Welcome to the Principles of Retirement Counseling and Education course, and congratulations on taking this step in your professional development!

The work you perform for and with future and current retirees will become increasingly important as more Baby Boomers retire, people live longer, workers become more mobile in their careers, and individuals take on greater responsibility for planning for their own retirements.

Employees, members, clients, and participants traditionally look to a counselor for investment advice, but retirement planning is so much more. It’s about setting goals; it’s about understanding how to accept personal responsibility for retirement and at the same time, deal with the issues of today; it’s about planning for children’s education or parents’ elder care while ensuring financial security in retirement; it’s about making the most of your resources today and being prepared – even in the face of unplanned, life-altering events. Without understanding all these issues, it is difficult to truly develop a long-term retirement focus that will help American workers achieve the retirement of their dreams.

Whether you work for a corporate benefits or human resources department, a public retirement system, a financial services organization or a financial planning firm, the material in this book will provide you with a wealth of information to help you perform your services more effectively. As you become proficient in the areas discussed within this course, you will begin to distinguish yourself as a professional retirement counselor.

Again, congratulations on your decision to enhance your professional development and pursue the Certified Retirement Counselor® certification.

Kevin Seibert, CFP®, CEBS, CRC®
Managing Director

Betty Meredith, CFA, CFP®, CRC®
Director, Education and Research
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Course Components

The CRC® *Principles of Retirement Counseling and Education* course contains the following components:

♦ **Overview**
This is a thumbnail view of what is covered in the chapter to give you a sense of what you are about to learn.

♦ **Learning Objectives**
This material directs you to the critical components of the chapter. They are an indication of what you should know or be able to do (*list...*, *describe...*, *etc.*) after studying the material.

♦ **Key Points Boxes**
Throughout each chapter are numerous boxes with summary points of the section that follows. These boxes provide visual reinforcement of the content.

♦ **Key Terms**
Important terms are presented in *boldface* type when they are first introduced in the chapter. Key terms are also listed at the end of each chapter. The Glossary at the end of the study manual contains all key terms and their definitions.

♦ **Review Questions**
Each chapter allows you to test your mastery of the content with a set of questions specific to that chapter. Quiz questions are either multiple-choice or true-false.

♦ **References**
These are external sources of data and information that were used in the development of this course.

♦ **Glossary**
Here is where you will find definitions for all the key terms and concepts contained throughout the manual. This will prove to be valuable during your study period and as a reference in your daily work activities.
The CRC® Professional Certification

InFRE's Certified Retirement Counselor® (CRC®) was created to advance recognition among retirement planning professionals of the need for a retirement-specific certification program that demonstrates a mastery of subject matter, a commitment to the retirement planning profession, and adherence to a code of ethics and continuing education requirements.

Certification is earned by passing a 200-question multiple-choice exam and meeting other requirements that can be found at http://www.infre.org/how-to-become-a-crc/. To ensure that the exam is testing the most up-to-date and relevant concepts, InFRE conducts a detailed practice analysis of the retirement planning profession no less than every five years. This practice analysis is then used to develop Test Specifications for the CRC® exam that outlines the domains of practice and associated knowledge required to become a CRC® Certificant.

To help candidates prepare for the CRC® exam, InFRE offers the following five-course, self-study program:

- **CRC® 1: Fundamentals of Retirement Planning**
  Topics include: retirement planning life cycles, retirement readiness for both financial and non-financial issues, retirement mindsets and behavioral finance, financial goal setting, a retirement accumulation model, risk management, tax and estate planning strategies, elder care, and financial elder abuse.

- **CRC® 2: Fundamentals of Investments**
  Topics include: the basic investment instruments: common and preferred stock, bonds, short-term instruments, mutual funds, guaranteed investment contracts, stable value funds, annuities, combination products, reverse mortgages, managing risk through diversification, asset allocation and portfolio management, and the important aspects of time horizon and goal-appropriate investing.

- **CRC® 3: Fundamentals of Retirement Plan Design**
  Topics include: the definition of qualified and nonqualified plans, basic features of qualified and nonqualified plans, the difference between defined benefit and defined contribution plans, advantages of each plan to employers and employees, the rules governing qualified plans, including eligibility and contribution limitations, plans for individuals (IRAs) and the self-employed, Social Security, payment options at retirement, and the rules governing distributions.

