

Another interesting possibility is a "Financial Fitness" mobile application that tracks progress toward financial goals and key milestones while helping clients resolve conflicting priorities such as saving for a home or paying off debt. Gamification can be employed to help consumers benchmark where they need to be in terms of retirement planning, and to alert them if they are falling behind in preparing.

Engage clients as early as possible

Targeting the young for retirement services is not in the playbook of most financial services firms. There is an obvious reason for this: Baby Boomers generally have more wealth, and retirement is a more pressing issue for them, making them better prospects and more profitable customers. However, younger generations have a factor in their favor: time.

Saving even small amounts from a young age can have a positive impact on retirement preparedness. Thus, one way to improve retirement outcomes is to get clients to engage early in financial planning and saving, before many of the barriers can take root. Even though, as our survey found, many young people say they would be willing to make short-term sacrifices to fund long-term goals, their actions show that they are often unable or unwilling to execute, possibly due to conflicting priorities, or perhaps because of inertia.

What might financial services firms do to invest in getting younger individuals to save more at an early age, even before they become profitable customers? One approach could be for firms to design educational programs for the teenage children of clients. Such programs could begin with the basics of personal finance, then move on to more complicated and important financial decisions around life events such as going to college or marriage. Financial services companies can also focus on some less complex issues that are top of mind for young adults, such as buying the latest smartphone or saving for an adventure vacation. More advanced programs can be developed for young professionals, addressing questions on housing, their children's education—and, of course, retirement.

Use the workplace to foster disciplined retirement planning

For many people, a workplace plan is their first exposure to retirement saving and investing. Assets in retirement accounts are generally the largest component of an individual's investable assets.[14] The workplace is therefore an ideal forum in which to tackle the communications barrier and to reach out to encourage early saving across a variety of touch points.

One key to these efforts may be to engage younger consumers on their terms and in the ways they like to communicate—online and often through mobile devices. While many 401(k) service providers have enhanced their web presence, use email, and employ mobile applications, there is room to improve the effectiveness of these efforts. One way to do so is to use data and analytics more effectively to make communications more timely, tailored, and targeted.

The workplace is also a great forum for helping individuals save for retirement, despite conflicting financial priorities, by leveraging the power of automation. Indeed, automation can help combat inertia in setting aside retirement savings. One example is auto-enrollment in workplace plans.[15] Once a payroll deferral is established, it automatically becomes a task that the plan participant doesn't have to think about. Plans that do not offer auto-enroll can try other tactics that have been shown to increase enrollment.[16] These include:

- Mandatory election, in which the participant is required to elect to participate or not
- Quick enrollment, in which the participant can enroll at a preselected saving rate and asset allocation
- Planning and execution aids such as:
  - Setting aside specific times for participants to enroll in the plan and outlining the steps and time commitment involved
  - Savings reminders such as letters or texts prompting people to save in order to hit targeted goals

Many of these approaches are based on behavioral economics theory, and can be used in a retail wealth management context to nudge people toward saving for retirement. Some individuals may have the best intentions to save and invest, but simply do not get around to it. If inertia sets in, clients may neglect to open a retirement account, transfer assets, and/or decide how to invest those assets. By taking as much conscious effort out of the process as possible, financial institutions may be likely to get clients to save more.

For example, firms could streamline the electronic account opening process while more aggressively promoting automated direct deposits from a client's bank (as well as automated increases in the deposit amount on a regular basis) into a target date fund or managed account. By making it easy to establish a retirement account and to invest in it, firms can help clients put retirement saving on autopilot and take the conflicting priorities issue off the table.

Taking the initiative to head off a looming crisis

THE five barriers to retirement security uncovered by our research will not be easy to overcome. In fact, for many individuals, the challenges may prove to be insurmountable. This raises the possibility that many Americans will indeed face a retirement crisis unless corrective action is taken sooner rather than later.

The good news is that innovative solutions are on the horizon, and more and more parties—including some financial institutions—are seeing the need for them. Our research suggests that financial services firms and their intermediaries can take constructive steps in the short and long term to more effectively engage with individuals whose retirement prospects may appear to be dim, as well as those with above-average asset value who lack the necessary background to put a sound retirement plan in place.

Planning for a financially secure retirement can be a very complex task, and making poor choices or being unaware of potential pitfalls can have devastating consequences down the road. The same can be said for those we surveyed who are lower on the income scale and who believe that no matter how much they save, it won't be enough.

Of course, advisors and their financial institutions do not bear full responsibility for securing Americans' retirement finances. However, the retirement advisory industry is uniquely positioned to make a significant dent in alleviating the looming retirement crisis. Waiting for government to step in and solve the country's retirement problems could be problematic and counterproductive for consumers and providers alike.

Financial services firms should therefore take the initiative in a bigger and bolder way, re-establishing their credibility as problem solvers rather than simply product sellers, while earning the trust of more consumers along the way.

NEXT STEPS

Offer holistic financial advice and planning. Connect product and advice offerings across the financial institution, possibly integrating disparate services and offerings under a common umbrella. Consider establishing a centralized, firm-wide personal financial management technology platform that can give different divisions of the same institution an integrated view of a client's assets, liabilities, and goals, as well as deliver a variety of advice offerings to consumers, from fully automated to fully human-advised.

Empower clients through education. Consider using a variety of technologies to educate those who may not be cost-effective to advise in person. Build on this platform to support in-person educational offerings. Explore using data and analytics to inform the development of customized educational offerings for different consumer segments in order to better engage customers with relevant content.

Better engage younger consumers in retirement planning. Use workplace channels to familiarize younger individuals with retirement services and products and engage them in saving at an early age. Automate services whenever possible, and utilize other behavioral techniques such as mandated choice and execution aids where appropriate.

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Acknowledgements

The authors would like to thank the following individuals for their contributions to this article:
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Jaykumar Shah, senior analyst, Deloitte Services India Pvt. Ltd.
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