



different paths

How age and gender can affect attitudes toward retirement.

Investing for retirement. We know, given the current state of affairs, e.g., dwindling affinity for company-funded pensions, fragile Social Security and a dynamic employment market, it's a necessity. But it means different things to different people.

To younger workers just starting out, perhaps straddled with college debt and other immediate needs, say a set of wheels or the latest iPod, it's like Neverland – as far *off* as it is away. Plenty of time to worry about it – later. To those slightly older, juggling a career, kids, a mortgage and looming education expenses, it's something they know they have to think about – maybe after the kids have graduated. Unfortunately, that kind of thinking could lead to coming face-to-face with a fast-approaching period of their lives for which they are seriously unprepared.

You'd think the media, with its current obsession on the nation's abysmal savings rate, would be a wake-up call.

According to recent reports, the savings rate among U.S. consumers is at the lowest since the Depression – 1.8 percent in 2004.¹ As recently as 1994, the savings rate was nearly five percent, still considered low when compared to our counterparts in parts of Europe and Asia, who maintain double-digit savings, not seen in the United States since about 25 years ago.

How do you, as an employer, get them to “see the light” and embark (or catch up) on a disciplined retirement planning program?

Understanding gender and age differences – how a 38-year old woman's view of investing in general and investing for retirement differ from the average 45-year old man's – could yield great insight in the design and implementation of your company's retirement plan – making it more attractive to a larger percentage of your work force.

Men are from Mars...

The popular self-help book, *Men Are From Mars, Women Are From Venus*, underscored the key differences in how men and women communicate. It seems from recent studies, their investment styles and attitudes differ as well.

In her book, *Wealth of Women*, (and in subsequent studies conducted for Merrill Lynch), Hannah Shaw Grove found that women tend to know less about the logistics

of investing than men, but their desire to be financially independent is every bit as strong. They typically want to work with a financial advisor and this may be one of the reasons they don't make as many investment mistakes as men... and they rarely make the same mistake twice. For instance, men tend to hold on to losing investments longer – 47 percent, compared to 35 percent of women.

**70 percent
of women
engaged
financial
advisors,
compared to
50 percent
of men.**

Men are also more likely to put too much money into one investment, trade too often, and are less rigorous when it comes to researching a “hot” opportunity and less conscious of the tax consequences of a bad investment – 68 percent of the time, versus 47 percent for their female counterparts.²

Women rely on financial advisors more than men. They are drawn to the expertise and access to research. They also feel having a professional on board minimizes mistakes, while saving time and effort. Among Grove's research participants, 70 percent of women engaged advisors, compared to 50 percent of men. Time is a key factor: women prefer to spend far less of it managing their investments or financial planning than men. Speaking of time, women tend to be more concerned about outliving their assets (irrespective of women's longer projected lifespan); men are far less so by a difference of approximately 11 percent.³

Emotion and temperament are also factors: men attribute their investment decisions to greed, pride, overconfidence and impatience, while women admit to anxiety, apprehension and lack of knowledge exerting influence on their financial decisions.

A quick take on these differences suggests that your plan offer the ability to self-manage retirement investments, perhaps through the addition of a custodial account or self-directed brokerage, as well as access to representatives who can provide guidance based on risk tolerance and time horizon and hand off to a financial advisor if necessary.



Age is just a state of mind

That adage couldn't be truer when it comes to thinking in terms of – and saving for – the future. If you're hoping to increase participation in your company's retirement program, you need to consider how the age of your employees colors how they react to – and enroll in – your plan.

Again, the media is rife with reports about how people in this country just aren't getting it – in fact, just last year, ING's comprehensive re-take of its "Boomers on the Brink" study confirmed that point.

Seemingly – and little surprise here – younger workers are the most oblivious to the "Start Early/Save More" mantra of the financial services industry – even though they're in a great position to potentially benefit from their long timeline. They have years in which to weather potential market volatility and, depending on their level of risk tolerance, can afford to dabble on the more aggressive side.

A study discussed on *Plan Sponsor Magazine's* "AdvisorDash" Web site revealed that about half the workers between the ages of 21 and 30 surveyed lack both retirement goals and savings. They simply believe they can make up for it

later – not factoring in the distinct possibility, in today's environment, that they will be downsized out of a job, go into business for themselves, or become disabled.

It doesn't get much better in the next decade; the 30-40 age cohort is also behind the curve, with 23 percent admitting they haven't started to save.⁴

It finally hits people in middle-age and they get serious (desperate, perhaps), with about 75 percent of those surveyed participating in an employer-sponsored plan. Interest in annuities grows with age – from 14 percent among workers in their 40s, to 18 percent for the 50-60 age group and 27 percent of those ranging from 61-69.⁵

Interestingly enough, a consistent thread across all the age groups is the expressed interest in access to a financial planner.

Sounds like a plan

How do you make your retirement plan cater to so many behavioral variables? Particularly when it competes with a crush of (perceived) immediate emergencies and shortage of income to meet them? And the pressure is certainly on to make it attractive, compelling, affordable and convenient.

Designing a retirement program and the educational initiatives to support maximum participation are discussed in greater detail elsewhere in this issue of *Impact*. And remember, regardless of gender or age, many people like the involvement of a financial advisor – tap your ING representative or broker to assist both you and your employees in the quest for the "perfect" plan.

1 C. Isidore, "The Zero Savings Problem," CNNMoney, August, 2005 / 2 Prince, R.A. and Grove, H.S., "Wealth of Women," National Underwriter Company, 2004 / 3 Ibid / 4 Schneyer, F., "Many in U.S. Haven't Started Retirement Savings," AdvisorDash, PlanSponsor.com / 5 Ibid.