- **CRC® 4: Fundamentals of Retirement Income Management**
  Topics include: determining client retirement income and expense gaps, managing retirement income and expense risks, identification of client tax and estate planning issues and opportunities, and strategies for converting resources into income.

- **CRC® 5: Principles of Retirement Counseling and Education**
  Topics include: defining characteristics of today’s generations, communication styles, gender considerations, basic processes in counseling, nonverbal communication, effective inquiry, education, advice, learning stages and styles, common communication and education tools, ethics, fiduciary responsibilities, and working with other professionals.
About InFRE

The International Foundation for Retirement Education (InFRE) was founded in 1997 in response to America’s impending “retirement crisis.” The “baby boom” generation is in or nearing retirement; there is a shift away from employer-funded retirement plans; the national savings rate is lower than it has ever been; and fundamental changes are underway or foreseen in the Social Security and Medicare systems. The confluence of these factors makes the jobs of retirement counselors and administrators increasingly difficult and complex. As a result, the U.S. population is facing a potentially huge national problem.

As a result, InFRE is dedicated to providing highly respected, comprehensive education and accredited certification program for retirement professionals: financial advisors, retirement plan sponsors, financial services providers, and human resources and benefits personnel.

The founding partners of InFRE include the Center for Financial Responsibility at Texas Tech University, which has nationally known programs in personal financial planning; the National Association of Defined Contribution Administrators (NAGDCA); and the National Pension Education Association (NPEA). These nonprofit groups are dedicated to providing a quality source of objective, non-biased retirement information.

The InFRE Board of Governors, the InFRE Education Committee, and the Center for Financial Responsibility under the direction of A. William Gustafson, Ph.D., collectively developed the initial curricula for the Certified Retirement Counselor® study program.

Acknowledgement

This work is dedicated to the memory of John David Davenport, CRC®, CRA®, Founder, Public Employees Benefit Corporation (PEBSCO), and Founder of the International Foundation for Retirement Education. His lifelong vision, dedication, and generous contributions made significant improvements in the overall retirement preparedness of the American worker, as well as led to the development of invaluable educational programs and tools, including the Certified Retirement Counselor® certification and other retirement resources.
Betty Meredith, CFA®, CFP®, CRC®

Betty Meredith is the Managing Member of the Int’l Retirement Resource Center, and the Director of Education & Research for the International Foundation for Retirement Education (InFRE), whose purpose is to raise the retirement readiness of the American worker through professional accredited retirement certification.

Betty’s goal is to help retirement professionals, financial services companies and large public retirement systems help their clients make informed retirement decisions. She has participated in dozens of studies retirement readiness, income, and risk management for the mid-market, and oversees incorporation of research findings and best practices into InFRE’s Certified Retirement Counselor® study materials. She is one of the principal authors of a series of professional education courses and study guides by InFRE on retirement counseling and managing retirement income. She has also authored three books and dozens of consumer and employee retirement and financial planning education programs.

Betty has over 30 years’ experience in financial services, twenty five of those years in employee, client, and professional retirement education design and curriculum consulting with major financial services companies and employers.

Raymond Forgue, Ph.D.

Raymond Forgue retired after 28 years as an associate professor in the Department of Family Studies at the University of Kentucky. He served as chair of the department and acting dean of the College of Human Environmental Sciences. Forgue taught various courses in consumer studies, personal finance, and insurance.

His professional service has included the presidency of the American Council of Consumer Interests and the Association for Financial Counseling and Planning Education. Since retirement he has continued to write and consult on personal finance education training for the Accredited Financial Counselor certification program, AARP, and other organizations. Forgue serves on the Boards of the Personal Finance Employee Education Foundation and the National Association of Personal Financial Advisors.

He is the co-author with E. Thomas Garmen, Ph.D. of the textbook Personal Finance, now in its 11th Edition.
Chapter 1
Basic Principles of Effective Communication

◆ Overview

If you’re looking for the one key to achieving long-term success in your career, you may find it in this sentence:

Retirement counseling – indeed, any form of counseling – is built upon effective communication.

That statement may seem overly simple or even obvious, but with so many things drawing attention in this era of multi-media/multi-tasking, it’s easy to assume that communication has not only occurred but also been effective, when in fact it has been nonexistent.

So, what is communication? Communication has been defined as a “continuous, transactional process involving participants who occupy different but overlapping environments and create a relationship by simultaneously sending and receiving messages...” 1.” It is a dynamic interaction that is facilitated by and between people.

