

CENSUS OF CERTIFIED EMPLOYEE BENEFIT SPECIALISTS

**NEW KID ON THE BLOCK**

# **Financial Planning as an Employee Benefit**

*Survey Results  
December 2001*

INTERNATIONAL SOCIETY OF CERTIFIED EMPLOYEE BENEFIT SPECIALISTS

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## Summary Highlights

► Fifty-four percent (54%) of CENSUS respondents personally rely on some type of financial planning service; 28% of these indicate the service is offered through the employer.

The top areas of interest in financial planning for CENSUS respondents are *retirement income objectives and planning* and *wills, trusts and estate planning*.

CENSUS respondents with formal education or training or self-taught skills in financial planning are the most confident in their ability to manage their self-directed investments. Conversely, respondents with no background in financial planning are the least confident in their overall ability to manage their self-directed investments and, additionally, more of those respondents became less confident in their investment management ability over the past two years than the group as a whole.

An overwhelming majority of CENSUS respondents (96%) agree “workers want and need financial planning education and advice.”

According to CENSUS respondents, the subject area in which workers are most lacking financial awareness is *allocations*.

The biggest obstacle to successful financial management for workers, according to CENSUS respondents, is *lack of knowledge*.

The most important motivator for an employer to offer a financial planning advice service is *to enhance awareness of and appreciation for benefits the employer already provides*.

Ninety-four percent (94%) of CENSUS respondents foresee an increase in financial planning benefits; 17% say financial planning benefits are likely to become mainstream.

Thirty-seven percent (37%) of respondents see financial planning benefits moving beyond investment and retirement planning toward comprehensive personal financial management.

Thirty percent (30%) of employer respondents currently offer an interactive online advice service; 92% of those are likely to continue to offer it.

## Introduction

**T**here's no time like the present. A national tragedy, personal and collective mourning, war, a weakened economy, an uncertain future . . . the circumstances of 2001 have awakened Americans, if not the world, to the fact that life exists only in the present and it is there that we live, choose and act. The notion of putting things off, whatever they are and for whatever reason, has become unsettling as opposed to convenient. Financial planning, wherever it fits in the bigger scheme of things, is no exception.

Already in its stride prior to September 11th, financial planning as an employee benefit is moving rapidly forward. The need for financial planning, the interest in financial planning, and the opportunities to institute and advance it are ripe. Consider the increased annual limits on combined employer and employee contributions to 401(k), nonprofit 403(b) and Section 457 plans, the repeal of the 25% of compensation limit, and the increased annual limits and catch-up provisions for IRAs created by the Economic Growth and Tax Relief Reconciliation Act. Consider also the current progress on HR 2269, the Retirement Security Advice Act, which would allow defined contribution plan participants to receive advice from investment management firms, given certain restrictions, by providing limited exemption from ERISA's prohibited transaction rules. Additionally, in September of 2000, the Department of Labor clarified its position on the fiduciary liability of employers responding to the investment education and advice needs of their employees. Add to the mix a growing willingness of workers to become more proactive in securing their financial futures through knowledge and action.

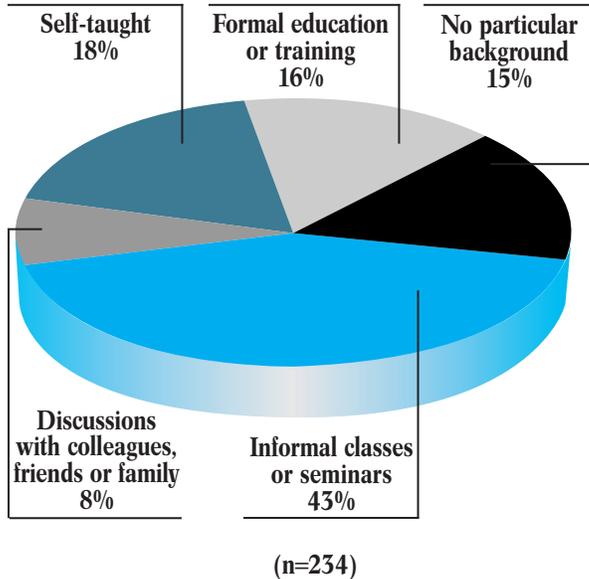
The results of this premier CENSUS on financial planning unquestionably point to a new, exciting and evolving dimension of employee benefits. Read on!

Melody A. Carlsen, CEBS  
Director of Research  
International Foundation of Employee Benefit Plans

## Background Information

In June of 2001, the International Society of Certified Employee Benefit Specialists surveyed a sample of its 3,850 U.S. members. A detailed questionnaire was sent to 917 individuals employed in a benefits capacity by corporate, public or nonprofit employers. Twenty-six percent (26%) or 234 respondents returned a completed questionnaire. The questionnaire was divided into four parts. Part I asked for personal information relating to financial planning background, ability and areas of interest. Part II asked for opinions on the need for and direction of financial planning benefits in the workplace. Part III examined specific employer practices relating to financial planning, including the use of online investment advice services. Part IV asked for employer size and geographic location.

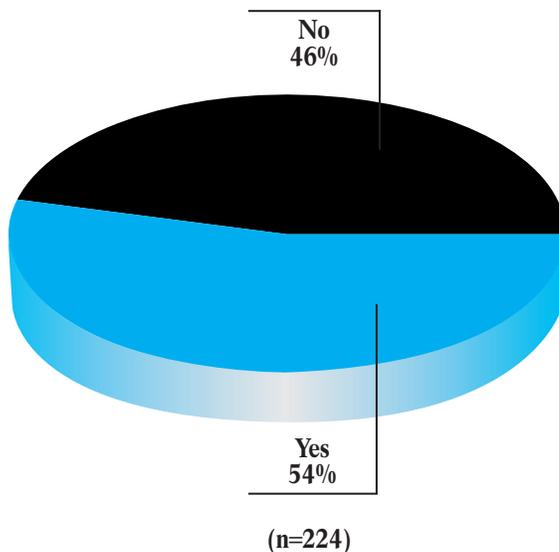
## Which of the following best describes the background you have in financial planning?



Forty-three percent (43%) of all CENSUS respondents indicate their background in financial planning is the result of informal classes or seminars.

Smaller, but almost equal percentages of respondents are either self-taught (18%), formally educated or trained in financial planning (16%) or have no particular background (15%).

## Do you personally rely on any type of financial planning services to assist you with your financial planning decisions?

