LABOR AND POPULATION

Do Financial Advisers Influence Savings Behavior?

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Preface

The work reported here was undertaken in 2015 and was sponsored by the Department of Labor (DoL). The report should be of interest to DoL staff; staff of other federal agencies that have regulatory responsibilities related to financial markets, such as the U.S. Securities and Exchange Commission; broker-dealers who provide advisory services related to individual retirement accounts; and economists and policy analysts with interests related to potential effects of conflicts of interest for financial advisors and potential policy responses.

This research was undertaken within the Center for Financial and Economic Decision Making (CFED). The mission of CFED, a part of RAND's Labor and Population research division, is to understand how people in the United States and around the world collect and think about financial information and how successfully they match their financial decisions to their interests and goals. CFED's researchers are dedicated to finding solutions that can improve the decisionmaking that affects the financial well-being of individuals, families, and nations. RAND Labor and Population has built an international reputation for conducting objective, high-quality, empirical research to support and improve policies and organizations around the world.

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1. Introduction

There is substantial evidence that Americans tend to have low financial literacy (Lusardi and Mitchell, 2013) and are struggling with building sufficient wealth for a secure retirement (Helman et al., 2014). Financial advisers can play an important role by helping individuals make better financial decisions and improving their financial situations. However, there is limited and mixed evidence about the benefits to using a financial adviser. For example, as summarized in Burke et al. (2014), there is a substantial body of work that finds that individuals who invest through a broker earn lower returns than those who invest directly (Bergstresser, Chalmers, and Tufano, 2009; Christoffersen, Evans, and Musto, 2013; Bullard, Friesen, and Sapp, 2008; Friesen and Sapp, 2007; Del Guercio, Reuter, and Tkac, 2010; Hackethal, Haliassos, and Japelli, 2012; Morey, 2003). However, these studies generally do not account for selection issues and the other benefits that investors might receive from financial advisers.

One benefit, other than investment returns, that financial advisers might provide is helping clients improve their financial and savings habits. In fact, in a survey by the Investment Company Institute of approximately 1,000 households owning mutual funds (aside from workplace retirement plans), 71 percent of respondents with an ongoing advisory relationship indicated that ensuring that they are saving enough to meet their financial goals was a "major" reason for consulting an adviser (Leonard-Chambers and Bogdan, 2007).

In this report, we review the literature providing evidence about whether working with an adviser improves savings behavior, in general, as well as saving for long-term goals, particularly retirement. While financial-advice usage and savings are correlated, there are several possible directions of causality. First, it might be that working with a financial adviser leads to improvements in financial behavior, resulting in increased savings. Second, it is possible that the direction of causality runs the other way—namely, that those with greater savings are more likely to seek out financial advice. And, third, it is possible that the same underlying characteristics make an individual more likely to seek out financial advice and, simultaneously, more likely to save. We review the evidence regarding these three possibilities.

In reviewing the literature, we use a broad definition of *financial advising*. In the United States, investment advisers and brokers-dealers provide investment advice to retail clients, even though they have different legal definitions and obligations to clients.[1] Financial planners tend to provide more-general financial advice, and we include research on their impacts in our review.

[1] A broker-dealer is defined as someone who conducts transactions in securities on behalf of others and is obligated to make suitable recommendations. That is, a broker-dealer making a recommendation to a retail customer must have grounds for believing that the recommendation is suitable for that customer, with respect to his or her portfolio, financial situation, and needs. An investment adviser is defined as someone who provides advice to others regarding securities and owes a fiduciary obligation to clients. These obligations require the investment adviser to act solely

We also include research on financial advice in other countries, such as the United Kingdom, Germany, and Australia, where financial advisers provide similar services to those in the United States.

In the next chapter, we review the evidence on the characteristics of those who are more likely to seek financial advice. Chapter Three summarizes the literature on whether usage of financial advice increases savings behaviors. Chapter Four examines the evidence on other potential benefits to using financial advice, while Chapter Five reviews the literature that characterizes those who are more likely to save for retirement. Chapter Six examines the literature on whether workplace financial education provides benefits similar to personalized financial advice. Chapter Seven concludes the report.

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with the client's investment goals and interests in mind, free from any direct or indirect conflicts of interest that would tempt the investment adviser to make recommendations that would also benefit him or her.

