

Financial Literacy Center WORKING PAPER

How to Improve Social Security Education

Retirement Plan Providers' Perspectives

LISA SCHNEIDER AND MATHEW GREENWALD

WR-898-SSA

November 2011

Prepared for the Social Security Administration

This product is part of a deliverable to the Social Security Administration Financial Literacy Research Consortium, Grant No. 5 FLR09010202. Working papers have been approved for circulation by RAND Labor and Population but have not been formally edited or peer reviewed.



A joint center of the RAND Corporation, Dartmouth College,
and the Wharton School

**How to Improve Social Security Education:
Retirement Plan Providers' Perspectives**

Lisa Schneider and Mathew Greenwald

September 23, 2011

Mathew Greenwald & Associates
4201 Connecticut Avenue, NW, Suite 620
Washington, DC 20008
Tel: 202.686.0300 Fax: 202.686.2512
www.greenwaldresearch.com

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Financial Literacy Consortium. The opinions and conclusions expressed herein are solely those of the authors and do not represent the opinions or policy of SSA, any agency of the Federal Government, Mathew Greenwald & Associates, the American Enterprise Institute, or any other institution with which the authors may be affiliated. Opinions and errors are solely those of the authors and not of the institutions providing funding for this study or with which the authors are affiliated. ©2011 Schneider and Greenwald. All rights reserved.

How to Improve Social Security Education: Retirement Plan Providers’ Perspectives

Lisa Schneider and Mathew Greenwald

Abstract

In-depth telephone interviews with defined contribution retirement plan providers, conducted by Mathew Greenwald & Associates in Summer 2011, reveal that most providers are working to educate their plan participants about Social Security and its role in ensuring financial security in retirement. Through website content, mailed materials, one-on-one meetings, and seminars, plan participants receive basic information on how Social Security works and how their benefit amount can vary based on their age at claiming. Most retirement plan providers are not able to give specific, individual advice on when a participant should claim their Social Security retirement benefits, but they consistently supply information to help inform this decision. Respondents express concern that trying to explain the solvency of the Social Security system to participants can be a challenge, and most believe the Social Security Administration could improve its communications to be more user-friendly for consumers. The experts and retirement plan providers interviewed in this study indicate a significant desire for greater collaboration with the Social Security Administration to develop effective communications and deliver useful and credible information to retirement plan participants and Americans as a whole. Some have specific suggestions for how the Social Security Administration can work more closely with defined contribution plan providers to help educate plan participants about the Social Security system and how Social Security benefits may serve as a critical component of their retirement income.

Authors

Lisa G. Schneider
Mathew Greenwald & Associates, Inc.
4201 Connecticut Avenue, NW, Suite 620
Washington, DC 20008
lischneider@greenwaldresearch.com

Mathew Greenwald
Mathew Greenwald & Associates, Inc.
4201 Connecticut Avenue, NW, Suite 620
Washington, DC 20008
mathewgreenwald@greenwaldresearch.com

Table of Contents

Executive Summary.....	5
Introduction and Methodology	8
Findings from the In-Depth Interviews.....	9
<i>Educating on Saving: Generally and for Retirement</i>	9
<i>Educating on Social Security</i>	11
<i>Providing Information to Inform the Claiming Decision</i>	13
<i>Challenges to Plan Participants’ Education</i>	15
<i>A Mutually Beneficial Relationship</i>	18
<i>Collaborating to Improve Participant Education</i>	19
<i>Conclusions of Plan Providers</i>	23
Summary of Plan Provider Recommendations.....	24
Appendix: Interviewer’s Guide	26

How to Improve Social Security Education: Retirement Plan Providers’ Perspectives

Lisa Schneider and Mathew Greenwald

Executive Summary

Participation in defined contribution retirement plans is widespread. A Bureau of Labor Statistics survey found that 37% of all workers, and 41% of private sector workers, participate in defined contribution plans.¹ Further, for many workers, defined contribution plan providers are the primary, and in many cases, the only source of financial information and education. To those seeking to educate American workers about financial issues relating to retirement, defined contribution plan providers represent a significant opportunity. They are in regular communication with millions of workers, almost all seek to educate participants about retirement preparation issues, and the participants themselves tend to have positive views of the companies that manage their retirement plan, making them a trusted source of information. A recent survey of defined contribution plan participants determined that only 5% are dissatisfied with their plan provider.² Thus, plan providers can offer an effective vehicle for educating workers about Social Security and can do so in a highly efficient and low cost way.

In evaluating the possibility of utilizing plan providers to help educate workers about Social Security, key questions include (1) do plan providers consider it appropriate to educate their participants about Social Security, (2) what are defined contribution plan providers currently doing to educate their participants about Social Security, specifically when it comes to addressing the optimal age for claiming Social Security retirement benefits, (3) what obstacles do they perceive to educating their participants about Social Security, and (4) are they interested in getting information or other assistance from the Social Security Administration.

¹ The Bureau of Labor Statistics National Compensation Survey (2010)

² Mathew Greenwald & Associates, 2011 Defined Contribution Plan Participant Experience Survey

To obtain insight on those issues, Mathew Greenwald & Associates conducted 18 in-depth interviews with executives and managers at leading defined contribution plan providers and those with related industry expertise. The telephone interviews were conducted between July and September 2011. Respondents tended to have direct oversight of their companies' entire DC plan operations or were responsible for overseeing the development of educational materials for plan participants.