Given the interpersonal/systemic nature of retirement counseling, it is necessary to understand some of the fundamentals that make up effective communication so that, whether done one-on-one or in groups, where clients from “different” environments come together with the goal of generating solutions, your counseling efforts have a better chance of achieving success.

Personal communication and professional communication differ. Personal communication isn’t always about finding solutions or solving problems; more often it is about listening and “being there” for the other person. Professional communication, on the other hand, requires more of a balance between listening and information gathering and solution finding. It’s all too easy in professional communication to think it’s all about solutions and forget about the need for relationship building. This is a potential oversight that must be considered. Quality

relationships will not be established and solutions will NOT come easily if the basic elements of effective communication are missing.

An additional potential barrier to effective communication arises out of the realities of the employer market today: Employees commonly only have 15-30 minutes to meet with a retirement counselor to receive the guidance needed to make decisions that can affect them for a lifetime. The more you, as a retirement counselor, can understand the characteristics and tendencies common to a given client’s generation, the more quickly you can identify the type of counseling that would be most effective for the individual and therefore more productively use your (limited) time together to better influence counseling outcomes.

For example, if the client is a more “people person,” they might feel their needs were not being met if a counselor spent a lot of time reviewing historical asset performance and other investment statistics instead of time on building a relationship where the client feels they can trust the counselor’s guidance.

In this chapter, we’re going to identify important differences among generations that may contribute to miscommunication, and learn how you can adjust your style of communication to account for these differences.

Retirement counseling, communication, education and advice can take place in a variety of settings and methods, so a word about how some terms are used in this study guide is in order. Throughout this course we use the term “counselor” although the individual’s job title may or may not include that word. A counselor is an individual who is in a position to provide communication and education concerning retirement planning and benefits. This person might be employed by the same organization as those being counseled (e.g. someone in the human resources function). Or he or she may work for a third party provider to a retirement plan sponsor, conducting enrollment meetings and educational workshops for the sponsor’s employees. Or the counselor may be a registered representative or financial planner working with individuals and groups to provide a range of financial services. In every case, the counselor is providing a service relating to retirement benefits and planning.

◆ Learning Objectives

1. Understand important generational and gender considerations when communicating.
2. Recognize differences in styles of communication.
3. Know how to adapt your personal communication style to that of the client/employee using the DISC model.
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Two Ways We Interact With Others
Know Thyself: Becoming a Versatile Communicator
Controlling Our Strengths and Acknowledging Our Weaknesses
Two Ways to Practice for Improved Results
Other Actions for More Productive Counseling Sessions

Gender Considerations in Communication
Generational Understanding and Communication

Generational Communication

- Experiences of generations provide basis for understanding how they will perceive and evaluate information

- Two types:
  - shared
  - personal (individual)

Each generation has a unique set of experiences, marked by their common passage together in history. As each generation ages, it generally continues to respond to the world in ways it learned. From one generation to the next, distinctive differences arise because of each one’s unique historical perspective.

Each generation is therefore linked by the shared life experiences that occur in its formative years. Sociologists tell us common experiences create “a central tendency” that differentiates one generation from another. Knowing when people were born allows us to predict attitudes and behavioral tendencies of our clients.

For example, you might not necessarily emphasize team-play, duty, and frugality in dealing with Baby Boomer-age clients. But those are the kinds of things you might very well emphasize in dealing with the World War II generation.

Or, to get better results when discussing investments with clients in their 60s, you might need to anchor your explanation to their prior investing experience and possibly make firm investing recommendations. But, in dealing with Boomers, you are almost always better off offering choices.

In this section we will examine in depth the two generational groups that are either at or in retirement: the Silent Generation, or those born before 1946, and the Baby Boomer Generation – both early Boomers (born 1946-1955) and late ones (born 1956-1964). We will also cover key characteristics to keep in mind when communicating with clients who belong to either Generation X or Generation Y (also known as the “millennials”).
Personal and Shared Experiences

The most important time for building the life-experience base, which we use to understand the world, is during our formative years – generally, the period from birth to early adulthood. As we grow older, we generalize learned responses and continue to apply them whether or not they are appropriate to new situations. Baby Boomers and the Silent Generation base decisions on distinct and often contrasting values and attitudes developed during each one’s formative years.