2. Who Receives Advice?

While financial advisers hold great potential for improving Americans' financial security, there is considerable research suggesting that those in most need of financial advice are the least likely to receive it. Individuals who receive professional financial advice tend to be (1) **wealthier** (Bluethgen et al., 2008; Finke, Huston, and Winchester, 2011; Salter, Harness, and Chatterjee, 2010; Hackethal, Haliassos, and Jappelli, 2012; West, 2012; Bhattacharya et al., 2012); (2) **higher income** (G. Clark and Knox-Hayes, 2009; Collins, 2012; Robb, Babiarz, and Woodyard, 2012); (3) **more educated** (Collins, 2012; Finke, Huston, and Winchester, 2011; Robb, Babiarz, and Woodyard, 2012; Salter, Harness, and Chatterjee, 2010; West, 2012); (4) **older** (Bluethgen et al., 2008; Finke, Huston, and Winchester, 2011; Robb, Babiarz, and Woodyard, 2012; Hackethal, Haliassos, and Jappelli, 2012; Bhattacharya et al., 2012); and (5) **more financially literate** (Collins, 2012; Calcagno and Monticone, 2015; Robb, Babiarz, and Woodyard, 2012) than those who do not receive advice.[2]

In particular, the most financially capable and well-off might be the most likely to receive the comprehensive financial advice that could be particularly valuable for those struggling to meet their financial goals. Finke, Huston, and Winchester (2011) examine the demand for comprehensive advice (an ongoing relationship with a financial professional that includes a comprehensive written financial plan, with multiple aspects reviewed regularly) among approximately 3,000 individuals with $50,000 or more in income or investible assets. The authors find that those who are wealthy, high income, college educated, and financially knowledgeable are more likely to receive comprehensive planning services. The authors argue that those who are wealthy might see more value in improved asset allocation, tax efficiency, and wealth preservation, and, conversely, might be more attractive to financial advisers, as these people have more assets to manage.

Importantly, prior research has also suggested that individuals who opt to receive advice might already be successful savers. Bernheim et al. (2006) examine the savings and insurance behavior of 386 Boston University employees who volunteered to receive financial-planning advice from financial-planning software developed by the study's authors. The software provided recommended levels of consumption, savings, and insurance to participants to help

[2] Prior research has also suggested that women are typically more likely to engage a financial adviser than men (Bluethgen et al., 2008; G. Clark and Knox-Hayes, 2009; Finke, Huston, and Winchester, 2011; Hackethal, Haliassos, and Jappelli, 2012; Robb, Babiarz, and Woodyard, 2012; Salter, Harness, and Chatterjee, 2010), as are those with lower risk tolerance (Bluethgen et al., 2008; Gibson, Michayluk, and Van de Venter, 2013). It is important to note that not all research finds the patterns described above. For example, Chalmers and Reuter (2015) examine data from retirement plans in the Oregon University System and find that demand for access to a broker (financial advice) decreases with income, age, and education. However, the study population is composed primarily of university faculty and administrators, limiting generalizability to other populations.

smooth living standards over time. The authors find that those who volunteered to receive the advice tended to have higher income, wealth, and education levels than the general American population, consistent with the sampling frame of Boston University employees. Additionally, those who volunteered to receive the advice also, on average, tended to be oversaving at the time they received the advice, relative to the recommendations made by the financial-planning software. However, even though average savings rates of volunteers were greater than average recommended savings rates, there was quite a bit of heterogeneity in savings rates. For example, 30 percent of married households and 38 percent of single individuals who used the software were undersaving, relative to their recommended levels.

Finally, existing evidence suggests that financially capable and well-off individuals are not only more likely to receive advice but also more likely to act on the advice received. Using data from more than 18,000 clients of a large Swiss wholesale bank, Hoechle et al. (2014) find that older, more-educated, and wealthier clients are more likely than their younger, less educated, less wealthy peers to make trades based on advice received from a financial adviser. Relatedly, Bhattacharya et al. (2012) investigate the offer of free unbiased financial advice to approximately 8,000 customers of a large brokerage in Germany and find that few people (5 percent) obtained the advice, and that those who obtained it were more likely to be male, older, and wealthier than those who did not. Further, conditional on receiving the advice, the authors find that wealthier individuals were more likely to incorporate it into their decisions. However, most individuals (approximately 67 percent) who received advice did not follow it, and those who followed the advice only did so to a small degree.

3. Do Advisers Influence Clients' Savings Behaviors?

A large body of research suggests that individuals who engage financial advisers tend to be more financially healthy and sophisticated than individuals who forgo advice. Yet do advisers materially improve their clients' savings behaviors? The papers reviewed in this chapter attempt to address this question. However, as discussed below, most findings are limited by the inability to rule out reverse causality—the possibility that those who have accumulated a large amount of savings seek professional advice about maintaining and growing their savings—or the possibility that the same underlying characteristics that cause someone to be a successful saver are also the characteristics that cause one to seek advice.