From the interviews emerges a clear sense that defined contribution retirement plan providers see it as their objective to help people save as much as possible for retirement. As a critical element of retirement income, most plan providers feel that they have a responsibility to help plan participants understand what Social Security is (and what it is not) and how it fits into their financial security in retirement. As part of plan providers' participant education and engagement efforts, all address the basics of how the Social Security system works. Some programs include greater detail on spousal benefits and the tax treatment of benefits. Information is disseminated through a variety of channels, including website content, mailed materials, one-on-one meetings, and seminars and webinars. All of the plan providers interviewed report having online calculators that help plan participants estimate how much they need to save for retirement and/or whether or not the amount saved will be able to generate sufficient retirement income. Social Security benefits appear as a line item in all of these calculators. Typically, plan participants are either asked to enter their own estimated benefit or the providers' tool uses assumptions to calculate an estimate. It appears most of these tools assume that retirement and claiming will occur simultaneously.

Still, one of the most frequently asked questions providers hear is when to claim benefits. For the most part, retirement plan providers are not able to provide individuals with specific advice on when they should claim their Social Security benefits. Many, however, provide information to help participants understand how their benefit amount can vary depending on their age when they claim, and what other factors, such as longevity, should be considered. Many

providers believe people tend to claim their benefits too early, but only a couple suggest that their company has a “position” on the issue that influences their communications.

The plan providers and industry experts interviewed allude to two major challenges when trying to educate participants about Social Security. First, providers say it is difficult to explain the solvency of the Social Security system to participants and that some participants’ concern about this can lead to misinformed decisions about when to claim benefits and how to factor their benefits into their bigger retirement income picture. The second perceived obstacle plan providers mention often is the overall complexity of communications from the Social Security Administration. Plan providers refer participants to the Social Security website and other materials, and provide positive remarks about the breadth of information available. They do, however, wish that the information was presented in a more user-friendly manner and was simplified for the average consumer.

Most importantly, the interviews reveal a genuine enthusiasm among plan providers to collaborate with the Social Security Administration. Respondents believe the exchange of information, ideas, and products between the two parties would be mutually beneficial, and that the collaboration would ultimately yield better and more consistent educational materials for retirement plan participants and Americans at large.

We’re all working for the same objectives, right? We want the American population to be retirement ready. Social Security is part of the equation. If there are things we can do, things specific to the Social Security conversation as well as the broader message of retirement readiness, and things we could collaborate together, I think that that would be critical.—Plan Provider

More specifically, plan providers express an interest in exploring ways to share data with the Social Security Administration, which would allow providers, especially in the absence of the annual Social Security statement, to present participants with a more holistic view of their retirement income sources. Plan providers also believe that they could work effectively with the Agency to develop and distribute educational collateral. One expert summarizes what others also express, noting that retirement plan providers are a willing audience for the Social Security Administration that can be leveraged for their ability to reach and educate millions of households about Social Security and its role in their overall retirement income planning.

Introduction and Methodology

This report presents the findings from in-depth interviews with executives and managers from leading defined contribution (DC) retirement plan companies regarding the level and types of educational material they share with plan participants about Social Security, what they feel their role is in educating participants on this critical element of their retirement finances, and how, if at all, they feel collaboration with the Social Security Administration could help participants make better Social Security and retirement decisions.

Companies were identified from a list of leading defined contribution plan companies, and contacts were recruited using referrals and snowball sampling techniques. In total, 18 in-depth interviews were conducted, including 16 with representatives from the nation's largest DC plan providers (by assets under management), and two with industry experts in organizations associated with defined contribution providers: a plan record keeper and an investment advice service provider. Respondents were high-level executives, directors, and managers, many of whom had direct oversight of their companies' entire DC plan operations or were responsible for overseeing the content and delivery of educational materials. On average, the telephone interviews lasted about 30 minutes. All, but one interview was conducted by Lisa Schneider, a Senior Research Associate and executive interviewer with independent market research firm Mathew Greenwald & Associates. The interviews took place between July and September 2011. Respondents and their companies were promised confidentiality and a link to the report of results (when approved and released) as a condition of their participation.

The following report details the major themes emerging from the interviews, includes representative quotes from respondents, and discusses some of the background and implications of the research.

Findings from the In-Depth Interviews

Educating on Saving: Generally and for Retirement

Defined contribution retirement plan providers' primary focus is to encourage plan participation, to educate employees about the importance of saving for retirement overall, and to help employees understand the benefits of using these employer-sponsored, tax-advantaged retirement savings vehicles. Plan providers encourage plan participants to set savings goals. Rather than conceptualizing the amount needed for retirement as a lump sum amount, which, when calculated, can appear so large and unattainable that it discourages participants, most of the providers interviewed report that their messaging about how much to save for retirement is framed as an income replacement ratio. Participants are often told they need and should aim for a replacement ratio of 66% to 85% of their pre-retirement income. One respondent says they inform their clients to save 11% to 15% of their total salary and that their employers should match that, while another has a tool to calculate a retirement income sufficiency score. Multiple respondents say they encourage participants to find an income replacement ratio that aligns with their lifestyle goals, including one provider who has an online tool that allows participants to dial lifestyle requirements up or down. In addition to helping participants determine a target amount, several plan providers say they place an emphasis on educating participants about appropriate asset allocation strategies, diversification, and decumulation options.

