



More Workers Are Ignoring Retirement Planning

By Melanie Waddell

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Employees are spending so much time worrying about cutting their debt and expenses that they are neglecting retirement planning, according to a newly released study by Financial Finesse's Financial Helpline Service and Financial Learning Center.

According to the research from the company, which provides unbiased financial education and counseling to employees of firms who contract with Financial Finesse, debt calls represented 44% of the total calls received in first quarter 2009 through Financial Finesse's helpline, up from 38% in the first quarter of 2008. Calls regarding bankruptcy and foreclosure skyrocketed from 5% in the same period of 2008 to 15% in first quarter 2009. In addition, the research found that 97% of employees who used Financial Finesse's Online Financial Learning Center reported they were experiencing financial stress, with 32% indicating that their stress level was "high" or "overwhelming." Financial Finesse's helpline—which is staffed solely by salaried CFPs—is available to more than 500,000 employees from more than 300 organizations.

But the helpline saw a significant drop in the number of calls concerning retirement planning in the first quarter of this year. Only 6% of calls in 2009 focused on retirement planning, versus 14% a year ago. Financial Finesse believes this is the beginning of a "severe retirement planning crisis," that will be "both more significant and more prolonged than the current economic crisis."

Given the significant market losses that hit most employees' retirement accounts, it's paramount for employees to keep contributing to their retirement accounts, but Financial Finesse found that "an increasing number of callers are questioning their allocations, wondering if they should reallocate their portfolios to 100% cash." Loans and hardship withdrawals from retirement plans are also on the rise. Calls about loans and hardship withdrawals increased from 5% of calls in Q1 2008 to 9% of calls in Q1 2009, the study found, with further increases expected in the second quarter of '09. Eleven percent of companies in the Financial Finesse poll reduced or eliminated their retirement plan matches in the last six months of 2008 with more expected to do so in 2009. Most companies are also experiencing declines in retirement plan participation and deferral rates, the research found.