

EMPLOYERS MUST DO MORE TO HELP STAFF TRANSITION TO RETIREMENT



BY CHARLENE MORIARTY



Employers aren't doing all they can to help employees make a smooth shift to retirement. Neglecting to properly phase employees out of the workforce is, at the very least, a missed opportunity for employers and, in certain cases, a threat to productivity and profitability.

Current Levels of Support

A recent Morneau Shepell survey asked Canadian employers about two types of offboarding activities: reduced work hours and retirement planning programs designed to prepare employees for retirement.

Only 16% of the 62 respondents indicated they make spending less time on the job an option for some or all employees nearing retirement age so they can shift gradually out of the workforce. A little more than half of employers considered requests on a case-by-case basis. Almost a third of respondents didn't offer reduced work hours.

When asked about retirement planning programs geared to employees within five to 10 years of retirement, 55% of respondents provided information online, 48% offered group financial planning seminars and 19% offered individual sessions. Only 11% offered group counselling on making the psychological transition to retirement. Twenty-seven percent of respondents didn't offer any retirement planning programs.

A More Proactive Approach

There's clearly room for employers to offer older workers more support in transitioning to retirement. The scope of phased retirement efforts depends on a number of factors, including workforce demographics, talent needs and company growth plans.

Phased retirement programs don't need to have a big financial impact on either an organization or its soon-to-retire employees.

Where provincial law allows it, a defined-benefit pension plan can play a key role in phased retirement without incurring extra cost. With careful plan design, employees may, for example, be able to afford to work part-time hours if they can make up a portion of their salary reduction by drawing on pension income.

Education on pre-retirement planning can help allay employee concerns about retirement readiness. Companies can offer weekend sessions to avoid interference with the regular workweek and enable spouses or partners to attend.

These sessions should address both the financial and psychological aspects of moving into retirement.

On the financial side, there should be discussion about the importance of considering

all potential sources of income during the transition period, as well as how the use of retirement funds during that time will affect retirement income levels once employees have fully retired.


On the psychological side, there should be a discussion about what retirees will do with their time. Few retirees can afford to travel or play golf every day. Retirees, including those who move to retirement gradually, need to understand the mental stages they'll go through, set new goals and schedule activities.

In some cases, offering individual financial planning can also help employees. The financial planner—preferable an independent one to ensure lack of bias—can review pension and other retirement savings, and help employees develop an appropriate income stream as they work fewer hours.

All employers should consider what they can do to ease the shift to

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retirement. A gradual, supportive withdrawal from the workforce enables better succession planning. And in today's competitive environment for attracting and retaining talent, such an approach helps younger employees—who are building their careers and in whom the employer is making an investment—see

that the company treats its older workers well on their way out. An effective offboarding plan can also increase employees' productivity and job satisfaction, as well as boost their odds of a successful retirement. 

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26% of workers globally expect to shift into semi-retirement
45% of Canadians plan to semi-retire before they stop work completely
15% of Canadians don't plan to ever retire

Source: HSBC survey, *The Future of Retirement*, April 2015