We have three general approaches. One is to get people in the plan, so that is increasing participation. One is to get people contributing as much as they can, that's our increasing contributions strategy. And the other one is getting people to diversify and look at their asset allocation mix. Those are our three approaches to educating. And I think we are probably starting to focus more on all of those, once people are in the plan, getting them to really focus on saving more. Asset allocation is very important, diversification is very important. But it really is about saving as much as they can so they can have at least a comfortable retirement. —Plan Provider

When you talk to participants about retirement readiness, it has always been conveyed historically as a percentage of 85% of your final salary times how many years... I think now people want to see it translated as a monthly income stream, taking that gross amount and being able to help people understand what that would look like as a monthly income stream in retirement. —Plan Provider

All of the interviewees report that their companies provide participants with online calculators, tools, and/or worksheets to help them save for retirement and better understand if they can “afford” to retire at a specific time. These tools can generally be completed on paper or online, with the online options allowing clients to enter a greater amount of information and receive a more accurate result. Some calculators have the ability to calculate household retirement income as well as individual. A few companies also mention having different calculators for different age groups, with the formulas becoming more complex as the participant nears retirement.

Respondents state that their companies’ online calculators or tools include Social Security retirement benefits as a line item, with a few stating that clients have the option of whether or not to include Social Security in their calculations. How Social Security information is inputted into retirement savings calculators varies, however. Several report that their online tool populates an estimated benefit based on factors such as age, income, and desired retirement age, which the participant has already provided earlier in the process. Estimates tend to assume the individual will claim their Social Security retirement benefits at his or her Normal Retirement Age or that the participant will claim at the same time they wish to stop working; only a few allow the participants’ Social Security claiming age to be adjusted. Others say that participants are responsible for entering this information themselves. Many say that participants are directed to either their annual Social Security statements or the official Social Security website to find and/or verify their estimated benefit amount.

In our planning tool, where you have links to the actual source of information or the resources available, we tend to see, and our data has shown, when you are online and are actually going through the process, if you can more readily and easily access that information at your fingertips, the more likely you are to follow through and kind of complete the task, if you will.—Plan Provider

We frequently reference ssa.gov in our material for more information, but it is extremely difficult to navigate.—Plan Provider

One respondent believes providers could do more to create online a “Social Security Optimizer,” which would help plan representatives work with participants to figure out the best age for them to claim their Social Security retirement benefits based on a variety of factors.

Our thinking would be to include some kind of Social Security Optimizer that would be part of a tool kit for all advisors. We work through intermediaries, who are working with plan participants. It would help people understand the implications of drawing too early.—Plan Provider

Educating on Social Security

Most plan providers allude to objectives they share with the Social Security Administration. In their efforts to help plan participants achieve a financially secure retirement, most believe it is their role to help them better understand Social Security. Virtually all respondents indicate that their company provides education specifically related to Social Security and the role it will play in participants' retirement finances.

We need to help individuals understand the holistic picture. With Social Security being a component of that, anything that can be done to help individuals understand the need to aggregate their sources of income in retirement to get that complete picture and view of it is incredibly powerful.—Plan Provider

All report having website content on the topic, including articles, webpages, and links to the Social Security website. Many others explain that participants would likely encounter information about Social Security through seminars and webinars led by plan provider representatives, and in one-on-one meetings with plan provider reps. (It should be noted that these representatives are typically not financial advisors, and therefore cannot provide specific financial advice to participants. They are extensively trained company representatives, and many companies ensure their frontline force receives education on Social Security in order to appropriately address participant questions).

These in-person seminars, typically conducted in the workplace, and webinars tend to address the basics of how Social Security works and what participants need to know when factoring their Social Security benefits into decisions about retirement savings sufficiency, retirement income sufficiency and when to retire and claim their benefits. Many respondents mention that their retirement education efforts emphasize the view that Social Security is a supplement to their retirement income, rather than their main source of income. Most providers' presentations include information about eligibility for retirement benefits as well as the Normal Retirement Age for participants born in different years. A few discuss the history and potential

future of this program. Some providers say their education presentations cover spousal benefits, while fewer mention survivor benefits.

Several say their representatives provide basic information about payroll taxes and how Social Security benefits may be taxed in certain circumstances. One expert says that, as part of Social Security conversations, they also educate their clients about inflation-protected investments. They also touch on factoring in longevity and the importance of paying attention to their health and family history. Another believes that educating on Social Security is an effective way to help participants understand annuities. Nearly all plan providers reference and direct participants to the Social Security website for additional information.

Several plan providers host webinars and seminars targeted to specific age groups. In these cases, Social Security tends to be addressed with employees who are nearing retirement. One respondent states they break participants into four different age groups for education, which allows them to focus on life events (getting married, having a child, qualifying for Medicare, etc.) that will impact participants financially. Another plan provider conducts face-to-face age-based workshops. The workshops are meant to provide age-specific information and facts regarding retirement. Workshops for the older age brackets contain information regarding Social Security, including information about spousal benefits, an aspect of Social Security that one respondent says is very confusing for plan participants. In a few cases, Medicare and Social Security benefits are discussed together with the appropriate target audiences.