Marsden, Zick, and Mayer (2011) attempt to address potential simultaneity bias and reverse causation through the use of propensity score matching. Using data from a survey of 2,191 employees of a large Mountain West university, the authors created a predicted probability of meeting with a financial adviser in the past two years, using respondents' (1) retirement-plan characteristics, (2) attitudes and perceptions regarding retirement planning, (3) objective and subjective assessments of financial knowledge, and (4) sociodemographic and economic characteristics. After attempting to control for endogeneity, by matching individuals who visited an adviser with those who did not, on the basis of the predicted probabilities, the authors find that meeting with a financial adviser is associated with setting long-term goals, calculating retirement needs, retirement-account diversification, use of supplemental retirement accounts, retirement confidence, and higher levels of savings in emergency funds. However, there was no statistically significant difference in self-reported retirement savings or short-term growth in retirement-account asset values across the two groups. The authors conclude that "the use of an adviser does not measurably increase the amount of money that a person accumulates."

Martin and Finke (2014) examine how the use of a financial planner and the calculation of retirement needs influence retirement-wealth accumulation, using the 2004 and 2008 waves of the National Longitudinal Survey of Youth (NLSY79). Based on survey questions asking whether households had consulted a financial planner and whether they had calculated their retirement-income needs, the authors create four planning groups: (1) "comprehensive planners," who had both consulted a planner and calculated needs; (2) "planners only," who had consulted a planner but had not calculated retirement needs; (3) "self-directed," who had calculated retirement needs but not consulted a planner; and (4) "non-planners," who had neither calculated needs nor consulted an adviser. Using a quantile regression approach, the authors find that comprehensive planners had accumulated higher savings balances and had a larger change in retirement savings between 2004 and 2008 than the other groups. Interestingly, the authors also find that self-directed households saved more than households that consulted a financial planner yet did not calculate their retirement needs. While the results are consistent with the theory that

financial advisers who provide comprehensive retirement-planning services help their clients improve retirement savings, the authors are unable to establish causality. In particular, it is possible that those who expect to accumulate more in retirement savings are more likely to seek out comprehensive planning services.

Hudson and Palmer (2014) use data from the 2010 Survey of Consumer Finances (SCF) to examine the relationship between the use of a formal adviser (including financial planners, bankers, brokers, employers, accountants, insurance agents, and lawyers) and financial behavior among individuals currently in the workforce. The authors created two indexes to measure financial behavior. The first is a "cash flow" management index composed of indicator variables denoting whether a respondent (1) had a checking account, (2) reported paying bills on time, (3) reported spending amounts less than or equal to income, (4) reported using automatic deposit, and (5) reported using software to manage finances. The second is a "savings" index composed of indicator variables denoting whether a respondent (1) had a savings account, (2) reported saving on a monthly basis, (3) reported having a certificate of deposit (CD) account, (4) reported participation in a pension or tax-deferred savings plan through work, or (5) reported having money in another tax-qualified retirement account, such as an individual retirement account (IRA) or Keogh account. The authors find that low-income workers who consulted a formal adviser were more likely to score highly on the two indexes than low-income workers who relied on informal sources of financial information. Additionally, middle-income employees who consulted formal sources were more likely to score highly on the savings index than those who used other sources of information, but there is no statistically significant relationship between the use of a formal adviser and cash-flow behaviors for middle- or high-income employees and savings behaviors for high-income employees. While the results are suggestive of the possibility that formal advisers can improve financial behavior, at least among low-income populations, the authors do not rule out the possibility of reverse causation—namely that individuals who display better financial behavior are more likely to seek out advisers.

While not directly examining the influence of financial advisers on retirement savings balances, several previous studies have attempted to examine whether individuals who rely on professional advisers are more likely to make financial plans, often a critical step in building savings and retirement assets. While this line of research tends to find a positive relationship between the use of a financial adviser and the propensity to plan, none of the papers discussed below is able to establish a causal relationship. In particular, it is possible that those who are more likely to plan are also more likely to seek professional advice.

Salter, Harness, and Chatterjee (2010) investigate affluent (those with $100,000 or more in investible assets) retirees' usage of financial advisers and how receipt of advice is related to planning behavior. Among this affluent sample, the authors find that wealthy, higher-educated, and female respondents were more likely to currently have a financial adviser, consistent with much of the literature. Additionally, those with a formal written financial plan (created before or

after retirement) were significantly more likely to have an adviser than those who did not have a formal plan, though the direction of causality is unclear.

