Advisers, Let's Change the Retirement Conversation

Discussions rooted in fear tend to discourage clients. Instead, talk about what clients already have.

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Mr. Fraser on messaging: A little change in language can have a tremendous impact on someone's perspective, understanding and, ultimately, their behavior. PHOTO: RETIREMENT BENEFITS GROUP

While there were some encouraging increases in retirement contributions over the past year, the figures on average American retirement savings remain troubling. Many people have nothing saved for retirement, and many of those who do have retirement savings have just a few thousand dollars. The wealth-management industry needs to help turn that around.

Advisers can start by simply changing the way we talk to people about saving. Too often, discussions about retirement are rooted in fear, as if the only way to help people get serious about their savings is to scare them into it. The prevailing message is that Social Security won't be there for people and that they'll never make it through retirement if they're not putting away 15% of their salary each year.

By sending the message that people are hopelessly behind, the prospect of ever saving enough starts to feel out of reach and many don't save at all. I think advisers can approach these discussions with a little more empathy, especially when we're working with clients who already feel discouraged about their savings.

Start discussions about savings by going to the Social Security Administration website and showing people the good news: Even if they haven't saved anything yet, they're still going to get a monthly stipend to help cover some expenses in retirement. For clients who have doubts about their ability to save, that information can give them a much-needed sense of encouragement.

Beginning by talking about what a client already has, rather than what they don't, tends to generate more optimism and in turn more productive conversation. From that point, clients are often more engaged in learning about using savings vehicles, like 401(k)s, to cover their retirement needs.

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When we're talking about financial issues like these, we also have to remember that language matters. Take 401(k) contributions as an example. Automatic enrollment and escalation in retirement plans have boosted total employee savings by billions of dollars over the past decade. But many people we speak with are still reluctant to use those tools, in large part because the thought of increasing their deferral by a percentage point each year sounds like taking too much out of their pockets.

So, when I talk with clients about savings targets and strategies in tax-advantaged plans, I don't ask if they're comfortable setting aside an additional 1% of their salary. Instead, I ask how they would feel saving another penny of every dollar that they make. Next year, could they set aside two pennies on the dollar—and three the year after that? A little change in language can have a tremendous impact on someone's perspective, understanding and, ultimately, their behavior.

This is what advisers should be looking for as an industry: not a perfect solution to the retirement savings problem, but simple ways to change the conversation and help empower people to face the challenge.