
Anxiety and distrust are common among Boomer participants: Financial Engines

By Editor Test *Wed, May 25, 2011*

A new white papers shows that plan participants want flexibility, safety, advice, sponsor oversight and fee transparency from financial products and service providers.

A new report from Financial Engines, which manages money for and gives automated advice to millions of plan participants, asserts that many Americans are fearful about their financial future.

The report, “Understanding the Accidental Investor: Baby Boomers on Retirement,” which was based on 300 interviews and surveys that Financial Engines conducted between 2008 and 2011, says that:

- More than half of participants interviewed expressed uncertainty about the future;
- Nearly half had a fear of poverty in retirement;
- Nearly half distrusted the motives or qualifications of financial services and insurance firms; and
- More than a third of near-retirees and retirees did not feel confident or knowledgeable making important financial decisions.

These emotions prevented many participants from accessing professional advice, the paper said, or made them avoid thinking about retirement altogether. Participants who feared poverty also engaged in “magical thinking” – telling themselves that everything would work out in the end. Those who were distrustful of professionals or unconfident about finances frequently turned to family and friends for advice.

Financial Engines identified five common needs that, if met, could potentially help participants overcome these strong emotional barriers. Those needs include:

- **Flexibility.** Participants want flexibility and control over their retirement investments. They do not want to be locked into an investment vehicle—especially early in retirement when uncertainties are at their highest.
- **Safety.** Fearing significant losses right before or in retirement, many participants want low-risk investments or investments that could provide a reliable income over time, and potentially for life. Many desired both—plus flexibility.
- **Help from an Advisor.** Many participants said they want a trusted advisor, but don’t know whom to trust with their money.
- **Sponsor Evaluation.** Participants said that having their employer select and monitor independent retirement income providers made them more likely to accept professional retirement help.
- **Fee Transparency.** Many participants demanded clear and easily understood fees. They said that they would not act unless they fully understood the fees associated with a given product or service.

The “Understanding the Accidental Investor: Baby Boomers on Retirement” white paper can be downloaded at www.financialengines.com.