Similarly, Byrne (2007) examines data from a survey of 161 participants in a defined contribution plan in the United Kingdom and finds that those who had received advice were more likely to have calculated how much they needed to save for retirement (both on their own and with the help of an adviser) and were also more likely to believe that they were saving the "correct" amount for retirement, compared with those who have not received advice. However, the study cannot establish whether advisers have a causal impact on advisees' propensity to plan and on perceptions of savings adequacy. Moreover, the author documents that the response rate to the survey was quite low, at 14.4 percent, and that respondents differed from nonrespondents (and the UK population at large) in material ways that limit the generalizability of the findings.

G. Clark, Knox-Hayes, and Strauss (2009) investigate how individuals vary regarding their perceptions about how important it is to plan for retirement, using data from a representative survey of 937 UK residents. Similar to the studies just described, the authors find that those who had consulted with a pension specialist were more likely to believe that planning is important and were more likely to be prepared to develop a plan, relative to those who consulted other forms of financial advice. Yet it is unclear whether individuals who think that planning is important are more likely to seek out financial advisers or whether financial advisers are likely to influence one's views on the importance of planning.

Smith and Griesdorn (2014) also use data from the SCF—specifically, the 2004, 2007, and 2010 waves—to examine how savings rules and the use of a financial planner influences self-employed households' contributions to tax-deferred retirement plans. Similar to results found in other studies, the authors find that self-employed households that adopted savings rules were more likely to display positive financial behaviors, including making contributions to a tax-deferred retirement plan. Additionally, the study finds that those who used financial planners were also more likely to make contributions to a tax-advantaged retirement account, though it cannot rule out the possibility that those who were making retirement contributions were more likely to seek advice.

Cho et al. (2012) use data from an online survey of 826 working-age adults to examine how financial socialization (including discussions with parents, advisers, and other sources) influences financial behavior. The authors find that individuals who had consulted with a financial adviser were more likely to plan how to use their money, monitor and control their spending, and have written goals. However, as with the papers just described, the research methodology employed does not allow for causal inferences, rendering it unclear whether financial advisers are spurring these behaviors.

Finke, Huston, and Waller (2009) investigate a related, but distinct, question: whether financial advisers influence clients' life insurance holdings. Using data from the 2004 SCF, the authors find that individuals who used financial planners were more likely to have adequate life insurance holdings (as calculated by the authors) than those who did not use an adviser, yet those

who relied on brokers were no more likely than those who did not receive professional financial advice to be adequately insured. While the results are consistent with the notion that financial planners influence their clients' life insurance holdings, it is also possible that individuals who choose to receive advice from financial planners are also more likely to be adequately insured, independent of the advice received.

4. Other Benefits to Professional Financial Advice

The previous chapter showed that there is very limited evidence about a causal link between financial advice and savings. However, financial advisers might deliver value to their clients by providing numerous intangible benefits, including improved retirement confidence and peace of mind. An Investment Company Institute survey examined the benefits that mutual fund holders claim to receive from professional investment advice (Leonard-Chambers and Bogdan, 2007). Using a sample of 1,003 randomly selected households with median incomes of $75,000 or more, the survey found that respondents claimed to receive numerous services from their adviser, including financial-planning assistance, retirement asset management, access to tax planners and other specialists, and investment recommendations. Investors enjoyed receiving access to financial expertise, help improving their chances of growing assets, and peace of mind about their investments. Other cited benefits included explanations of investment options (73 percent), ensuring that estates were in order in case of tragedy (65 percent), and someone else taking the time to make investment decisions (44 percent). In this chapter, we review papers that examine the impact of financial advisers on intangible benefits, including retirement confidence, satisfaction with financial situation, and perceptions of progress on financial goals.

Kim, Kwon, and Anderson (2005) examine data from the 2004 Retirement Confidence Survey, cosponsored by the Employee Benefit Research Institute, American Savings Education Council, and Matthew Greenwald & Associates. The survey was conducted in January 2004 and had 1,002 respondents, age 25 and older. Approximately 78 percent of respondents were currently working, and 22 percent were retired. The authors combined six questions about retirement confidence into a single measure. The six retirement confidence items asked respondents to rate, on a four-point scale, the degree to which they felt confident about (1) having enough money to live comfortably throughout retirement years, (2) preparing financially for retirement, (3) having enough money for medical expenses, (4) having enough money for basic expenses, (5) meeting long-term care expenses, and (6) not outliving retirement savings. In their sample, 63 percent of workers never received workplace financial education or investment advice; 24 percent of respondents received only educational material, information, or seminars; and 13 percent received professional investment advice for retirement purposes, in addition to educational material, information, or seminars. The authors conduct a multivariate regression, using their measure of retirement confidence as the dependent variable, and find that individuals who received both workplace financial education and professional advice had higher levels of retirement confidence than individuals who received neither education nor advice.