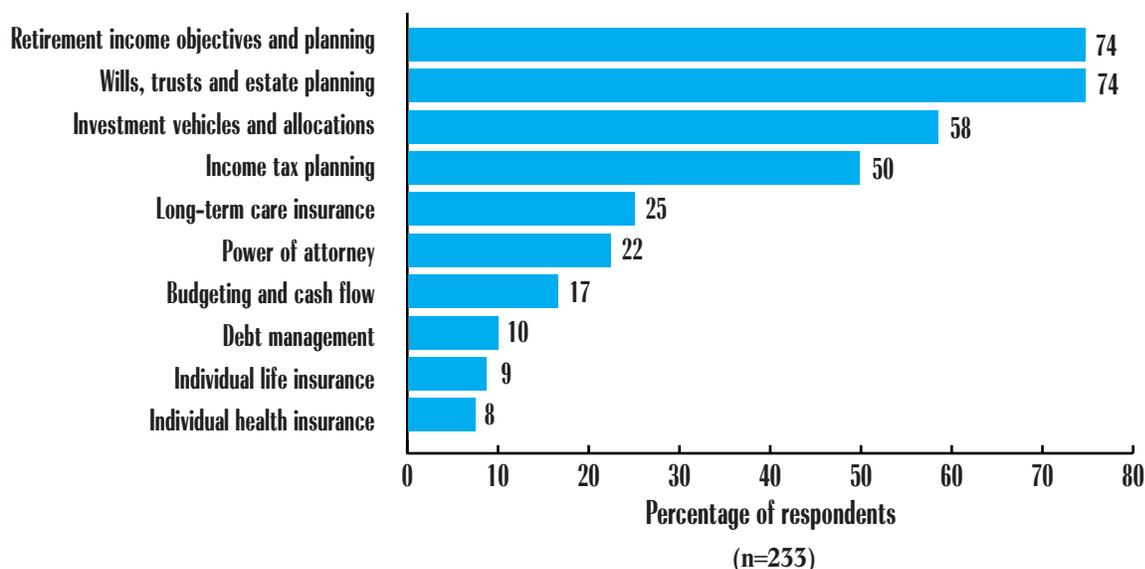


Fifty-four percent (54%) of all CENSUS respondents personally rely on some type of financial planning service in making financial decisions, while 46% do not.

Of those respondents who rely on financial planning services in making financial decisions, 28% indicate those services are provided through the employer.

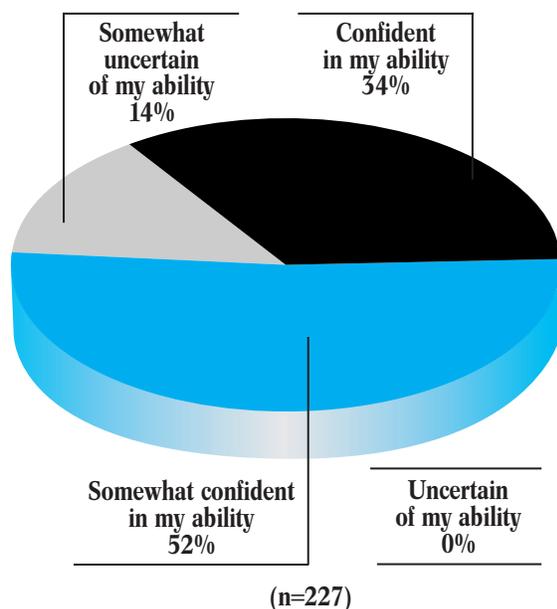
Of those respondents who do not rely on financial planning services, 89% indicate they would know where to go for those services if they were needed.

## If financial planning benefits were made available to you, in which areas would you be most likely to seek financial information?



▲ The top three areas in which CENSUS respondents indicate they would be most likely to seek financial information are *retirement income objectives and planning* (74%), *wills, trusts and estate planning* (74%), and *investment vehicles and allocations* (58%).

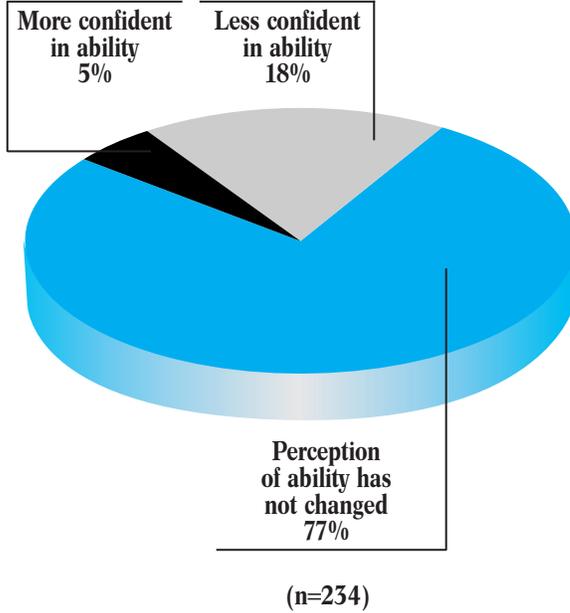
## How do you assess your own ability to successfully manage your investments in your self-directed 401(k) or similar accounts?



◀ Eighty-six percent (86%) of CENSUS respondents indicate they are either *somewhat confident* or *confident* in their ability to successfully manage the investments in their own self-directed 401(k) or similar accounts.

More respondents with either formal training in financial planning or self-taught skills were confident in their ability to manage their self-directed accounts than respondents as a whole (72% and 46%, respectively, versus 34%); very few respondents with no background in financial planning were confident in their ability to manage their self-directed accounts.

## Have fluctuations in the investment market over the last two years changed your perception of your ability to successfully manage your 401(k) or similar investments?

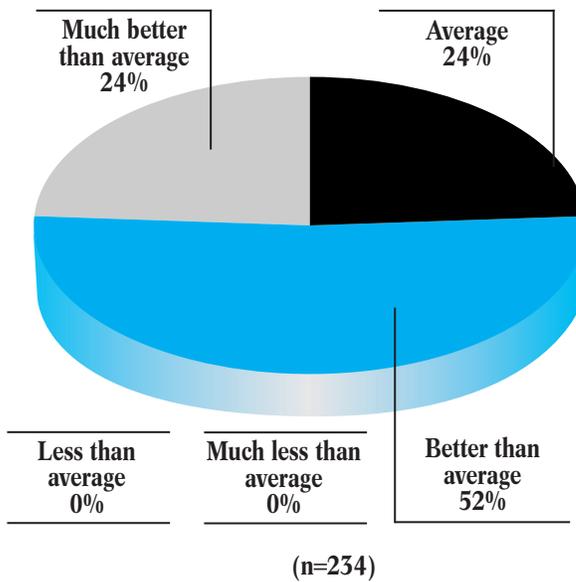


Over three-quarters (77%) of respondents indicate despite fluctuations in the investment market over the past two years, their perception of their ability to successfully manage their self-directed investments has not changed.

A handful of respondents had become *more confident* in their ability to successfully manage their self-directed investments over the last two years, all of whom had formal education or training, informal classes or seminars, or were self-taught.

A greater percentage of respondents with no background in financial planning had become *less confident* in their ability to manage their investments over the past two years than respondents as a whole.

