

# BEST PRACTICES IN Compensation & Benefits

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## Best Practices for Educating Younger Employees About Retirement

Today, most companies are focusing retirement planning efforts on the Baby Boomer generation out of necessity. However, more proactive firms are beginning to take notice of Generations X and Y, understanding that getting these employees to start saving for retirement now will ward off a retirement crisis later.

In the last 5 years, we've worked with over 50,000 Generation X and Generation Y employees (those aged 18 to 40) and we've developed some best practices for successfully educating this demographic:

**Best Practice 1: "Show them the money."** It's amazing how much younger employees can amass in their retirement plans if they start now, stick with it, and invest in a balanced portfolio. A 28-year-old earning \$30,000 per year can achieve a retirement nest egg of over \$1 million at age 65 by investing just 15% of their salary in a moderately aggressive portfolio. When we *show* employees how much wealth they can build with relatively small savings by enrolling in their 401(k) plan and sticking with it, they are astounded. Many didn't know what a difference it would make until they saw the numbers.

**Best Practice 2: Make it interactive.** Interactive computer models work well with younger employees because they see the impact of the financial decisions they make today, in real time. Interactive tools provide instant gratification and can actually convert the delayed gratification that comes from saving and gradually building wealth into an immediate result. For younger employees, accustomed to having instant access to information over the Internet, cell phone, PDA, and other

media sources, getting instant results is critically important.

**Best Practice 3: Leave them wanting more.** It's easy to think that more information is better. After all, we live in an information rich society so shouldn't you arm your employees with as much information about investing as possible? In theory, the answer is "yes." In practice, the answer is "no."

Younger employees often have more distractions and are used to shorter, more interactive media. Provide too much information and they will turn off, particularly if the information is presented in a passive format where their only responsibility is to listen. Instead, consider breaking seminars into interactive "modules" and offering your employees the choice of which modules are most applicable to them. You'll probably discover that some employees ask for more information or indicate they would like longer seminars.

So, it's not easy to educate younger employees about planning for a life stage that is 30 or 40 years away. By taking the time to present the information in a way that is relevant to them and their learning style, you can provide them with tools that change their lives.

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