Chatterjee, Salter, and Harness (2011) also study the impact of financial advice on an individual's retirement confidence. They examine data from 1,524 respondents from the 2008 wave of a proprietary survey managed jointly by the Society of Actuaries, Life Insurance

Marketing and Research Association, and International Foundation for Retirement Education. The survey was restricted to 55- to 75-year-olds who had been retired for at least one year and had at least $100,000 in investable assets. The key finding is "that the duration of retirement planning prior to retirement is a positive predictor of retirement confidence, as is use of the services of a financial advisor" (p. 6). In particular, the authors find that individuals who started planning their finances three or more years before retirement were more likely to be confident than those who had not planned for retirement. Additionally, the authors state that using the services of a financial planner "increased the odds of retirement confidence by 136% among the lower income respondents [those with household income less than $50,000], whereas accessing the services of a financial planner increased the odds of retirement confidence in the higher income population by 56%" (p. 7).[3] However, it is important to note that the measure of retirement confidence in their study comes from the question: "How confident are you that your retirement assets and investments are being managed in the best possible way?"

This measure is more closely related to satisfaction in how the respondent's retirement portfolio is being managed, and their finding confirms other research that investors typically report satisfaction with their financial adviser (see, for example, Hung et al., 2008). However, "retirement confidence" is more often thought of as a measure of how confident the respondent is that his assets will provide a comfortable retirement, as in the Kim, Kwon, and Anderson (2005) study described above. For example, the Employee Benefits Research Institute has been conducting the Retirement Confidence Survey for 25 years, and measures retirement confidence generally by asking respondents: "Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?" (Helman, Copeland, and VanDerhei, 2015).

In research that was funded by the Financial Service Council (FSC), an Australian organization of wealth managers, Irving et al. (2011) survey clients of eight financial advisers across two FSC-member financial-planning companies. The survey was conducted in 2010 and had 172 respondents. Two-thirds of respondents had been clients of the financial advisers for more than a year. The sample composition reflects the common finding that those who use professional financial advisers tend to be older and wealthier: 84 percent of respondents were between 50 and 69 years old, and 71 percent owned their own homes, and "hold most of their investment assets in superannuation, and have little debt" (p. 38). Respondents were asked to compare their current financial situations with their financial situations before they began working with their financial planners. They reported that since working with financial planners, their financial situations are better overall. The respondents felt more in control of their finances, had lower levels of stress, were more prepared for contingencies, were more comfortable with their financial situations, put more effort into their finances, and were more satisfied with their financial situations. It is important to note that this sample of current clients reported a high level

[3] Unconditionally, approximately 50 percent of each income group was coded as "confident."

of satisfaction overall with their financial planners (77 percent) and the financial-planning process (72 percent). However, the study lacks a comparison group of individuals who were either not working with financial advisers or discontinued working with advisers because of dissatisfaction.

Winchester and Huston (2014) use data from a survey of consumer attitudes and behaviors, commissioned by a large independent financial services company and a financial-planning professional association. The survey, which had 3,022 respondents, was conducted in 2008 and was restricted to adults in the United States with at least $50,000 in annual income or $50,000 in investable assets. Receipt of financial advice was measured by whether a respondent indicated that he or she had a "[c]omprehensive plan personalized" after meeting and discussing with a financial planner about goals (p. 10). When respondents were asked about their financial goals, 67 percent responded with planning for retirement; 58 percent, saving or wealth accumulation; 28 percent, credit or debt management; 26 percent, estate planning; 25 percent, reducing taxes; and 15 percent, insurance or financial-protection needs. Those who reported having a goal were then asked to rate their progress in achieving their goals. In regression results in which progress on financial goals were used as dependent variables, the authors find that having used a financial planner for a comprehensive financial plan had no impact on goal progress. However, for respondents who indicated that they did not agree with the statement "I have control of my finances," professional financial planning was positively and significantly related to progress on goals regarding retirement planning, saving or wealth accumulation, reducing taxes, and insurance or financial protection needs.