We have age-based workshops for people in their 20s to early 30s, mid to late 30s into their 40s, and then we have two pre-retirement workshops. One for people who are ten or more years from retirement and another for people who are less than ten years from retirement.—Plan Provider

A couple of respondents report that representatives from the Social Security Administration have participated in their webinars or seminars. One expert mentions that out of the eight webinars they held last year, the one with a Social Security representative present was the most successful. Another says they prefer to have Social Security Administration employees available to answer more specific questions regarding spousal and survivor benefits.

What I've actually seen a presenter do, is pull out a Social Security statement and say "I got this from the SSA six months ago, if you haven't looked at your statement yet, here are the two things you need to know about it." And that's pretty effective. It makes people kind of think about it the next time they get it in the mail.—Industry Expert

Despite these efforts, it is the assessment of plan providers that many plan participants still do not understand how Social Security works. Many respondents say that they consistently have to emphasize to participants that Social Security benefits are not their full retirement package; it is one small component. Three interviewees note that most people do not understand the rules and regulations beyond what they see in their Social Security statement. For instance, not too many people know about spousal and survivor benefits, which makes it difficult for them to factor Social Security into their household retirement finances. Another says that people need to understand that they can work while they receive their benefits, but their benefits will likely be reduced. Plan providers suggest that frequently asked questions tend to include basics like "What will my benefit be?" and "When should I begin to claim?"

We talk about what Social Security is. A lot of people talk about the three-legged stool. We talk about the quarter-based systems, who is covered, who receives benefits. We talk about what it costs. You know, who pays, how much. We talk about payroll taxes. We talk a little bit about federal income taxes on Social Security. We integrate a little bit on disability. We talk about survivor payments, we talk about Medicare, and we talk about the various options for Social Security. The biggest question that comes up is 'When do I take it? And my spouse?' We obviously integrate the spouse in the discussion. We encourage all spouses and even financial planners to join the discussion as well.—Plan Provider

Providing Information to Inform the Claiming Decision

Plan providers believe that the decision of when to claim Social Security benefits is an important one. Most of the interviewees report that their companies provide participants with information about how age at claiming can affect benefit amounts. They generally explain that, with each year between the ages of 62 and 70, the amount an individual can receive from Social Security increases. A few say their calculators and/or representatives will suggest claiming later if it seems that retirement income at the initially desired retirement age will be inadequate. However, most plan providers say that specific advice on when to claim benefits or even when to retire should be worked out with a financial advisor on a case by case basis. Legal and compliance issues prohibit them from giving advice. A couple of providers have advisors on-site

or available through a call center, and participants may be referred to them if their questions require a professional who is licensed to give personal financial advice. One plan provider says their financial advisors are specifically trained to tell clients that the longer they wait to claim, the larger the benefits will be. Still, plan providers say their education initiatives focus on facts that may help make people make a decision rather than providing advice for individual cases. Three respondents say that they will bring up facts and important considerations, but direct participants to the Social Security website if there are any specific questions.

When to take the payout is a big question because it has a huge impact. The longer you can wait, obviously the better. But, how do you calculate and determine that? It matters in terms of what other income sources you have, when you are going to retire... if you're married, what it looks like from a household perspective.—Plan Provider

Some of these plan providers and industry experts believe people are claiming their Social Security retirement benefits too early, though few feel their organization has a “position” on the issue. One remarks that people need to consider which option provides the optimum protection versus the maximum payout. He feels it is always better to work longer if you can. You may end up getting a smaller amount of money in the end, but you will have a better quality of life while you are alive. Another industry expert believes that clients are starting to make better decisions about when to claim as opposed to five or ten years ago. Multiple experts recommend waiting until at least Full Retirement Age before collecting benefits. One respondent says that their clients generally have longer life expectancies and work a little longer than the average American. They tend to wait longer to take out their benefits. One plan provider, however, says they typically do not know when participants are claiming Social Security.

My assessment is that there are a lot of people who take Social Security out of necessity, so you can't just look at a decision and, without knowing anything about someone, say 'Oh, they've made a mistake and they're taking it too early.' But, having said that, I think there are a lot of people who miss out on substantially higher lifetime retirement income because they are so focused on taking their Social Security as soon as possible, that they lose sight of the bigger picture. As individuals, I think people are making a mistake often and taking it too early. I think a lot of that is driven by worry that benefits may change in the future or the government may not be able to pay them...There has been some research out there by Olivia Mitchell and Jeff Brown that the communication that the SSA uses to talk about when to take Social Security may bias people towards taking it early.—Industry Expert

One of the objectives of this study is to better understand the information and advice that defined contribution retirement plan providers share with their participants regarding the optimal age for individuals to claim their Social Security retirement benefits. What the interviews reveal is that most plan providers are unable to provide specific advice to participants about when to claim. Instead, plan providers present the facts about how benefit amounts vary by the age an individual is when they claim. While many believe that participants should wait longer to claim their benefits, few share this viewpoint with participants outright.