Individuals draw on two kinds of experiences when making decisions – the personal and the shared. Personal experiences are those that are more or less unique to the individual. Shared experiences are those that other people in similar situations have. Those shared experiences allow you to look at a group’s responses and behavior while acknowledging that any individual may react and behave in a very different manner.

Our shared experiences are well-formed by our late teens and early 20s. German sociologist Karl Mannheim called those shared feelings of generations, zeitgeist – a spirit of the times. Today’s Silent Generation adults have a zeitgeist or personal history that included World War II, the Great Depression, and the stock market crash of 1929. These events shaped their lives and their attitudes about money. They are marked by those experiences and even as those become more distant memories, they continue to respond to the world in ways they learned long ago. Thus, it is to be expected from many raised during the Depression that saving money is emotionally satisfying, while investing in the stock market is emotionally threatening.

The Silent Generation: Duty and Obligation

<table>
<thead>
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<th>Characteristics of the Silent Generation</th>
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<tr>
<td>• Resistant to financial help</td>
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<td>• Believe in working hard and getting ahead</td>
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<tr>
<td>• Expect leisure but have limited experience with leisure</td>
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<tr>
<td>• Believe in marriage</td>
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<tr>
<td>• Don’t particularly embrace “personal growth” concepts</td>
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<tr>
<td>• Driven by duty and concept of obligation to others</td>
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Research psychologists and cultural anthropologists have characterized “The Silent Generation” as possessing the following traits:
**Financial**—The Silent Generation is less inclined to ask for, and is more resistant to, financial help. They are learning to live on limited resources. Women of this generation are far less financially literate and aware. They are being impacted financially by the changing dynamics of health care.

**Work**—This generation is more or less split between those who desire to continue working in their later years and those who believe that retirement is their due. They have more firmly and longer-held notions about work and retirement. They ascribe to a lifelong belief of “work hard – get ahead.”

**Leisure**—Members of this generation expect “leisure” in retirement but have limited experience in developing leisure activities.

**Physical Health**—Their self-reported physical health status is “high,” although they are experiencing the beginning of chronic health conditions.

**Mental Health**—This generation has the lowest suicide rate.

**Relationships**—Although they grew up with a belief in marriage as a long-term commitment, there is an increased level of divorce among the Silent Generation. Members of this generation are beginning to lose their spouses and, because of increasing mobility, may live long distances from adult children.

**Family Matters**—Although they experience it to a lesser degree than many Baby Boomers – who are the *sandwich generation* – younger members of the Silent Generation may be facing issues related to elderly parents, as well as new relationships with now-grown children.

**Home Life**—This generation also faces, among its members and their adult children, the complexities inherent in re-marriage and “combined” families.

**Housing**—Most of the Silent Generation are homeowners in the literal sense of the word. They are facing decisions on relocating, downsizing, and alternative housing such as assisted living communities.

**Personal Growth**—The Silent Generation doesn't particularly embrace “personal growth” as important to one’s life. Life- or financial-planning discussions that use this terminology could create a barrier to reaching this generation. The notion of therapists and counselors to help them “fix” aspects of their lives is not something they're used to, although they do tend to trust and rely on "experts" (e.g., a trusted doctor).

**Problems and Surprises**—Unfortunately, the Silent Generation has sometimes found that “work hard – get ahead” is not necessarily true. Widowhood is common and presents unique challenges and, often, crises. Members of the
Silent Generation are uncomfortable with the term, *aging*. They face an extended life expectancy that may challenge their preparations for retirement, both financially and in other ways.

In summary, Silent Generation adults are driven by duty, by concepts of obligation to others. And they are driven more by concerns about what they owe to others. Show a patriotic attitude with them and they’ll resonate with you. Wear an American flag lapel pin. Drop them a note on Memorial Day. Display a patriotic symbol in your office.

♦ Boomers’ Distrust of Authority

<table>
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<tr>
<th>Characteristics of the Baby Boom Generation</th>
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<tbody>
<tr>
<td>• Insistently individualistic</td>
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<tr>
<td>• Distrusting of institutions</td>
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<tr>
<td>• More financially savvy than Silent Generation</td>
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<tr>
<td>• Expects to work beyond retirement</td>
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<tr>
<td>• Leisure can be a foreign concept due to time and responsibility constraints</td>
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<tr>
<td>• Wants signs that their lives have personal significance</td>
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<tr>
<td>• Place a high priority on home life</td>
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As the majority of Boomers moved through their adolescent years and into young adulthood, they experienced radical societal changes. These included the Vietnam War, Woodstock, Watergate, the civil rights and women’s liberation movements, and the assassinations of John Kennedy, Robert Kennedy and Martin Luther King, Jr.