5. Who Saves for Retirement?

One of the complications in investigating whether advisers materially improve clients' savings behaviors is the issue of simultaneity—the possibility that the same underlying characteristics make an individual more likely to seek out financial advice and more likely to save. In this chapter, we review the literature that characterizes those who are more likely to save for retirement.

Individuals who save for retirement often have similar demographic characteristics as those who seek professional financial advice. In particular, individuals who are older, have higher income, have more education, and are more financially literate are more likely to save for retirement (see Jacobs-Lawson and Hershey, 2005; Lusardi and Mitchell, 2007, van Rooij, Lusardi, and Alessie, 2011). In addition to demographic factors, such individual characteristics as future orientation and risk tolerance have been shown to influence retirement saving (Jacobs-Lawson and Hershey, 2005; and Hershey and Mowen, 2000).

Researchers have also examined whether an individual's propensity to plan predicts savings. Ameriks, Caplin, and Leahy (2002) find that a household's propensity to plan predicts overall household wealth. They analyze data from a survey that was fielded of TIAA-CREF participants and match survey data to administrative data provided by TIAA-CREF. The authors measure propensity to plan by posing the question "Before going on a vacation, I spend a great deal of time examining where I would most like to go and what I would like to do" and by asking about respondents' confidence in their mathematical skills. The authors find that those with a higher propensity to plan were more likely to develop financial plans. In turn, those who developed financial plans had greater wealth and were more likely to save.

Similarly, Deaves et al. (2007) find that propensity to plan is a significant predictor of retirement savings. The authors conducted a survey in 2006 of faculty and staff at an American college. The survey was completed by 236 employees. Respondents were asked the degree to which they agreed with the following statements:

> I have a good understanding of the financial aspects of retirement planning.
>
> I believe I have good investment skills.
>
> It is too early to begin planning for retirement.
>
> I enjoy dealing with personal finances.
>
> I am actively involved in all my financial decisions and retirement planning.
>
> I tend to put off making financial decisions.

The authors construct a variable, propensity to plan, based on the responses to these items. In addition, the authors match survey responses with administrative data from the college's human resources department about the employee's retirement-account contribution (as a percentage of

salary), age, gender, marital status, and salary. They find that propensity to plan significantly and directly influenced the size of pension contributions, holding all demographic variables constant.

There is a large body of evidence that examines the relationship between planning for retirement (not necessarily with the assistance of a professional financial adviser) and retirement savings. For example, Mayer, Zick, and Marsden (2011) utilize data from a survey of faculty and staff at a university to analyze the link between calculating retirement needs and retirement savings. They asked respondents, "With or without the help of a financial adviser, have you (or your spouse/partner) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?" Thirty-nine percent of respondents age 40 or under and 61 percent of respondents over 40 indicated that they have calculated their retirement-savings needs. Those who answered affirmatively were significantly more likely to have greater retirement savings. In fact, the authors find that "a 10% increase in the likelihood of having calculated one's retirement needs is associated with an increase of $4,580 in retirement savings for the younger respondents and an increase of $16,619 in retirement savings for the older respondents, holding other factors constant" (pp. 194–95).

Likewise, Lusardi and Mitchell (2007) and van Rooij, Lusardi, and Alessie (2011) find that responses to the question "How much have you thought about retirement? A lot, some, a little, or hardly at all?" predict retirement savings and wealth both in the United States and in the Netherlands. Lusardi and Mitchell (2007) analyze data from the Health and Retirement Study and find that responses to the retirement planning question are strongly and positively associated with overall net worth. Using data from Tilburg University's CentER Panel, van Rooij, Lusardi, and Alessie (2011) find that Dutch survey respondents who indicated that they thought a lot or some about retirement were much more likely to save: about 70 percent indicated that they had saved money in the previous year.

Binswanger and Carman (2012) suggest that a formal retirement plan is not necessary to motivate retirement savings—simple rules of thumb could be sufficient. The authors analyze data from 440 respondents to a 2008 survey module on the RAND American Life Panel. Respondents were asked about the amount of wealth they accumulated for retirement and the process by which they determined how much to save for retirement. The authors distinguish respondents who had a formal plan for retirement from those who used a rule of thumb by asking respondents a series of questions about retirement saving. In particular, they asked respondents the degree to which they agreed with the following statements:

> I've tried to determine my financial needs during retirement.
>
> Have you ever tried to find out how much you should save in total today and in the coming years in order to finance your target needs during retirement?
>
> I have a saving target of regularly saving some percentage of my income, e.g. 5, 10, 15 . . . percent.
>
> I have a saving target of regularly saving some amount of money, e.g. $100, $500, $1000 . . . per month.