Challenges to Plan Participants' Education

Emerging from the interviews, there appear to be three primary challenges that defined contribution plan providers face when trying to educate plan participants about Social Security and its role in the broader discussion of retirement security. The first is the pervasiveness of misinformation and negative public relations and media coverage of the state of Social Security. The second is the lack of user-friendly communications from the Social Security Administration. Lastly, a few interviewees describe plan participants' apathy and reluctance when it comes to planning for the future as an obstacle to engaging them in education about Social Security.

A couple of interviewees feel that, generally, the responsibility to educate Americans about Social Security falls on the Social Security Administration, not on retirement plan providers, their representatives, or financial advisors. One plan provider believes that the Social Security Administration has a "bad reputation," and that it is hard to advise people about Social Security because no one knows its future. A few explain that some participants tell them that they have no faith in Social Security due to the negative press that it has been receiving recently. In fact, other research shows that both the American public³ and financial advisors⁴ feel that the Social Security Administration is a reliable source of information, but they are not getting as much information from the Social Security Administration as they would prefer. Also, concerns about

³ Greenwald, Mathew, Arie Kapteyn, Olivia Mitchell, and Lisa Schneider. "What Do People Know about Social Security?" October 2010.

⁴ Greenwald, Mathew, Andrew G. Biggs, and Lisa Schneider. "Financial Advisors' Role in Influencing Social Security Claiming" September 2011.

the solvency of Social Security appear to be a distracting obstacle and one that is difficult to overcome when trying to educate retirement plan participants about the importance of Social Security as a source of retirement income.

People don't believe Social Security will exist. I always tell them about the Trustee's Report and how even in 2037 it is still 73% funded, but it really is an uphill explanation. They just don't have a lot of confidence in the system being there, so they don't want to engage in an in-depth discussion. It keeps getting shortcut by a cynical attitude.—Plan Provider

Plan providers are generally reluctant to address solvency, even though it comes up often. The unresolved solvency issue is considered “highly political” and hard to discuss without alienating or upsetting some plan participants. Some plan providers try to counter this by educating plan participants about the history of Social Security and how it has changed over the years.

Another reports that they dedicate a slide in their Social Security presentations to the “debate” and most frequently discussed proposals for reform. One retirement plan provider describes the Social Security Administration as having a public relations problem. As another explains, the (perceived) limited correspondence coming from the Social Security Administration makes it hard for plan providers to disseminate accurate information to their participants. Several lament that the Social Security statements have been suspended, as this was the critical means of communication between the Social Security Administration and most plan participants. Many feel the Social Security Administration could and should do more to reduce the fear around the future of the program.

The Social Security Administration has eliminated the most important statement about their system, which is the annual benefits statement to be mailed to households. They have made a strategic error. They've decided, from a policy perspective, to go backwards and provide less information and education.—Plan Provider

Several others believe that misinformation in the news media causes problems for those trying to educate plan participants about Social Security. They explain that it is hard to give information and advice when there are so many sources providing inconsistent and inaccurate information. Participants may want to plan for retirement or use an uncommon strategy for claiming Social Security based on something they read about in a magazine, saw on TV, or read in a blog. It is difficult to make plan participants understand that their individual situation may not permit that type of approach. Another respondent believes that plan providers and

financial advisors are wasting their time developing proprietary interpretations of Social Security rules when, in fact, it would be best if the Social Security Administration would lead the way in education. He believes, as do others, that the Social Security Administration is clearly the best positioned to provide useful, accurate, and consistent information to educate retirement plan participants and Americans as a whole on Social Security.

You have all these different plan record keepers and advisors out there. Everybody is creating their own material. It would seem so much more efficient if the SSA could be the lead sled dog on providing a more user-friendly website for people to access. They are the ones who manage the benefits and create the program. There is probably no one in a better position to help provide guidance and education on that program than the SSA itself. – Plan Provider

Many plan providers think that the Social Security Administration needs to improve its communication. For perspective, several plan providers and industry experts offer positive remarks about the Social Security website and the sheer volume of information it supplies. Indeed, all of the companies interviewed refer clients to the website and to their Social Security statements for information. However, some plan providers believe, rather strongly, that the Social Security Administration’s communication to the public via its website could be improved. Easier navigation, a more efficient search tool, and the reduction of information on the website are suggested, so that the site appears less confusing and overwhelming. Most of all, however, retirement plan providers stress the need for simple language, using “laymen’s terms,” to make the site’s content more user-friendly.

The trick is to have it be digestible and actionable. I make an analogy to the IRS. You are going to get accurate information on what the tax rules are when you go to the IRS website, but sometimes you need somebody like an accountant to interpret and simplify it for you. But, the fact that it’s from the IRS, you know that it’s black and white, it’s accurate. It’s then translating it to something that’s really usable...Make sure that it’s not in government-speak and people can understand it.—Plan Provider

There’s a lot of information on the Social Security website, but it’s kind of scary-looking, I think, to a lot of people. It’s just not the friendliest looking website, so I don’t think a lot of people like to use it.—Industry Expert

The third obstacle some of the experts interviewed mention is the difficulty they face when trying to motivate plan participants to think about and plan for the future. Younger participants have trouble focusing on retirement issues because it seems too distant, and older

participants may ignore the issue because they want to avoid hearing potentially bad news about being under-prepared.