Boomers came away from those times distrusting and challenging institutions. They became more insistently individualistic, more “me-oriented” and more independent than any generation that preceded it. Their attitude contrasted with their parents. Their parents considered a large, established institution as credible, because it was a large, established institution. For Boomers, such credibility is not instantly accorded.

Cultural anthropologists and research psychologists have characterized Boomers specifically with the following traits:

**Financial**—While they are more financially savvy than their parents, they are more burdened with debt – both credit card debt and big mortgages – than their parents. They also have far more complex financial choices in their
lives. They are simultaneously living with having to be much more self-reliant for financial security in retirement than their parents and with expecting significant inheritances from those parents and the implications of “sudden money.” Their status as the sandwich generation may require them to financially assist aging parents at the same time they are putting children through college.

**Work**—Because of the corporate downsizing phenomenon in the 1980s and early 1990s, Boomers have come to distrust company “stability” and have much less corporate loyalty than the Silent Generation. Their sheer numbers have resulted in many Boomers bumping up against the reality that they may never rise to the top in their career. Many are creating second careers or have become self-employed. Consulting or self-employment may lead to isolation and some disconnect from the rest of the working world. Boomers are still looking for “meaning” in their work. They expect, and often desire, to work far beyond “traditional” retirement age.

**Leisure**—Because of the demands of work and parenting, Boomers think of leisure as a foreign concept and often experience it only as short bursts of immediate gratification, such as a luxury trip to Europe. Time pressures lead to a lack of ritual or routine for leisure.

**Physical Health**—As parents age and die, Boomers are beginning to confront their own mortality and are taking steps to maintain physical health. The stress associated with mid-life career transitions or disappointments, high debt loads, and other financial obligations, is impacting their health.

**Mental Health**—As a generation, Boomers are coming to grips with mortality, struggling with both discouragement about whether this is all there is and empowerment that the best is yet to be created. Stress is high, resulting from career pressures, aging parents, and the financial obligations of raising children. Boomers are dealing with a creeping sense of fatalism as they hit mid-life and mid-career.

**Relationships**—Boomers are often losing parents and spouses, due to death or divorce. Blended or stepfamilies are common. Single status is not necessarily a stigma but presents unique financial planning challenges. Members of this group are trying to come to grips with what their obligations are to parents and children.

**Family Matters**—Heavily influenced by their diverse and changing relationships, Boomers are struggling with sandwich generation issues. Many began their families at an older age than prior generations so education is a priority, but financing that education coincides with funding retirement.
**Home Life**—Boomers place a high priority on home life but feel its quality is often compromised by competing demands on time.

**Housing**—Housing isn’t the comfort to this generation that it has been to the Silent Generation. Mortgages are high and will likely be carried into later life. Boomers who own second homes are under increased financial pressure. Many Boomers may desire to relocate or downsize housing as their children go to and through college. Conversely, some may actually upsize, to accommodate a live-in aging parent.

**Personal Growth**—Boomers are still trying to figure out “what it all means.” Because things have not always worked out as they envisioned in their earlier, idealistic days, Boomers are becoming very introspective about their lives. They are beginning to think about a moral or values-based “legacy” and want signs that their lives have personal significance.

**Problems and Surprises**—This generation believed they were entitled to a better world and have paid for it – but not with their own money – so they are now reaping the results of their spending habits. Divorce, unemployment, mid-life health problems, and the death of family members are frequent “problems.” Unexpected financial windfalls and an incredibly strong investing environment in the 1990s have been pleasant surprises.

For many Boomers then, “large institutions” may be synonymous with a feeling of “I can’t trust them.” For their parents, a figure of authority, such as a broker or an insurance agent or a banker, implies expertise. For Boomers, such expertise is not taken for granted; you have to prove it to them.

These core attitudes directly come into play in considering and choosing a financial relationship. If your core attitude includes a distrust of institutions, including government, then how much credence will you give the guarantee of having Social Security when you retire? The answer is, “not much,” and Boomers indeed are skeptical of having Social Security. In fact, many believe that Social Security is a promise that is meant to be broken. They are skeptical of any institutional guarantees, including company pension plans. That’s why they believe they need to take care of themselves financially when they retire.