About one-third of respondents indicated that they had a formal plan or had tried to determine financial needs, and they are categorized as planners. Thirty-two percent of respondents indicated that they had a savings target, either as a percentage of income or a monthly savings amount. These respondents are categorized as rule-of-thumb types. The remaining 35 percent are characterized as unsystematic types. The authors find that rule-of-thumb types accumulated similar amounts of wealth and exhibited similar savings rates as planners, and that both types saved substantially more for retirement than respondents who had not thought about retirement.

6. Impacts of Workplace Retirement Seminars

Since many Americans save for retirement predominately through their employer-sponsored plans, firms have a unique opportunity to help their employees improve their financial and retirement security. A recent survey of 310 U.S. corporations, multiemployer trust funds, and public employers and governmental entities finds that 48 percent of organizations provide retirement security education to their employees (International Foundation of Employee Benefit Plans, 2014).[4] The study also finds that voluntary classes and workshops are the most common methods of providing workplace education and that financial education is more likely to be provided by larger organizations than smaller ones. Bernheim and Garrett (2003) find that the availability of workplace financial education is highly correlated with the availability of an employer pension.

Workplace retirement seminars do not offer the same level of service that an individual would receive by working with a professional financial adviser. While workplace seminars might not offer advice and education that are personalized to an employee's particular financial situation, they typically offer advice and education about the retirement plan (or plans) that the employer offers. Moreover, workplace seminars can be a much more cost-effective means of delivering financial advice, and there is some evidence that they have similar types of impacts on financial behavior and attitudes as individualized financial advice.

Bayer, Bernheim, and Scholz (2009) utilize data from the 1993 and 1994 KPMG Peat Marwick Retirement Benefit Surveys to examine the effects of financial education in the workplace. More than 1,700 firms were surveyed about how often they provide various kinds of information and education related to retirement planning to employees. In particular, the survey asks about the frequency of investment seminars for all employees, employees over age 50, and employees within two years of retirement. The surveys also collected information about participation and contribution rates to 401(k) or 403(b) plans. The authors find that "retirement seminars are generally associated with significantly higher rates of participation and contributions, at least when the frequency of these offerings is high. The effect appears to be particularly strong for non–highly compensated employees" (p. 622). They suspect that the difference between highly and non–highly compensated employee effects might be due to limits on the contributions of highly compensated employees.

In a complementary paper, Bernheim and Garrett (2003) analyze data from a 1994 cross-sectional household survey of 2,055 respondents between the ages of 30 and 48. The survey collected data about retirement education in the workplace, financial knowledge, and sources of information and advice about retirement planning. The authors find that, after controlling for all

[4] The nonrandom sampling methodology employed and the limited sample size might limit generalizability.

other characteristics, 401(k) participation rates for both the respondent and the respondent's spouse, 401(k) balances, and self-reported savings rates tended to be significantly higher, on average, in the lower tail of the income distribution when the respondent's employer offered financial education. The authors note that these findings are "consistent with the view that education encourages saving among those who save too little," but caution that, because of a lack of statistical power, they cannot rule out the possibility that education is associated with substantially higher wealth across the distribution.

Dolvin and Templeton (2006) analyze the effect of a retirement-education program offered at a moderately sized law firm of 100 lawyers and 125 support staff. The education program coincided with a restructuring of the firm's defined contribution plan, so employees had to actively choose an asset allocation. The education program consisted of a 90-minute seminar given by a retirement counselor. It was offered four times over the course of two weeks, and it covered planning fundamentals, asset allocation, and risk-return characteristics of fund choices. About three-fifths of employees attended the seminar, according to survey data collected by the employer. Survey data were matched to administrative data on asset allocation. Those who attended the seminar were more likely to describe themselves as aggressive investors and less likely to describe themselves as conservative investors. The authors find that before the seminar, there was no difference in employee portfolio performance between those who attended the seminar and those who did not. However, the authors' analysis of asset allocations immediately following the seminar finds that seminar attendance significantly increased the number of funds held and decreased the percentage of equity held. Those who attended the seminar had portfolios with reduced risk but equivalent expected returns. That is, employees were able to construct more-efficient portfolios after attending the retirement-education seminar.

