The Chicken or the Egg and Financial Literacy

Educating participants about financial literacy can help make plan communications more effective.

By Robert A. Benish

Scientists have finally answered one of the burning questions western civilization has wrestled with for decades, "What came first, the chicken or the egg?" We now know that it was the chicken. When it comes to creating your retirement materials, plan sponsors face the same paradox — what comes first, communications or financial literacy?

Although seemingly laughable, it isn't funny to hear some participants describe their retirement plan selection as, "You know, it's the one with the stocks and stuff in it." Fortunately, there are a number of employees that do understand and are conversant in the differences and merits of government bond funds versus small cap emerging market investments. The challenge for plan sponsors is how to effectively communicate to their employees at an appropriate level that will enable them to make good decisions about their retirement plan.

Of course, in an ideal world, financial literacy would be interwoven into primary, secondary, and high school curriculums. In fact, there have been some great efforts by a number of states to begin the process of mandating that financial literacy must be part of core curriculum. A number of private, non-profit groups have also made great efforts in producing fun, interactive, online programs to engage and educate children on basic money management. Unfortunately, these efforts will take generations to change behavior. In the interim, it falls upon the plan sponsor, the provider, and the greater retirement community to do what needs to be done.

This challenge is made more difficult by our present economy and the impact of the recession on millions of people trying to juggle housing payments, rising food costs, and living expenses that make it difficult to conceive of saving for the future. Many people are trying to survive today and live paycheck to paycheck. Increasing how much to take out of their paycheck can be a difficult conversation.

Rather than capitulate to a mindset that surrenders to the possibility that people will not save, we should look at this as an opportunity to help people help themselves. We can tell the financial literacy story by teaching people how to live on a budget, shop more wisely, and be more focused on the future rather than the instant-gratification a new plasma TV or new shoes provide.

The retirement savings story has been a difficult story to tell because it's framed in a timetable "far, far away" during a time in history where people are trying to focus on what needs to be done right now. If we reframe the retirement education story into a financial literacy story, then we can help people understand and benefit from planning to help them better cope with the financial stresses today as they build the foundation for their own future.

So, what comes first — communications or financial literacy? In my opinion, you need both; however, it makes it easier if people understand what you are talking about and your communication doesn't "lay an egg."

Bob Benish has worked in participant and retirement education for over 25 years at several large mutual fund and insurance companies as well as heading up The Retirement Center. He is the author of the online high school program, Fin Lit 101, and has been referenced in the media as the "Dean" of Retirement Education.