Like the stock market, nobody really likes to think about it. You keep hearing so many bad things in the news about it. Recently there was that thing in the news about whether Social Security payments would continue if the budget wasn't balanced. It gets a lot of bad PR. If the image was improved at all and the outlook was improved, I think it would get a lot more attention, similar to the stock market. People don't like paying attention to that when the market is really volatile.—Industry Expert

A Mutually Beneficial Relationship: Plan Providers and the Social Security Administration

Almost all respondents express a great interest in working with the Social Security Administration to improve retirement plan participants' and Americans' retirement and Social Security literacy. One respondent explains that her company would be willing to work with the Social Security Administration because they are in the same business – helping people plan for retirement by equipping them with as much information as possible. Several plan providers think that the Social Security Administration could use focus groups with financial services industry representatives to obtain feedback or could establish an advisory group to share lessons learned, research on plan participants, and data on participant behavior. Others suggest that the Agency's mastery of the workings of Social Security combined with plan providers' expertise in participant education, communications, and marketing could be used to help counter bad press and develop more effective materials. Many of the plan providers interviewed believe that increased collaboration would be a tremendous benefit to both organizations. One expert summarizes what is implicit in others' comments as well – that plan providers can be leveraged for their ability to reach millions of Americans with accurate and consistent information about Social Security.

If you are trying to get information out about Social Security, or really any topic, I think it is important to look at where people are currently going and where they are getting information and take advantage of that infrastructure. And, I think, as far as retirement goes, I think providers and provider websites just really have a lot of foot traffic, if you will. So, I think they're in a pretty good position to help inform people about Social Security complexities.—Industry Expert

I think [the benefits are] primarily around the access that we have and the ability to engage the participant through different mediums, whether it is through written communications or through the web or the phone. I think it would be in Social Security's best interest to partner in that regard.

Because we do have a captive audience that we are communicating with all the time through different mediums.—Plan Provider

A couple of providers reference the idea that, together, plan providers and the Social Security Administration could help better frame how Americans think about claiming Social Security and retirement in general. One respondent thinks the partnership could lead to better framing of the decision of when to claim, preventing the use of language and messaging that research has shown may cause earlier claiming.⁵ Another respondent believes that most Americans focus on how they will make it *to* retirement, and believes it would be more useful if people thought about making it *through* retirement, which would increase the focus on retirement income replacement. This would lead to more emphasis on the need to understand Social Security as a critical component of retirement income.

Collaborating to Improve Participant Education

For the most part, plan providers find the idea of working with the Social Security Administration to develop educational materials, website content, brochures and other collateral appealing. Almost all would be willing to distribute products developed by Social Security alone, but there is also a sizable appetite for creating materials that can be co-branded (with both the Social Security Administration emblem and the plan providers logo on the cover or header). Plan providers believe they can help the Agency create more user-friendly content and improve the presentation of the valuable information the Agency has to offer. Plan providers feel they would benefit because having materials that have been developed and approved by the Social Security Administration adds invaluable credibility to information being presented. A few providers point out that the opportunity to create co-branded materials would have to be available to all plan providers to ensure fairness. Alternatively, one respondent suggests that the Social Security Administration develops a function that reviews and approves materials developed by plan providers and other financial services companies

⁵ For instance, Brown, Jeffrey, Olivia Mitchell, and Arie Kapteyn. “Framing and peer Effects in retirement Planning” September 2010.

much like Good Housekeeping’s seal of approval. This would help ensure that plan providers are distributing accurate information that plan participants will view as credible.

There would be great interest to do that. We are always looking for co-branded opportunities. It’s a government agency. We look to content providers all over the place. Certainly if there is information that they are publishing that we could repackage or publish or co-brand or whatever, yeah, [we’re interested]. If it is FINRA-approved and compliant, all the better.—Plan Provider

In terms of the type of content, a few interviewees suggest that they, on behalf of their companies, would like to work with the Social Security Administration to develop some key educational pieces, including: (1) a Frequently Asked Questions document and (2) a list of the top five strategies for claiming Social Security, including strategies for married couples, which one experts says is especially confusing for participants. However, a couple are unwilling to trust a government agency to develop effective educational materials, citing poor communication and bad previous experiences with government agencies. One provider believes that developing materials with the Social Security Administration would take too much time.

Although caveated with concerns about privacy and security, most of the plan providers interviewed think that plan providers and the Social Security Administration should explore ways to integrate their data. This, for example, would allow plan providers to show participants their estimated Social Security retirement benefit (and even their spouse’s benefit), as a part of other regular communications about their accounts. Especially given the suspension of mailed Social Security statements, many respondents react favorably to the idea of partnering with the Social Security Administration in order to allow participants to view a more comprehensive picture of their possible retirement income. A sizable share of interviewees emphasize that plan providers need to know exact benefit amounts, rather estimates and assumptions, in order to properly help participants prepare for retirement.