## Comparing yourself to workers in general, how would you describe your financial savvy?

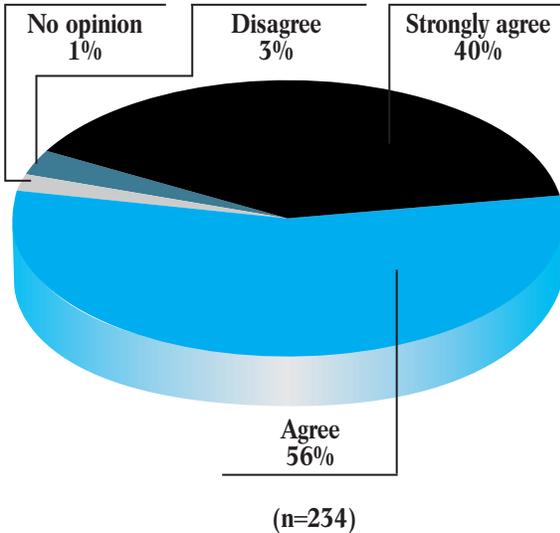


Approximately three-quarters (76%) of CENSUS respondents describe their financial savvy as being either *better than average* or *much better than average*, as compared to workers in general.

Of those respondents who described their financial savvy as *much better than average*, 93% were either formally educated or trained in financial planning, participated in informal classes or seminars or were self-taught.

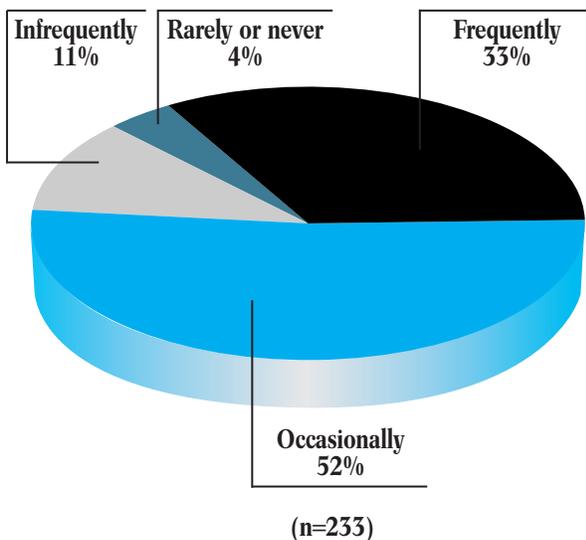
None of the respondents described their financial savvy as being *less than* or *much less than* that of workers in general.

## To what extent do you agree or disagree with the statement “workers want and need financial planning education and advice”?



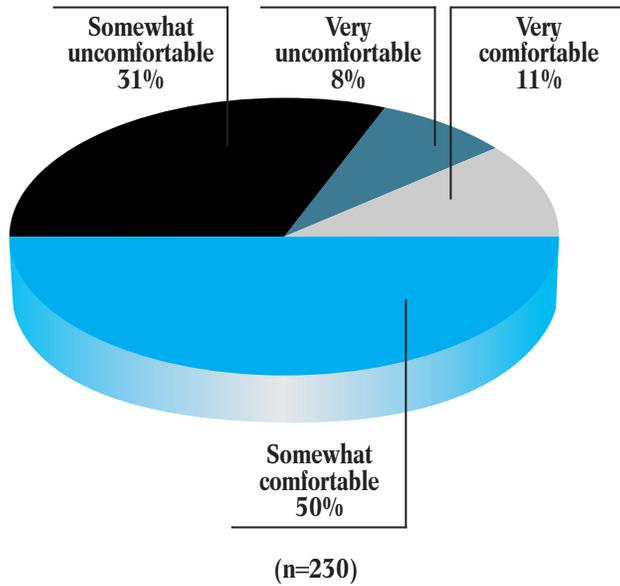
◀ Ninety-six percent (96%) of CENSUS respondents either *agree* or *strongly agree* with the statement “workers want and need financial planning education and advice.”

## As a benefits professional, how often are you faced with employee benefit questions that need to be answered in a much larger financial context?



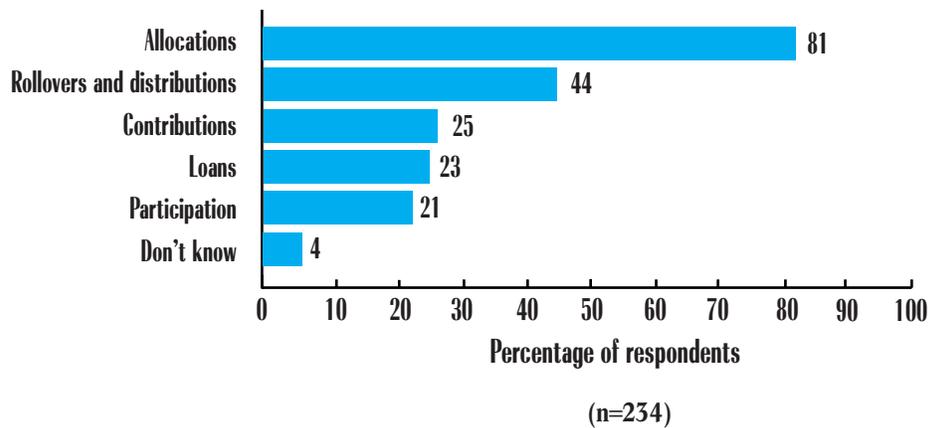
◀ In their professional roles, the vast majority of CENSUS respondents (85%) are faced with employee benefit questions that need to be answered in a much larger financial context.

## How comfortable are you with addressing employee benefit questions that need to be answered in a much larger financial context?



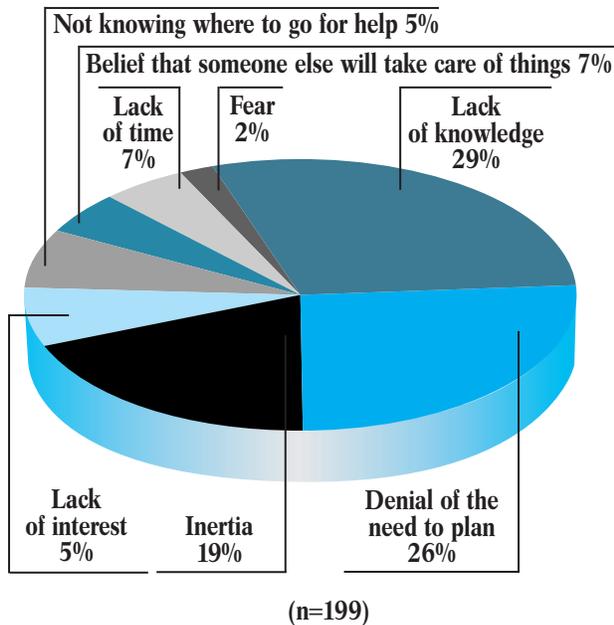
▲ The level of comfort of CENSUS respondents faced with employee benefit questions that need to be answered in a much larger financial context varies considerably, with the majority falling in the *somewhat comfortable/somewhat uncomfortable* range.

## Based on typical questions you are asked about the employer's self-directed 401(k) or similar plans, in which areas are workers most lacking financial awareness?



