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How Can We Encourage More People to Save for Retirement?

On the way to the airport this morning I saw an interesting billboard sign: "We are living longer. It's time to start saving like that." As a financial advisor, that's a message I communicate dozens of different ways to my clients. Particularly with longevity increasing, it's imperative to save all you can today to provide for a secure retirement that could last decades. And while I'm gratified to report that my clients save in a disciplined and aggressive fashion for retirement, so many Americans do not plan and save enough for retirement.

Without the support of an advisor, it can be difficult to sacrifice today to provide for yourself tomorrow. After all, we humans seem increasingly wired for immediate gratification. We have traded the lay-away programs of yesteryear where families would sacrifice and save weekly to meet a long-term purchasing goal like a new washing machine for an age of easy credit. If you can't afford what you want today, just pull out your plastic and worry about how to pay for it next month when the credit card statement arrives in the mail.

Of course, countless negative behavioral forces get in the way of planning and saving for retirement. The first, as mentioned, is our pre-occupation with the present. Not only are we too busy with our daily responsibilities at home and at work to make the time to sit down and plan for the future, studies show that we would rather enjoy today than sacrifice for a better tomorrow. That is, we choose to eat the fattening dessert today and say we will begin the diet tomorrow. We want to go on an expensive vacation this year and pledge to save more for retirement next year. Trouble is, tomorrow and next year never come—and so we never catch up. In fact, we fall further behind.

Our laser sharp focus on today also prevents us from seeing ourselves in the future. How will we spend our retirement years? So many folks retire without thinking about how they will spend their days. Therefore, saving for retirement isn't personal and it doesn't evoke any passion. We save, not to afford the luxury of volunteering in our community or traveling to specific places in the world, but for an undefined "retirement." Think back to those old lay-away programs. Everyone in a family know just what they were saving for—and how many weeks before the new washer came home. We can use this strategy of visualizing a specific short-term goal to help plan for the long-term. That is, if you are very specific about your future dreams, it may be easier to set money aside in the present.

Employers also are adjusting 401(k) plans to use what we know about human behavior to help plan participants to save for retirement. For example, many firms have automatic 401(k) enrollment where employees have to opt out of the plan rather than choose to contribute to it. Additionally, annual increases for contributions also can be automatic. Therefore, the employee who instinctively would rather put decisions off until tomorrow is gently corralled into saving in a productive and disciplined manner. What's more, target date funds where you have only to choose the year you expect to retire also greatly simplify financial decision-making for busy employees.

Knowing the power emotions have over decision-making, our industry has long used fear and greed to motivate folks to save. Online calculators crank out numbers to reveal how far behind savers are. Television commercials by various brokerage firms take an opposite approach. We watch with envy as the quintessential beautiful couple retire to their enormous beach house, surrounded by family—and, of course, their financial advisor! The message: You can afford this, too, if you work hard. However, neither approach has proved too successful in terms of increasing retirement savings. In fact, the *2016 Employee Benefit Research Institute (EBRI) Retirement Confidence Survey* found just twenty-one percent of workers were very confident they will have enough money to live comfortably throughout their retirement years. This compared with 22 percent in 2015.

Not surprisingly, the EBRI report found retirement confidence is strongly correlated to saving for retirement, whether that's done in a 401(k) or an individual retirement account (IRA). In fact, workers reporting they or their spouse save for retirement are more than twice as likely as those without a savings plans to be very confident that they will have enough money to live comfortably in retirement (26 percent with a plan vs. 10 percent without a plan).

So, how can we motivate folks to save more for retirement? I submit that, in lieu of using fear or greed, we tap into something more positive—gratitude and joy.

For instance, if you have saved in a 529 college savings plan and made a withdrawal to pay tuition, you likely have felt thankful toward your younger self for stashing money away to pay tuition. There's a great sense of satisfaction in the future payoff for past savings. Think of the feeling of accomplishment when the bank teller hands over Christmas Club dollars, transforming year-long sacrifices into the freedom to afford gifts for all. Even $20 lost and then found months later in your coat pocket can make your day, right?

Now magnify all of those positive feelings and consider how thankful you will be when you retire and have enough money saved to live a financially stress-free life. Wouldn't that enormous joy be worth sacrificing for today?

Stay Diversified, Stay the Course!

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