In addition to being able to present a holistic view of participants’ retirement income on account statements, data integration would also give plan providers access to accurate information for their calculators and online tools, so that participants can receive more realistic

information and projections, and issues like whether or not an individual's benefits will be taxed can be addressed. At least one respondent believes that data integration also would allow plan providers to combine spouse's information on Social Security and other assets to estimate and present a household's retirement income forecast, something that the Social Security Administration cannot currently do. (Plan providers already collect Social Security numbers and marital status from participants).

In the absence of benefits statements, I wonder if there could be collaboration to provide the Social Security amounts on statements as well. We believe very strongly that, as do most providers, there is value in someone not just seeing \$80,000 on their 401k balance, but there is value in seeing that it will generate \$3,200 a year in income, and then right alongside that, show the projected Social Security benefit. I think it'd give a more holistic picture.—Plan Provider

I think the more we can do to bring the income streams and the sources together in a more cohesive, succinct way for individuals, it can only be beneficial. It can only help.—Plan Provider

Every provider has their version of a retirement projection simulator and it's only as good as the data is. If there is a way to share data a little bit better, then it could be much more effective. Getting specific Social Security expected cash flows into our calculators and vice versa.—Industry Expert

Several plan providers express a concern about data security, which they explain is always an issue when sharing data with a third party. A few experts have reservations about the potential cost of data integration for the purpose of including Social Security information in retirement income calculators, projections and statements. However, one believes that it would be an affordable option. Again, some plan providers who favor this idea stress the importance of availability to all providers, which would require integrating the data in a standardized way. One respondent believes plan providers and the Social Security Administration could use SPARK (Society of Professional Asset-Managers and Record Keepers) to help set standards for integrating data into providers' systems. Lastly, one expert raises the concern that the resulting integrated materials might require a lot of paperwork for participant authorization, and would have to include a lot of legal jargon or fine print.

We have experienced many clients who have significant privacy concerns. If people don't understand how you have certain information, it can [upset them]. If we went that way, I think it would be important to be very open, so that people would understand that this kind of exchange is going on. It would be great if [employees] could give us permission. Like, they can give us permission right now to connect with their brokerage account and we can bring that information in [to their calculations]... If the government was capable of providing information, it would make our services much better and

much easier to use for our clients. But I just want to make sure people aren't put off by the privacy concerns.—Industry Expert

Several plan providers believe that the Social Security Administration could work with plan providers to better train frontline representatives to respond to participant questions about Social Security. A few express strong support for a method for plan provider representatives and other financial professionals to become “certified” Social Security experts. One respondent believes her company would pay to send representatives through Social Security Administration-approved training, especially if that could be counted toward Continuing Education (CE), which is required for certain types of financial professionals, or if a marketable designation could be obtained indicating completion of the program. This would also help to develop a list of financial professionals to which the Social Security Administration could refer people, and know that they are qualified and trained to provide information, and even preferably, individual advice.

Just as we're talking about working directly with plan providers, I think you want to work with the advisory community as well.—Plan Provider

If they had some sort of certification course, where people can be Social Security certified. Or like the IRS has IRS enrolled agents. They have some sort of program to certify people. At the provider's expense, we would send people out and have them sit through a couple day course for Social Security. And Social Security could do the metrics and says 'yes, there was a test we developed and we do certify them to be competent experts on Social Security.' That would be helpful, if Social Security had additional training, maybe even for HR groups or companies. If a company was interested, had an aging workforce, Social Security could do some certification with their HR people. Some [employees] just really need to sit down with a person. So expanding the competency of people with Social Security that aren't agents and aren't brokers...I think it would help.—Plan Provider

A few experts focus more on the availability of the Social Security Administration and its staff. Some believe that there should be a customer service phone number to help plan providers, their representatives, and others with any questions, especially regarding spousal benefits. Several mention that the Agency should do more to promote the availability of its staff to make presentations and assist plan providers with specific questions from plan participants.

Conclusions of Plan Providers

Plan providers clearly recognize the constraints of the Social Security Administration as well as their own limitations. Still, they express a nearly universal belief that both they and the Social Security Administration should do more to educate Americans and help them achieve a financially secure retirement. Additional collaboration between plan providers and the Social Security Administration resonates with the plan providers interviewed as a step in the right direction. In fact, a few comment that the very existence of this research project is an indication of more progressive thinking on this important cause.

This is a great conversation starter. I definitely think there is an appetite, which is good news. I think we all are trying to work to the same end, which is to help individuals get to a place where they can retire and retire comfortably. The more information education we collectively provide them up front, I think the better off we'll be.—Plan Provider

One plan provider refers to Australia's Superannuation Guarantee system as a government entitlement program for retirement that has a strong education component. He says the Australian government has effectively educated participants on their options, and feels this should serve as an example to the Social Security Administration. Another expert states, and others voice similar viewpoints, that the SSA needs to have a stronger marketing and educational campaign. This respondent feels that if the Social Security Administration only puts the program out there and pays benefits, without providing effective guidance, they are "sub-optimizing a very expensive program that everyone pays into." While people may complain about the costs of a marketing and education campaign, especially in today's political and economic climate, it may ultimately "save billions of dollars by improving financial decision making."