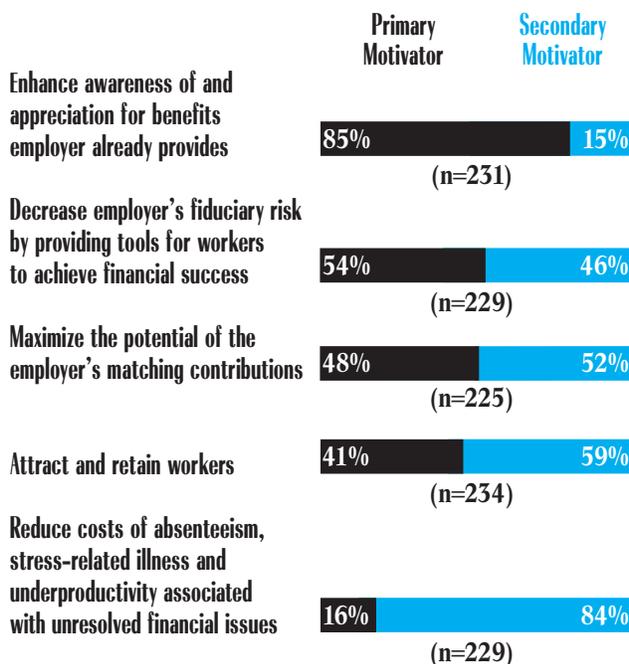
▲ Based on the typical questions CENSUS respondents are asked about the employer's self-directed 401(k) or similar plans, the area in which workers are most lacking financial awareness is *allocations*, followed by *rollovers and distributions*.

## As a benefits professional, what do you perceive as the biggest obstacle workers face in successfully managing their financial futures?



According to CENSUS respondents, the two biggest obstacles workers face in successfully managing their financial futures are *lack of knowledge* and *denial of the need to plan*.

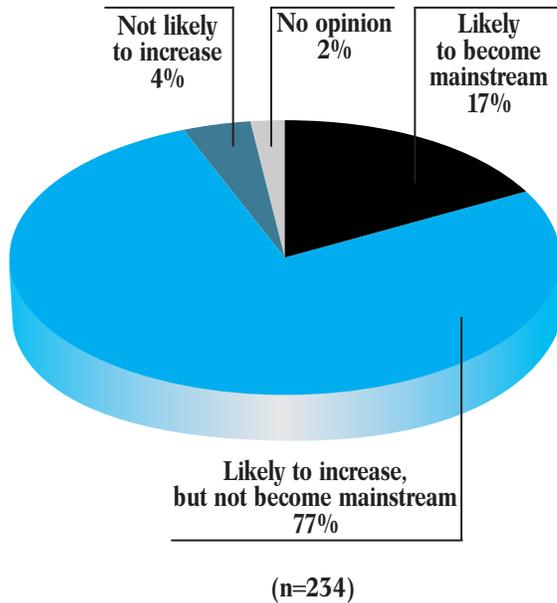
## How would you categorize these possible motivators for an employer to offer a financial planning advice service through the workplace?



According to CENSUS respondents, the top two motivators for an employer to offer a financial planning advice service through the workplace are *to enhance awareness of and appreciation for benefits the employer already provides* and *to decrease the employer's fiduciary risk by providing tools for workers to achieve financial goals*.

Other motivators for an employer to offer a financial planning advice service through the workplace, in order of relative importance, are *to maximize the potential of the employer's matching contributions*, *to attract and retain workers* and *to reduce the cost of absenteeism, stress-related illness and underproductivity associated with unresolved financial issues*.

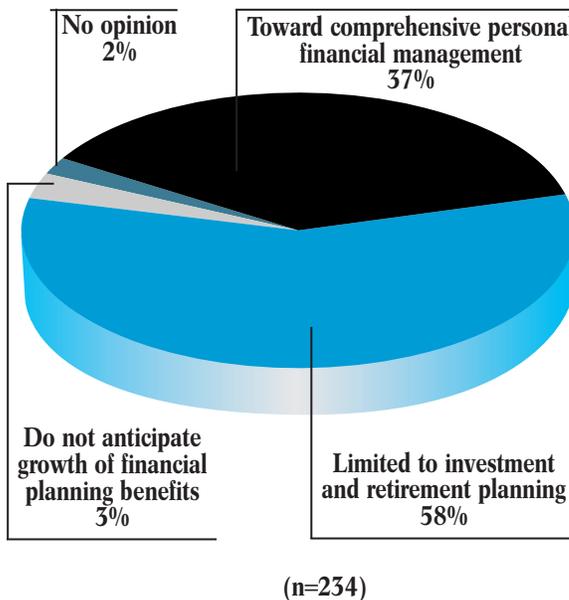
**Some experts have predicted financial planning benefits are on their way to becoming a mainstream work/life benefit. To what extent do you agree or disagree?**



◀ Ninety-four percent (94%) of CENSUS respondents agree that financial planning benefits are likely to increase.

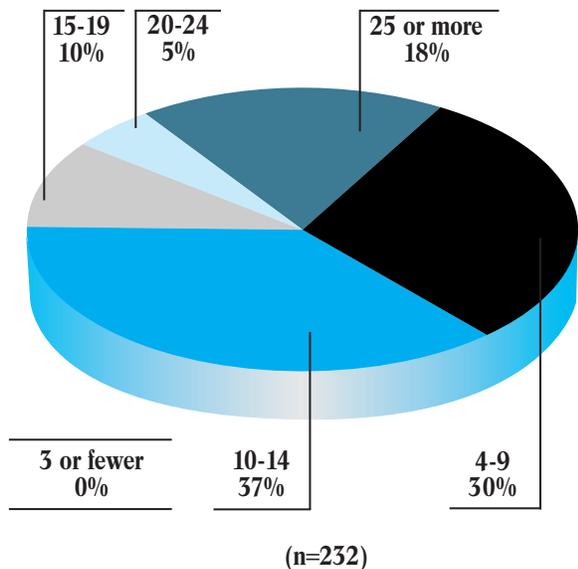
Seventeen percent (17%) of respondents indicate that financial planning benefits are likely to become mainstream.

**In what direction do you envision the scope of financial planning benefits to evolve?**



◀ Thirty-seven percent (37%) of respondents envision the scope of financial planning benefits evolving beyond investment and retirement planning toward comprehensive personal financial management.

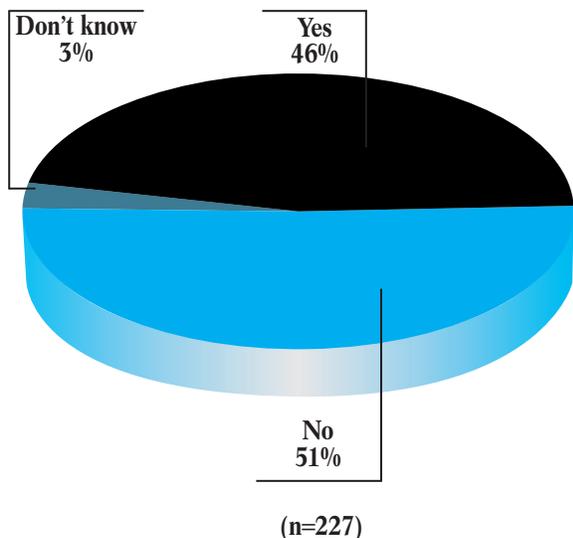
## How many investment choices does the employer's self-directed 401(k) or similar plan offer?