On the other hand, financial security is apt to be an issue, but not in the same way it was for their parents. Boomers don’t worry much about having enough money to live in the style to which they have become accustomed. It is “future lifestyle security” that motivates their money decisions and behavior.

Because Boomers are individualistic and independent, their decision-making is different than their parents’. That has been the driving force for the increase in defined contribution retirement plans, such as 401(k)s. They want to feel in control of the
decision-making. That means you must offer alternatives, options, choices, so it appears as customized recommendations.

Boomers are also different from their parents when it comes to investment risk. The oldest boomers (those born 1946-1954) were in their mid-30s when the bull market of the early 1980’s began. Like most people that age, they were more concerned with careers, family, and spending than investing. Whenever they finally began paying attention – 1982 or later – the market was going up. A bull market in equities is all they know: Even when the market goes down, it soon goes back up.

Aging Boomers’ outlook on investing in equities is essentially positive. It is something they believe they should be doing; that is not how their parents felt. Emotional acceptance makes it easier for them to say “yes” to an investment program incorporating equities even when risks are clearly outlined, as they should be in the sales process. Fear of loss is not experienced at the gut-wrenching level it was for their parents.

For aging Boomers, the potential for loss is evaluated against an experience background that says it isn’t likely in the long run, or maybe even the short run. In practical terms, an equity-oriented recommendation should tap this implicit belief. Connecting the recommendation to the market’s historical performance, including both gains and losses, is the linchpin.

From the aging Boomer’s emotional point of view, if equities as a class always go up in the long run and your recommendation is clearly part of that class, then risk of loss is not a significant deterrent. There may be other deterrents that get in the way of the executing a recommended retirement plan, but for most aging Boomers, risk should not be the issue if handled appropriately.

Understanding these factors, using them to construct investment recommendations, and playing them back in the course of the communication will capture and hold both interest and attention far better than anything else you can do.
Commonly known as “Gen X”, it was originally called the “Baby Bust” generation because of the steep drop in births after the Baby Boom. Generation X was affected by the historically high divorce rates and mass downsizing by companies, which large numbers of women (their mothers) to enter the workforce. These “latch key” kids learned independence at an early age. Because of this, overall Gen Xers desire security, with compensation being their largest motivator. They were the first generation in U.S. history to experience downward mobility when compared to their parents’ generation, contrasted with Boomers and Generation Ys who value learning, volunteerism, and other intangibles over pay. This sometimes leads to negative perceptions of Gen Xers, where they can be perceived as being cynical.

Overall, Gen Xers are technically savvy, they think globally, they are self-reliant, pragmatic and value diversity. They are motivated by money and desire work/life balance. Their attitude towards finances is “show me the money”, and they are the most pessimistic about retirement of all the generations. The cell phone was their defining technology.
Members of Generation Y (Millenials) desire a seamless blend of work and personal life, and want their job to contribute to greater good. They get along well with their parents, and respect their elders. Only 60% were raised by both parents, therefore they value being a good parent and having a successful marriage far about career and material success.

Financially, they are more dependent on their parents longer than any other generation, and are the least pessimistic about retirement of all the generations. They prefer bigger government with more services, and are on track to become the most educated generation in American history. Automatic enrollment, deferral, and robo-advisory services serve them well.

Their defining technology is Google and Facebook.
Communication Styles

Understanding Communication Styles

- Builds client interpersonal trust and receptiveness
- Four specific and observable behavioral patterns
  - Dominance
  - Influence
  - Steadiness
  - Compliance

As a retirement counselor, you have the privilege of people coming to you looking for answers or just to hear you share some helpful financial guidance. They may be thinking, “I hope you can make this financial planning process simpler,” or “Please help me know if I’m doing the right thing or if I’m on the right track with my finances.” Building interpersonal trust and receptivity with your communication skills is one of the ways you can help them.

It’s no secret that people tend to be comfortable with, work with and refer others to people they like and trust. Trust in you is much more likely to increase when you make a sincere effort at adjusting/adapting your own style of communicating to better match the other person’s style of communicating. In this section, you will increase your understanding of two types of communication adjustments to consider practicing for more easily connecting with clients/employees.

