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WHITE PAPER

The Economic Crisis: Helping Your Employees Stay on Track

Benefits administrators at Atessa® Benefits, Inc. have noticed increased concern about the recent economic downturn from plan participants (employees, former employees and retirees). Gail Meloan, Vice President of Atessa, heads up the retirement administration department, which services over 60,000 participants. She says, “My staff is seeing a marked increase in calls from participants asking if their retirement plans are safe.” In response to these calls, Gail believes that employers should step up communications to address these concerns. Ongoing retirement planning and communication are important, especially in these uncertain times.

Educate Now: In the last few months, account balances have fallen significantly, pension funding has eroded and confidence in insured plans and financial institutions has come into question. Gail believes that employers should listen to their employees and respond proactively. Reacting to economic crises, the natural instinct is for employees to (1) stop contributing to retirement plans, (2) move investments into fixed income options or (3) defer their retirement plans to when the economy shows signs of recovery. In the long term, all three of these factors could lead to less productive, less technologically advanced and aging workforce.

In order to achieve both employee and employer retirement expectations, education is needed now to help employees (1) consider increasing rather than decreasing their retirement plan contributions, (2) understand that this may be the time to increase equity investments for a well balanced asset allocation, and (3) address all the factors related to a well-planned retirement, so that retirement planning can become a reality. Gail believes that while employees may be seeing a one-third drop in their investments, sticking with a long-term retirement savings plan is crucial.

Retirees are particularly affected by the recent economic turn of events, especially if they have to withdraw assets to live on during periods of investment downturn. A long-term recession could keep stock values down for several years. When, and if, retirees “do the math” they will quickly realize that withdrawing 4%, 5% or 6% from their retirement assets each year could easily result in exhausting their retirement savings earlier than expected, or that they might have to dramatically reduce their standard of living.

Retirement Planning: The sooner employers address the economic crisis and its impact on participants, the better. Current economic circumstances are a reminder of the importance of putting into action an ongoing program that encourages employees to stay on track and helps them plan for retirement.

Employees have different retirement expectations depending on their specific situations. There are a variety of factors that affect each individual's situation, which could make employee communication difficult. Individual employee education meetings would be ideal, but are not practical. Group meetings work well if employees are in a few locations, meetings can be a reasonable size, and employees can be grouped by age. Atéssa has found that the best way to educate employees is by setting up a retirement module on the employer's intranet. A retirement module could be specifically tailored to an employer's benefit program to include pension, 401 (k), profit sharing, medical, life insurance and other non-qualified and stock-based plans. On a secure website, employees would have access to their employee benefit values and the flexibility to enter information from personal accounts and/or former employer benefits. The calculation module would be powerful enough to project retirement benefits based on a variety of assumptions.

In addition, the retirement module could have links to sites with detailed information on the company's employee benefit plans, Social Security and Medicare benefits, the pros and cons of long-term care insurance, and retirement lifestyle options. Other issues that could be made available on the module include discussions on longevity insurance; effects of inflation; retiree medical, dental and vision concerns after retirement; and competing demands on retirement assets from children, parents and other "emergencies." A well designed education module would contain sufficient information for each employee to be able to accurately answer these six important questions:

- When should I start saving and why?
- How much should I save?
- How should I invest my retirement assets?
- When should I retire?
- How should I withdraw assets from my retirement fund?
- What should I do if circumstances change?

Your Communications Partner: Atéssa Benefits, Inc. is well suited to help employers communicate retirement strategies to employees, former employees, and retirees. We have been in the business of administering employee benefits and communicating to plan participants for 20 years. Our experienced team of actuaries, consultants and administrators are competent in all aspects of employee benefits. In the area of retirement education, we specialize in measuring risk, determining the financial consequences of risk, and communicating the results. Our technologically advanced capabilities will provide the right solution for your retirement communication needs. Please contact Debbie Mettenleiter, Marketing Director, at (858) 673-3690 for more information.

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