◀ The most frequently reported number of investment choices in self-directed 401(k) or similar plans among employers of CENSUS respondents is 10-14.

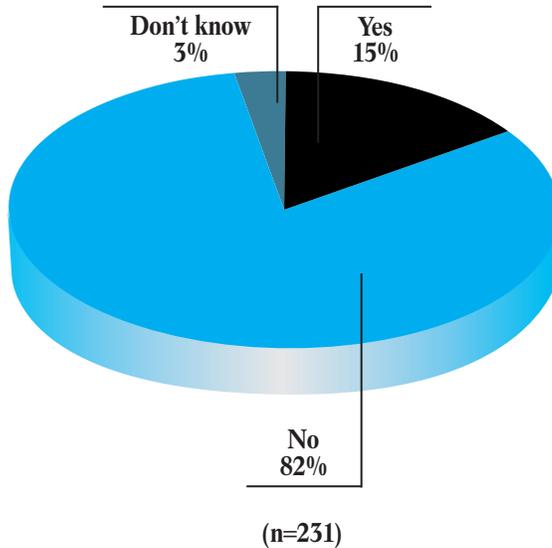
Nearly one-third (30%) of employers sponsoring self-directed 401(k) or similar plans offer fewer than ten investment choices and one-third offer 15 or more investment choices.

## Does the employer's self-directed 401(k) or similar plan include a life-stage or life-cycle fund?



◀ Life-cycle funds, funds in which asset allocation is based on an individual's tolerance for investment risk and number of years before they need to withdraw their savings, are offered as an investment choice among 46% of CENSUS respondents whose employers sponsor 401(k) or similar plans.

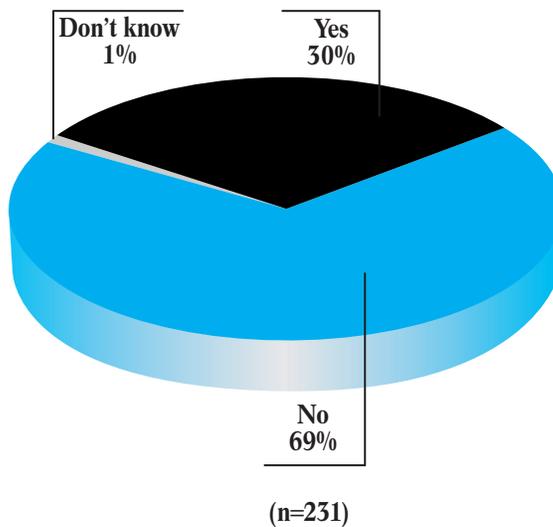
**Do the investment options in the employer’s 401(k) or similar plan include a self-directed brokerage window?**



◀ Eighty-two percent (82%) of CENSUS respondents indicate the employer does *not* offer a self-directed brokerage window among their investment options.

Three quarters of those employers not offering a self-directed brokerage window also indicate a self-directed brokerage window is *not* under consideration.

**Does the employer offer an interactive online investment advice service?**

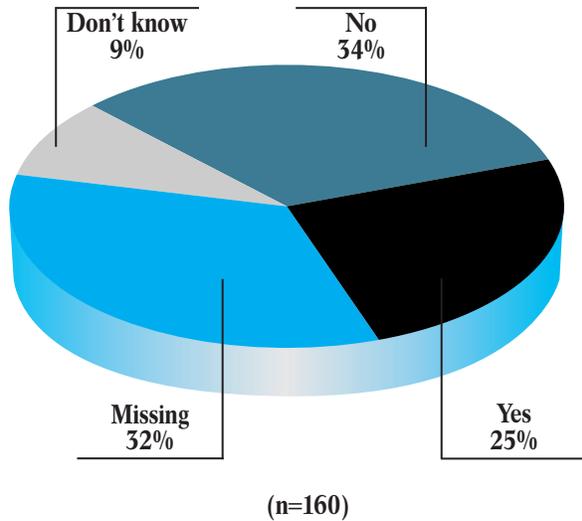


◀ Thirty percent (30%) of employer respondents offer an interactive online investment advice service.

Among employers with fewer than 500 employees, the percentage offering an interactive online investment advice service is slightly lower than the group as a whole (24% versus 30%).

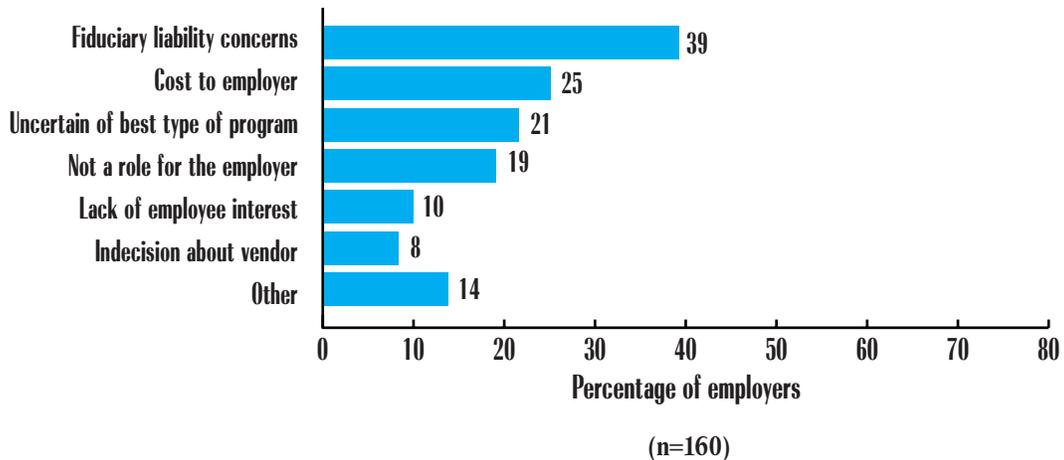
Among all employers offering online investment advice, 91% offer it as an adjunct to other types of financial planning programs for employees.

**If the employer does not offer online investment advice, is an online investment advice service under consideration?**



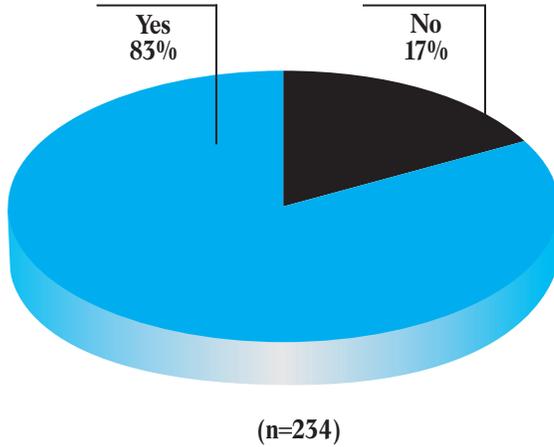
Of those employers *not* offering an interactive online investment advice service, 25% indicate an online investment advice service is under consideration.