Research on style analysis dates back to the 1930s. Dr. William Marston, in his book “The Emotions of Normal People” (1928), identified four specific and observable behavioral patterns – Dominance, Influence, Steadiness, and Compliance (DISC). Testing instruments documenting and proving these behavioral patterns were created in the late 1960’s and have been used extensively throughout the world in business, industry, government and education. For the majority of us, one or maybe two of these traits are dominant in our day-to-day observable behaviors.
Communication Styles: Knowing Yourself and Your Clients/Employees

To Better Serve Clients, Know Your Own Style

- Two ways we interact with others
  - directness
    - how extroverted or “telling” assertive
    - how introverted or “asking” assertive
  - openness
    - how task-focused when communicating
    - how relationship focused when communicating

The Greek philosopher Aristotle said “know thyself.” Our first challenge is to recognize our own natural dominant style or tendencies when communicating. Our second challenge is to recognize other people’s preferred style or tendencies. Once both of these are known, we need to do our best to adapt to or appreciate the others’ preference when communicating.

If you have experience with communication styles or have taken a style assessment in the past, then the following pages will serve as a refresher to help with practical application of your knowledge. On the other hand, if you are not that familiar with communication styles, then the following pages should serve as an introduction – a crash course for gaining a better understanding of how you can use this information during retirement counseling sessions.
Two Ways We Interact With Others

There are two primary ways that describe how we interact (behave) with others. The first is how direct we are (or the directness we have) when we communicate. The second is how open we are (or the openness we have) when we communicate.

Why are these two communication traits important to know? Their combination (for example, high directness and high openness, or low directness and high openness, etc.) lays the foundation for understanding how we prefer to communicate with others and how we prefer to be communicated with.

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**Figure 3.1**

- **Introverted**
  - Ask assertive
- **Extroverted**
  - Tell assertive

- **Task Focused**
- **Relationship Focused**

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Basic Principles of Effective Communication
To become a versatile communicator – one who can easily adapt personal communication style to the person you’re working with – you must first identify your own communication style. On the following page is a list of observable behaviors and behavior strengths to help you better understand your own communication style and the behaviors and strengths of the individuals you serve.
## Observable Behaviors in Self or Clients

Circle the top one or two styles that seem to most closely match how you interact with clients/employees 80% of the time during retirement counseling sessions.

<table>
<thead>
<tr>
<th>High C Style</th>
<th>Conscientious/Analytical</th>
<th>High D Style</th>
<th>Directive/Driven</th>
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<td>- Maintains high standards</td>
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Controlling Our Strengths and Acknowledging Our Weaknesses

If we step back and observe a person we know over time, very often we can begin to notice how that person’s communication strength may at times come across as irritating or as a shortcoming to others.

The same is usually true for all of us as well. Our natural communication strength(s), when over-used or carried to the extreme can be a source of friction/irritation for others. So ask yourself: “In order to improve and grow, am I controlling my own communication strengths to avoid over using them?”

Take a look at the descriptions of the different communication styles on the next page. Which one best describes you?

**KEY POINTS**

Communication Weaknesses Derive From Strengths

- High Ds: can be too directive, impatient, task-oriented
- High Is: can possibly oversell, too trusting, difficulty planning and controlling time
- High Ss: can take criticism personally, resists change for change sake, waits for orders before acting
- High Cs: can over-analyze, overly-critical, defensive when criticized, lack of verbalization of feelings
Behavior Strengths and Weaknesses

Take a look at the descriptions of the different communication styles below. Circle the one that best describes you.

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<tr>
<th>High C - Conscientious Behaviors</th>
<th>High D - Direct Behaviors</th>
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<tbody>
<tr>
<td><strong>Behavior Strengths:</strong></td>
<td><strong>Behavior Strengths:</strong></td>
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<td>• Analytical</td>
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<td>• High Standards</td>
<td>• Result-Oriented</td>
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<td>• Precise</td>
<td>• Self-Starte</td>
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<tr>
<td><strong>Possible Behavior Weaknesses:</strong></td>
<td><strong>Possible Behavior Weaknesses:</strong></td>
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<tr>
<td>• Overanalyzing. Analysis paralysis</td>
<td>• Being too directive</td>
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<tr>
<td>• Being too critical of others</td>
<td>• Being impatient with others</td>
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<tr>
<td>• Not verbalizing feelings, but</td>
<td>• Not listening well; being a one-way communicator</td>
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<td>internalizing them</td>
<td>• Pushing people rather than leading them</td>
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<td>• Being defensive when criticized</td>
<td>• Focusing too heavily on tasks vs. people</td>
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<td>• Yielding position to avoid controversy</td>
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<th>High S – Steady Behavior</th>
<th>High I - Influencing Behavior</th>
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<td><strong>Behavior Strengths:</strong></td>
<td><strong>Behaviors Strengths:</strong></td>
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<td>• Amiable</td>
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<td><strong>Possible Behavior Weaknesses:</strong></td>
<td><strong>Possible Behavior Weaknesses:</strong></td>
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<tr>
<td>• Take criticism of work as a personal affront</td>
<td>• Oversell, talk too much</td>
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<td>• Resist change just for change sake</td>
<td>• Trust people indiscriminately</td>
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<tr>
<td>• Internalize feelings when they should be discussed</td>
<td>• Have difficulty planning and controlling time</td>
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<td>• Waiting for orders before acting</td>
<td>• Tend to listen only situationally</td>
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<td>• Not projecting a sense of urgency</td>
<td>• Rely too heavily on verbal ability</td>
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Figure 3.3
Two Ways to Practice for Improved Results

