
The Bucket

By Editorial Staff *Wed, Feb 23, 2011*

Late-breaking items from Principal Funds and MassMutual.

Principal Funds wants to demystify Social Security

Noting that an estimated 74% of current retirees are receiving less than they could from Social Security, Principal Funds has created a suite of resources for financial professionals to help their clients make the most of their benefits.

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“Understanding the complexities of Social Security is not an easy task,” said Chad Terry, director of retirement solutions at Principal Funds. “It’s clear that investors need help to maximize their Social Security income.”

New resources from Principal Funds help demystify Social Security benefits, encouraging three simple steps to take with the assistance of a financial professional:

- Know your benefit,
- Understand your options, and
- Determine a plan to maximize your benefit.

Resources include:

- A website that includes videos, a blog written by Chad Terry, director of retirement solutions at Principal Funds, a benefits calculator and other tools.
- A document entitled, *What You May Not Know About Social Security Benefits*.
- An investors guide with a step-by-step process to help clients maximize Social Security benefits, including a planning worksheet for clients to complete before meeting with an advisor.
- FAQs that explain key Social Security concepts such as Full Retirement Age, spousal benefits and the calculations used to determine benefit reductions.
- Access to a team of retirement specialists.

“Many retirees may be missing out on hundreds of dollars each month because they’ve been unable to navigate the intricacies of the Social Security,” Terry said.

Women favor TDFs over risk-based funds: MassMutual

MassMutual’s Retirement Services Division has released data for the fourth quarter 2010 indicating that

Female participants in retirement plans administered by MassMutual have shifted an increasing percentage of their retirement savings into asset allocation investments in general (target-date or risk-based options), but are favoring target-date options.

At year-end 2010, women had 24.3% of their retirement assets in asset allocation options while men had 24.0%. Among female investors, average balances in target-date investments are approximately *double* those of risk-based options. Among men, the split is roughly even between target-date and risk-based options.

Two possible explanations are that women have recognized the need for better diversification and that, historically, men have demonstrated more aggressive investment behavior than women. MassMutual's data supports the conventional wisdom that men prefer risk-based investment selections and exhibit a preference for having more control over their investments.

In a recent survey of participants in retirement plans administered by MassMutual, 53.1% of female participants prefer to spend as little time as possible on making investment decisions compared to 35.1% for men. Likewise, 25.9% of women are confident in making their own investment decisions compared to 44.1% for men.

Balances for women continue to trail men by approximately 40% and their deferral percentages continue to trail those of men by 0.5 percentage points.

On a positive note, balances for women gained 5.7% on average for the quarter, compared to 5.5% for men, which also may be explained by their different approaches to investing.

The percentage of participants who stopped or decreased their deferrals during the quarter (3.8%) was at its lowest level since the beginning of the market decline. The number of participant loans, hardship withdrawals, and call center activities declined slightly as well.

The average participant balance in retirement plans administered by MassMutual now exceeds the average balance from year-end 2007 when the market decline began. MassMutual's data also shows the highest percentage growth in average account balances for the year was experienced by participants in their 40s (10.4%) and 50s (9.8%). Among all participants, retirement assets invested in stable value (24.9%) as a percentage of total assets are now at their lowest level since the start of the recession, demonstrating increased participant confidence in equity markets and increased popularity of asset allocation investment options.