**If the employer does not offer online investment advice, why not?**



The most frequently mentioned reason why employers do *not* offer an online investment advice service is *concern about fiduciary liability*.

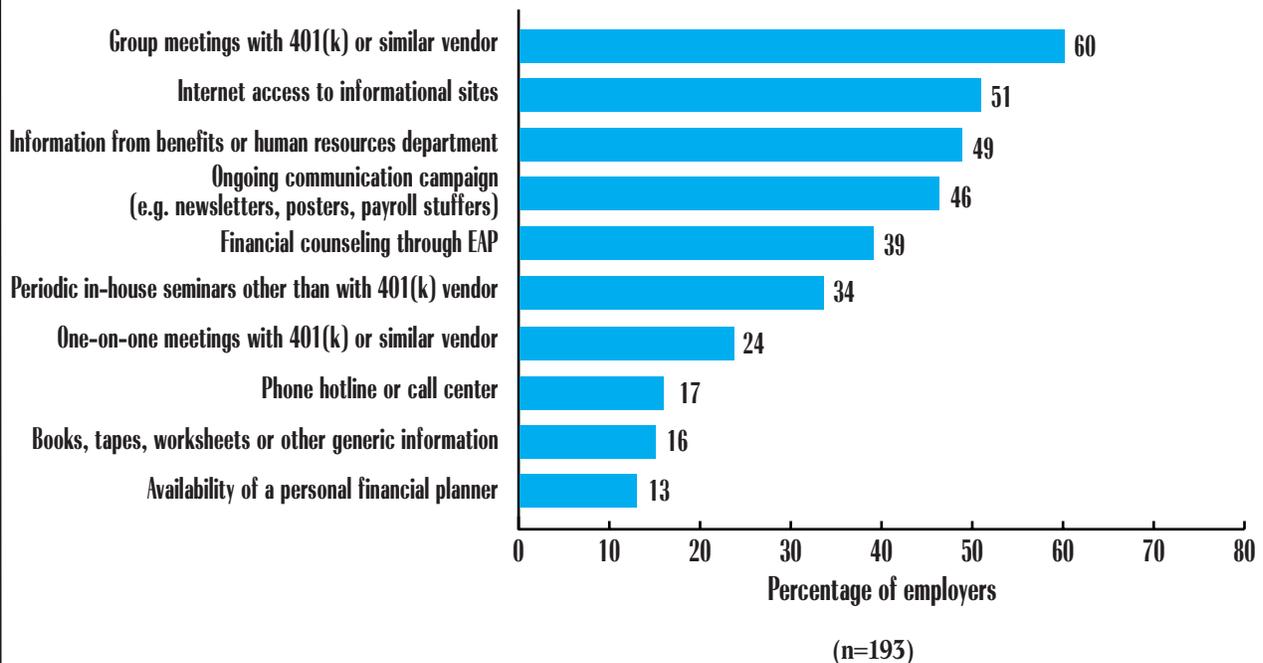
**Does the employer provide any type of financial planning program for employees other than or in addition to online investment advice?**



◀ Eighty-three percent (83%) of all employer respondents provide some type of financial planning program for employees *other than* or *in addition to* online investment advice.

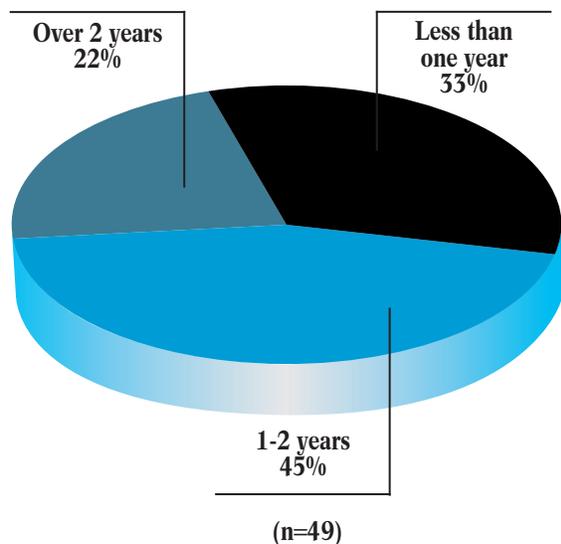
Of the 17% of employers not offering financial planning programs other than or in addition to online investment advice, 26% anticipate doing so this year or next.

**If the employer provides any type of financial planning program other than or in addition to online investment advice, what does the financial planning program include?**



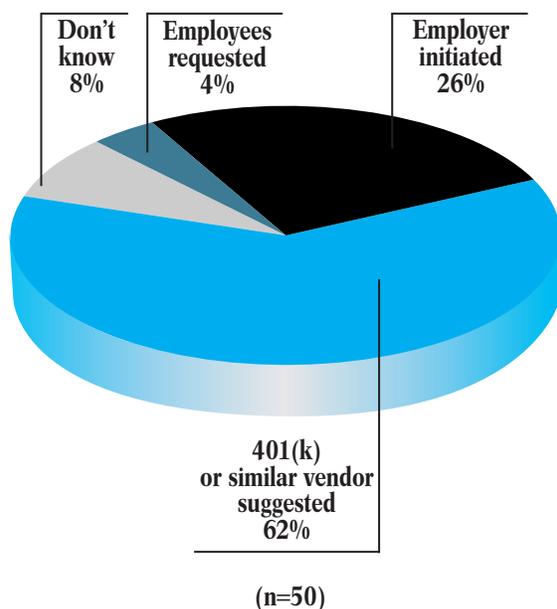
▲ The most common elements of other types of financial planning programs among employer respondents are *group meetings with a 401(k) or similar vendor*, *Internet access to informational sites* and *information from the benefits or human resources department*.

## How long has the online investment advice service been in place?



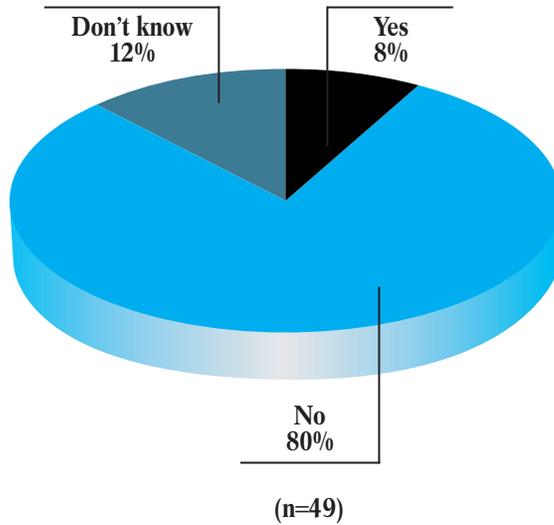
Over three-quarters (78%) of the online investment advice services offered by employer respondents have been in place for two years or less.

