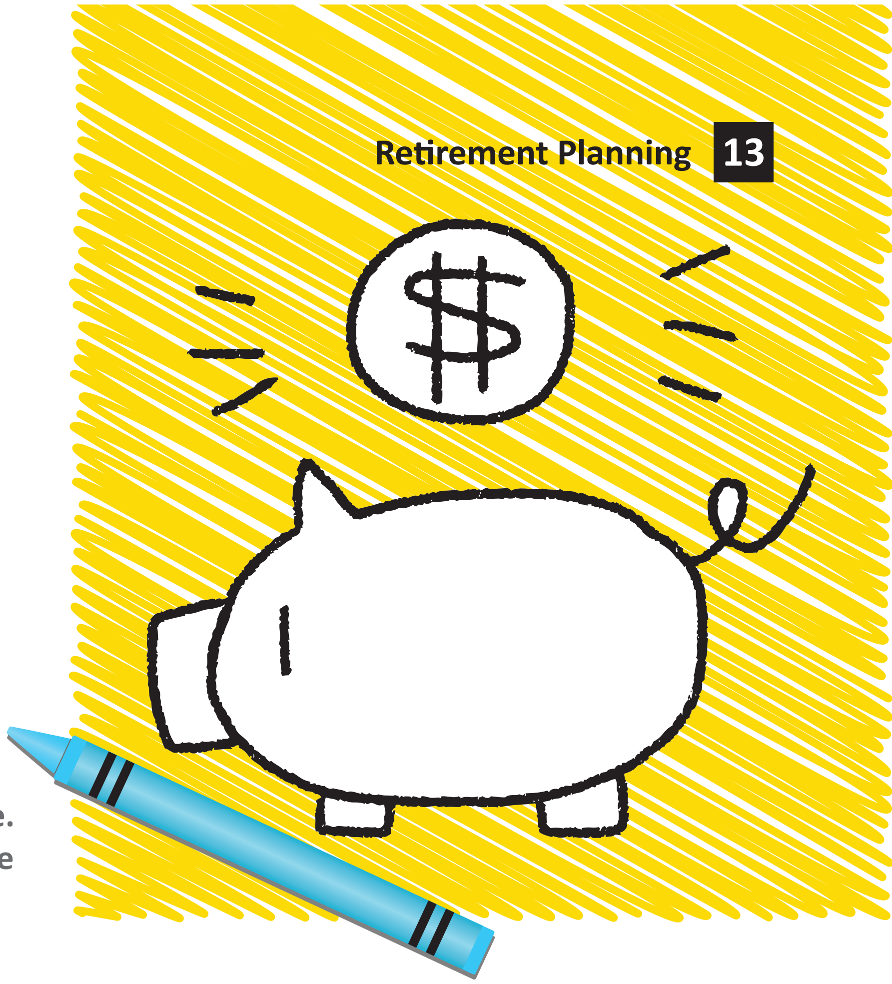
Almost Everything I Needed to Know, I Learned in Kindergarten



Many of you may recall a book written by Robert Fulghum in the mid-1980s entitled, *All I Really Needed to Know I Learned in Kindergarten.* It is a very enjoyable collection of essays that remind us of the basic rules we learned in kindergarten: to share, be nice, clean up after ourselves and live a balanced life. The one thing that was not emphasized was the need to save money.

I am not suggesting we teach capital asset market pricing in kindergarten, but we should teach our children to save and to do so at the earliest age possible. My bigger concern is not that we fail to teach investing in kindergarten, but that we, as a nation, fail to teach this concept at all. This lack of education crosses all sections of our culture. I once heard a professor state he wished he started saving for retirement earlier so his money could have compounded over time.

In past *OutReach* articles, I wrote about how employees aren't managing their money prudently. Those articles focused on the problems incurred through improper investment diversification, excessive fees and taking money out of the plan before reaching retirement. This article focuses on the savings problem. Studies show that 68 percent of wealth accumulation is attributable to savings, 38 percent to investments and 6 percent to lower fees. Sometimes the savings problem is that the employee simply does not have the resources to save. He/she is not spending money foolishly; just paying everyday expenses. This category of non-savers can best be solved through higher wages. The good news is this group is in the minority. The majority of non-savers can afford to save, but elect to spend money elsewhere. A recent study by the Bureau of Labor and Statistics showed when the economy improved, workers increased their savings by only 3 percent, but increased the amount they spent on apparel by over 11 percent. Employees need to become more responsible with their savings - something they should have learned in kindergarten.

However, part of the problem lies with employers. How much do we encourage employees to save? How easy do we make it for them to save? The most effective incentive is for the employer to provide a matching contribution. This is not always affordable, but there are other ways to encourage employees to save that cost the employer little or nothing.

It is never too late to educate employees on the value of saving for retirement. We have a number of communication pieces that in collaboration with Vanguard show examples of the positive effects compounding provides to an employee's savings account, the tax advantage of deferring income and other retirement topics. The Vanguard website has a number of robust, interactive retirement planning and education tools and Christian Brothers Retirement Planning Services will also provide employee educational meetings, where practical, which we try to coordinate with other groups in the area.

If employees save nothing, they will likely struggle to make ends meet in the years they should be enjoying retirement, grandchildren, travel and more. Even a kindergartner would understand the more you save, the more you will have for your future. Now all we have to do is educate our adult employees.

For more information on retirement planning services or retirement planning communication pieces, email rpscustomerservice@cbservices.org. ☼

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