Allen et al. (2013) assess the effect of preretirement education programs at five large national employers with between 8,000 and 40,000 employees. Each of the employers offered defined benefit plans, health insurance to retired workers, and supplemental defined contribution plans. The authors collected pre- and post-surveys from attendees at 85 seminars between June 2008 and December 2009. The format and duration of seminars varied across employers. One firm had 31 four-hour seminars, the second had 12 seminars that lasted two and a half days, two others had all-day seminars, while the fifth had both full-day and half-day seminars. Approximately 1,500 individuals took part in the seminars,[5] and, of these, 1,182 completed both parts of the survey. Participants were between 50 and 65 years old, with an average age of 57.8. More than 80 percent of respondents had some college education, and 93 percent were covered by a pension plan. The authors find that the programs increased financial knowledge immediately following the training: more than two-thirds of respondents improved their scores on a ten-item financial-knowledge measure after the program. The authors also find that in comparing attendees'

[5] The authors note that the employers in their sample reported that nearly all workers invited to participate in a seminar do so, and that over time, all retirement-eligible workers are invited to attend a program.

reported retirement plans pre- and post-seminar, 31 percent of attendees changed their planned retirement age, and almost 37 percent changed their planned age at which they would claim Social Security. On average, both planned retirement age and planned age to claim Social Security increased.

Prawitz and Cohart (2014) investigate the effects of financial courses offered by a large publishing company. Of the company's 1,310 employees, 995 completed an online questionnaire before the financial-education program and one questionnaire after. Of the survey respondents, 339 completed at least one financial-education course and 656 did not.[6] The financial-education program was offered as part of comprehensive wellness program, and courses were offered both on-site and online over a year on a variety of topics and in a variety of formats. Courses were offered both during the workday and after hours, and online courses were available through an online portal that could be accessed anywhere. As an incentive for participation, employees received between $10 and $50 for completing each course, but this money had to be spent on products and services related to health and financial wellness. The authors find that workshop participants were more likely than nonparticipants to engage in positive financial behaviors following completion of a course. For example, participants were more likely to have started or updated a budget and increased self-reported retirement contributions, as compared with nonparticipants. The authors did not observe any differences between participants and nonparticipants in self-assessed financial well-being, self-reported overall saving, obtaining or updating life insurance plans, or estate-planning documents.

R. Clark and d'Ambrosio (2003) surveyed individuals participating in hour-long TIAA-CREF retirement-planning seminars between March 2001 and May 2002. The authors examined whether seminar attendance changed retirement age or income goals by surveying participants before seminars, immediately after, and then three months later. The authors find that 7.4 percent of participants raised their retirement age goal, while 4.3 percent lowered it, and the remainder had no change in their planned retirement age. Clark and d'Ambrosio find that 20.4 percent of participants raised their retirement income goal, while 8.3 percent lowered it, and the remainder had no change. Seminar attendees also reported that they planned to change their retirement-savings behavior. Of attendees who did not have a supplemental pension plan, 40 percent indicated that they planned to sign up for one. Thirty-seven percent of attendees who had a supplemental plan reported that they would increase their contributions to this plan. Twenty-nine percent of attendees reported that they planned to open a new IRA or increase their contributions to an existing IRA.

[6] There were no statistically significant differences between the two groups in terms of income, educational attainment, subjective financial well-being, or demographic characteristics (except that participants were two years older on average than nonparticipants). However, given that participation was voluntary, there may be differences in unobservable characteristics like patience or motivation.

7. Summary

There is considerable evidence that individuals who receive professional financial advice are more financially healthy than those who do not. Consumers who consult financial advisers tend to be wealthier, higher income, more educated, older, and more financially literate than their peers who forgo advice. But are financial advisers responsible for improved financial well-being, or are those who are more financially well-off more likely to seek advice?

In this report, we reviewed the evidence of whether working with a financial adviser is associated with improvements in savings behaviors. While much of the literature is consistent with the idea that financial planners help clients build retirement wealth, few papers attempt to address the endogeneity concerns of reverse causation, limiting insights into whether advisers are causing improvements in their clients' savings behavior. Our review found one paper that attempts to establish causality between usage of financial advice and savings (Marsden, Zick, and Mayer, 2011), and the authors find that using a financial adviser does not increase savings.

While there is limited evidence that suggests that advisers have a direct impact on their clients' savings behaviors, there is evidence to suggest that individuals who receive advice tend to be more likely to have a plan for retirement, more likely to feel confident about their retirement preparations, and more likely to have retirement goals. However, as with the literature on the impact of advisers on savings behaviors, much of this work is correlational and unable to establish whether advisers are causing improvements in retirement-planning outcomes, especially over the long term. Moreover, research examining the impact of workplace retirement seminars suggests that some of the same benefits might be conferred through less personalized interactions.

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