## What primarily prompted the employer's decision to use an online advice service?



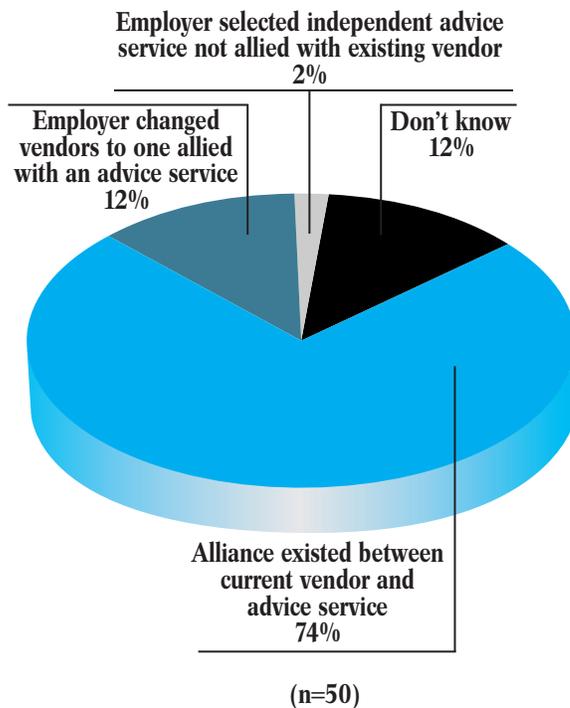
For the majority of employer respondents (62%), the decision to use an online advice service was prompted by a suggestion from a 401(k) or similar vendor.

## Prior to implementing the online advice service, did the employer survey employees to assess their levels of interest and financial awareness?



Eighty percent (80%) of employer respondents did *not* assess employees' level of interest or financial awareness prior to implementing the online investment advice service.

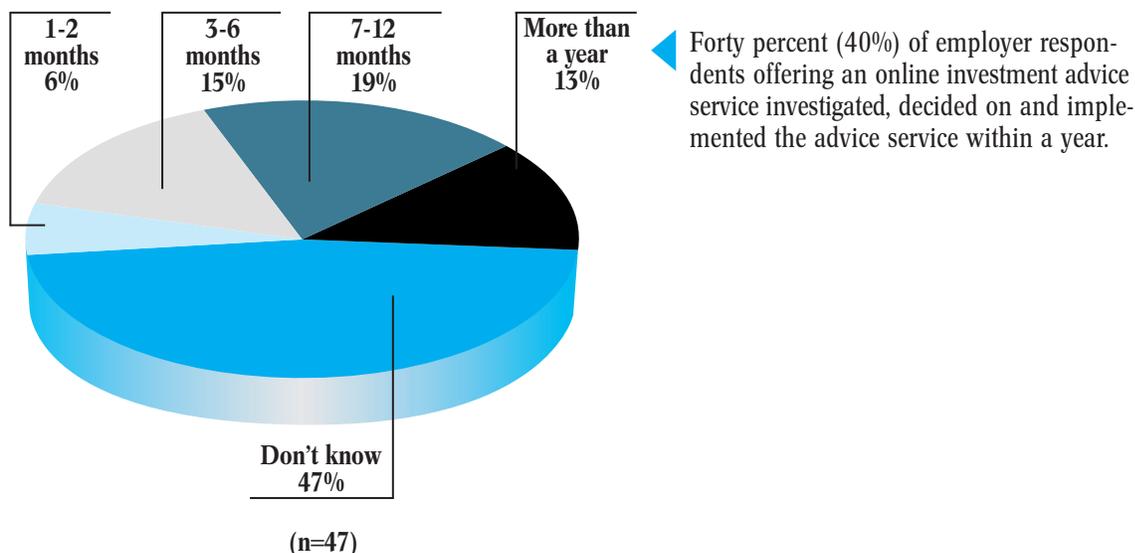
## How did the employer select the investment advice service provider?



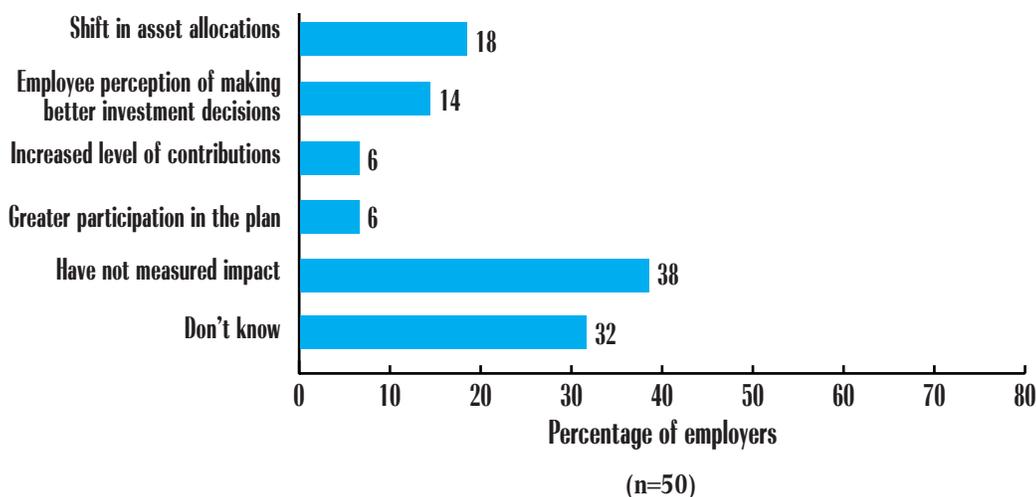
Almost three-quarters (74%) of employer respondents implementing an investment advice service selected the service based on the existing alliance between their current plan vendor and the advice service.

The majority of employer respondents (71%) did *not* outsource the task of selecting an investment advice service to a consultant or other professional.

## How long did it take to investigate, decide on and implement the investment advice service?



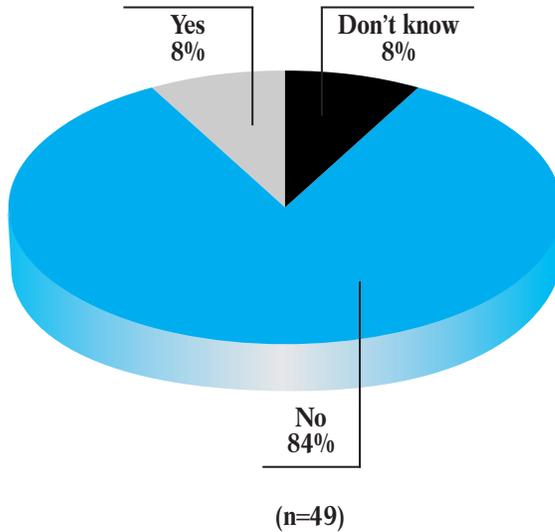
## Has the online investment advice service resulted in any of the following outcomes?



▲ Specific outcomes of offering an online investment advice service are not yet clear: 70% of employer respondents have either not measured the impact of online investment advice services or do not know the impact.