As an industry, we are failing at preparing people for retirement. Bottom line. We all could do better, including Social Security Administration. Specifically, what could they do? Although [Social Security] is not perfect, and if you believe certain individuals in Congress, they think it's far from perfect. As of right now, the 401k, the employer-sponsored retirement plan, is the best savings vehicle for retirement. Only when blended together will the two get you the retirement lifestyle that you want.—Plan Provider

Summary of Plan Provider Recommendations

During the interviews, respondents made a number of suggestions about what the Social Security Administration could do to work more effectively with retirement plan providers and to help plan participants make better decisions pertaining to their Social Security benefits. It must be emphasized that the findings being presented are based on qualitative research with a small sample. Some of the ideas brought forward were only mentioned by one or two people. However, the researchers believe that some of the recommendations mentioned deserve consideration. It must also be stated that the recommendations are the viewpoints of the respondents and not necessarily the views of the researchers. Following is a brief summary of the main recommendations mentioned during the interviews.

1. There are a number of reasons why it would be productive for the Social Security Administration to work more closely with defined contribution plan providers.
 - a. Both have similar goals: to help Americans attain financially secure retirements.
 - b. It is important for workers to take a comprehensive view of their assets and sources of income in retirement, and that includes both retirement plan assets and Social Security benefits.
2. It would be useful to consider methods for plan providers to more easily and effectively incorporate accurate information about scheduled Social Security benefits for the worker, and spouse, on quarterly statements, in online calculators, or other communications.
3. It may be useful to provide plan participants with information on retirement income sources that is co-branded with the logo of the Social Security Administration and the plan provider.
4. The Social Security Administration may want to consider developing a program to train and “certify” representatives of plan providers and financial advisors as knowledgeable about Social Security. It would be useful if the representatives attending the training sessions could be issued continuing education credits.

-
5. The participation of representatives from the Social Security Administration at meetings organized by plan providers for plan participants is effective and increases participant levels of knowledge of Social Security. Promoting the availability of Social Security staff to attend meetings and answer questions could be beneficial to meeting leaders and plan participants.
 6. Concern about the solvency of the Social Security system is difficult to address with participants and may lead to sub-optimal decision making. It would be useful for the Social Security Administration to develop communications, if possible, that will more effectively address this issue, and can be shared with plan providers.
 7. Some plan providers believe that workers should claim benefits later than they actually do. They feel that they cannot advise their participants about when to claim, but indicate that more effective communications on how to determine the optimal claiming age would be beneficial. When illustrating expected income in retirement, some plan providers present Social Security benefit levels earned at the Normal Retirement Age as the default or assume that claiming age and target retirement age are the same.

Appendix: Interviewer's Guide

Financial Advisors' Role in Influencing Social Security Decisions

In-Depth Interviews with Retirement Plan Providers

Final Interview Guide

Thank you for participating in this research.

- 1) Please briefly describe your role as it relates to retirement plan participant education/retirement policy.
- 2) What topics does your company tend to emphasize when it comes to educating retirement plan participants?
 - a) Do you provide calculators and worksheets to help participants understand how much to save for retirement? Will they have sufficient retirement income?
 - i) Do these calculations take Social Security benefits into account?
 - ii) How do benefit amounts appear in these calculators (entered by self or assumptions)?
- 3) Does your education program include helping participants better understand Social Security?
 - a) If yes, what topics do you cover? (Probe for when to claim, spousal and survivor benefits, taxes).
 - i) How is this information delivered? Where might participants encounter content about Social Security?
 - b) Does the company also help to educate advisors and/or representatives on issues related to Social Security?
 - c) If no, why doesn't your company address Social Security with plan participants?
 - d) If no, do you think plan providers should educate plan participants about on the issues of Social Security? Is it their role?
- 4) Does your company offer advice about when participants should claim their Social Security retirement benefits, as opposed to just education information?
- 5) Do you find that participants tend to claim their benefits too late, too early or at about the right time?
 - a) Does the company have an "opinion" or a position on when people should claim benefits?

-
- 6) What do you see as the greatest knowledge gap participants have when it comes to Social Security? What are the most frequently asked questions?
 - a) In a perfect world, what would you like to be able to help participants understand about their Social Security benefits?
 - 7) What do you perceive to be the greatest obstacles/challenges to providing this type of information and/or advice?
 - 8) In general, how interested would your organization be in collaborating with the Social Security Administration to help provide resources to participants? Why or why not?
 - a) In a partnership, what benefits does the Agency bring to the table? In a partnership, what benefits do plan providers bring to the table?
 - 9) Next, I would like to get your reaction to and brainstorm about ways in which plan providers and the Social Security Administration could collaborate?
 - a) Would you be interested in exploring ways to integrate your data and Social Security's data to present participants with a more complete picture of their retirement finances?
 - b) Would you be interested in getting any information from the Social Security Administration that you could publicize or make available to participants?
 - i) Would you be interested in working with Social Security to develop educational materials, such as websites, online calculators, brochures, etc. to help people make informed choices about their benefits?
 - c) Would you be interested in working with the Social Security Administration on training for financial advisors, plan representatives, and other frontline staff, so they could be better prepared to answer participants' questions?
 - 10) What else do you think the Social Security Administration could do to help defined contribution plan participants become financially prepared for retirement or decide when to retire?
 - 11) What else do you think plan providers and the industry at large could do to help the Social Security Administration better educate participants and Americans as a whole?