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Higher Education employees lack retirement confidence

By Paula Aven Gladyvh
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Professors and others who work in higher education give themselves a "B" grade when it comes to knowing about retirement savings and investment, but Alexandra Taussig, senior vice president for Fidelity Investments, says the grade would really be much lower than that based on their answers to basic financial questions.

Both faculty and non-faculty are saving quite a bit for retirement, in large part because tax exempt employers, like colleges and universities, tend to be very generous with their retirement plan contributions, according to research by Fidelity Investments. The study found that on average, faculty members contributed 15% of pay to their retirement plans, while non-faculty set aside an average of 13%.

"Both are quite healthy," Taussig says.

But one-third of faculty aren't sure about the investment mix in their plan and the same amount considered themselves to be novice investors, the study found.

"While they have mastered certain subjects in their professional lives, when it comes to investing, 37% of professors see themselves as 'beginners.' Not surprisingly, this sentiment is greater for younger professors, with 47% of Gen X faculty feeling inexperienced," according to Fidelity.

While saving for retirement is the top financial priority for 42% of professors, 54% of faculty are worried they will outlive their retirement savings.

"There is a need to be more engaged, and to do so as early in their careers as possible," Fidelity said.

Most respondents said they would appreciate additional information about Medicare, healthcare costs in retirement, Social Security and choosing specific investments.

As Generation X ages and gets closer to retirement, they become more interested in investing and retirement. Non-faculty members had different concerns than their faculty counterparts. Sixty-four percent of non-faculty said they worry a lot about money, compared with 44% of professors, Taussig says.

Non-faculty's number one concern was paying off debt.

This was the third time Fidelity conducted this study. It was "really encouraging" that when the data was trended the numbers went from 11% to 16% of those people who feel confident they can live comfortably in retirement, pay for healthcare and long-term care expenses, she says.

“That was nice to see. People are feeling more confident and comfortable,” Taussig says. “They are never going to know what is going to be. There is always going to be some concern, but it was trending better, which I thought was positive.”

Financial wellness programs have done a lot to help employees get a better handle on their finances by holding info sessions on budgeting, emergency savings and paying off student loans.

“A lot of younger folks can’t picture retirement but it is a piece of the puzzle. They can’t save for retirement if they are worried about student loan repayment. Financial wellness has been a great way to also just open a dialogue for people so they start thinking and talking about money more,” Taussig says.

As in other studies, Fidelity found that women are more concerned about retirement than men, which “makes sense because women live longer and tend to worry more,” she adds.

When people are worried about paying their bills, it starts impacting their sleep and stress levels, which has negative impacts on other areas of their lives.

“As we look at it, health and money are really interconnected. It is hard to have one without the other,” Taussig says.

Fidelity Investments’ Higher Education Faculty Study was conducted by Versta Research from Nov. 3-18, 2016, among 1,000 benefits-eligible employees who work at U.S. colleges or universities.

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