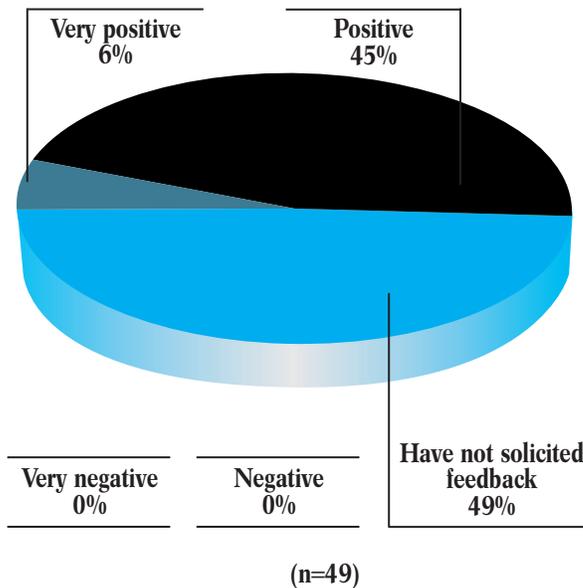
Among the handful of employer respondents indicating outcomes of offering online investment advice, *shift in asset allocations* and *employee perception of making better investment decisions* are most frequent.

### Does the employee pay a fee for use of the online investment advice service?



◀ The majority of employer respondents offering an online investment advice service indicate employees are *not* charged a fee to use the service.

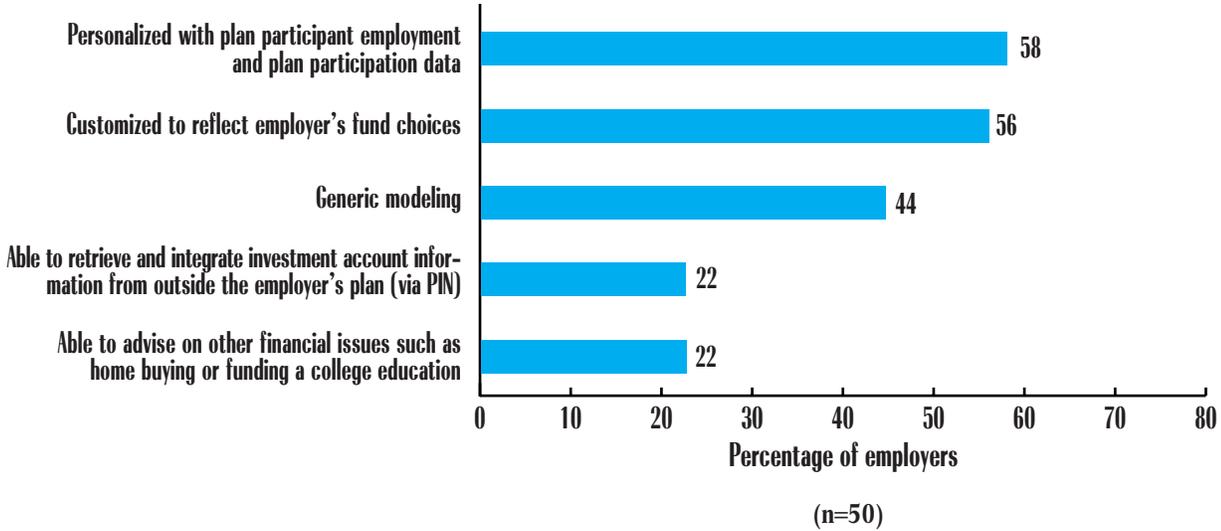
### Overall, what kind of feedback has the employer received from participants about the online investment advice service?



◀ All *available* participant feedback about online investment advice services offered by employer respondents has been positive.

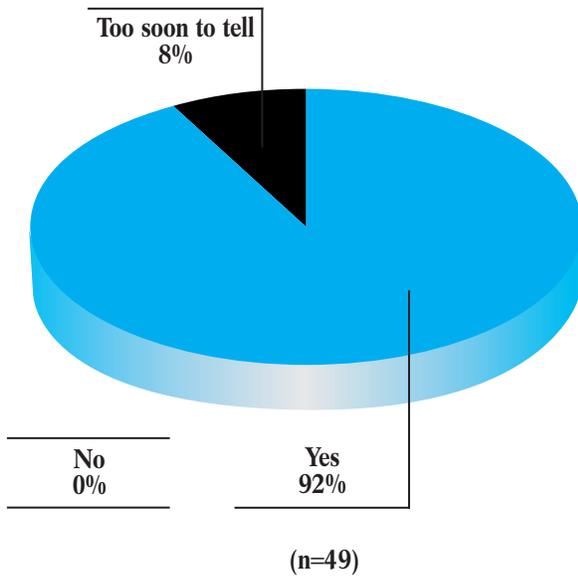
Nearly half (49%) of employers have not solicited feedback about the online investment advice service.

## How sophisticated is the online investment advice service?



▲ Online investment advice services offered by employer respondents vary considerably in their levels of sophistication.

## Is the employer likely to continue to offer the online investment advice service?



▲ Almost all (92%) of the employer respondents offering an online investment advice service are likely to continue offering it.

## In what geographic location is your employer primarily located?

Region	Number of Employers	Percentage
Northeast	67	29
Southeast	34	15
Midwest	73	31
Southwest	21	9
Mountain	3	1
West Coast	15	6
(Missing)	21	9
Total	234	100

◀ The largest percentages of responding employers are from the Midwest (31%) and the Northeast (29%).

## Size of employer

Number of Employees	Number of Employers	Percentage
Less than 500	46	20
500-4,999	91	39
5,000 or more	95	40
(Missing)	2	1
Total	234	100

◀ Seventy-nine percent (79%) of responding employers have 500 or more employees.

## For More Information on Financial Planning Benefits

“**Financial Planning Education**,” *In Focus*, May 2001 (Vol. 1, No. 2), published by the International Foundation of Employee Benefit Plans. Individual copies are available for \$10 each. Quantity discounts are available. To place an order call (888) 33-IFEBCP, option 4; or e-mail [books@ifebp.org](mailto:books@ifebp.org). International Foundation members can access the full text of the periodical online at [www.ifebp.org/members/infocus501a.asp](http://www.ifebp.org/members/infocus501a.asp).

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# Courses in Financial Planning

## Through the CEBS® Program

**T**wo courses in financial planning are available from the International Foundation of Employee Benefit Plans. As financial planning becomes a more integral part of the total rewards package, professionals in all areas of benefits and human resources need to be familiar with the concepts and principles of financial planning. These courses, developed through the CEBS program, will help you to:

- ▶ **Develop an in-depth knowledge of financial planning concepts and principles**
- ▶ **Position yourself to benefit from the growing synergy between employee benefits and financial planning**
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The courses and exams are structured in a format similar to the CEBS courses. Examinations are administered on computers at test centers around the country.

For complete information, contact the CEBS Department at (262) 786-6710, ext. 8563



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