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<tr>
<th>KEY POINTS</th>
<th>Two Ways to Improve Communication Results</th>
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<tbody>
<tr>
<td></td>
<td>• Change your speaking pace (slow down or speed up) when communicating</td>
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<td>• Change your social or task priorities (be more social or be more task-oriented) when communicating</td>
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Once you are more aware of your own preferred style of communicating as well as your communication strengths and weaknesses, you can begin to “tune-in” to the style of the person you are counseling.

There are two reasonable adjustments you can make to quickly help improve rapport:

1. Changing speaking pace, and
2. Changing social or task priorities when communicating with others.

For clarification:

- **Pace** relates to *how quickly* you or they prefer to communicate (speak, listen and respond).
- **Priority** relates to your or their *need for socializing* (relationship-oriented) versus *getting down to business* (task-oriented).

See the illustration on the next page.
What is Your Natural Communication Style?

Figure 3.4

You don’t have to be a psychologist to do this for yourself (or even to observe it in others). Simply ask yourself these two questions:

1. Eighty percent of the time when I'm communicating with others, do I tend to have a naturally slower or naturally faster pace? Circle where you think are on the “pace differences” axis.
2. Am I naturally more task driven or more relationship driven? Circle where you think you are on the “priority differences” axis.

For example: If my natural style is usually more fast-paced and relationship-oriented, I have what is often referred to as the “influencing” or “expressive” style.

Another example would be: If my natural style is usually more slower paced and task driven, I have what might be referred to as more of an “analyzing” or “thinking” style. (See above illustration again.)

Our second challenge is to recognize our own natural strengths may come across or be perceived by others as sources of irritation or a communication barrier.
A willingness on your part to adjust your style of communicating according to the style of those whom you are dealing with can go a long way to help building healthier relationships.

**Hint:** Don’t wait for others to adjust their style to yours. Take the initiative. Adapt your style to theirs.

♦ Other Actions for More Productive Counseling Sessions

<table>
<thead>
<tr>
<th>What to do to Adapt Your Communication Style When Communicating with</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High Ds: give choices and option, move to task quickly</td>
</tr>
<tr>
<td>• High Is: be openly friendly, give personal recognition, build personal relationship</td>
</tr>
<tr>
<td>• High Ss: listen and build trust, be sincere using a quiet manner, give them time to think</td>
</tr>
<tr>
<td>• High Cs: slow down, provide facts, explain details well</td>
</tr>
</tbody>
</table>

The boxes on the next page list suggested behaviors you can adopt in order to modify your natural communication style to more effectively meet the style and communication needs of the person with whom you are meeting.
How to Modify Your Personal Style
to Be a More Effective Retirement Counselor

Use the traits and expectations below for each behavior style as a way to better understand the communication expectations and needs of clients/employees, so you can build better client rapport, trust and long-term relationships and for better influencing client retirement planning outcomes.

### Contains Emotions

<table>
<thead>
<tr>
<th>CONSCIENTIOUS/ANALYTICAL</th>
<th>DRIVEN/DIRECTING</th>
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<tbody>
<tr>
<td><strong>styles are often:</strong></td>
<td></td>
</tr>
<tr>
<td>Value oriented</td>
<td>Control oriented</td>
</tr>
<tr>
<td>Facts, logic and rules oriented</td>
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<tr>
<td><strong>You Can:</strong></td>
<td></td>
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<tr>
<td>- Slow down</td>
<td></td>
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<tr>
<td>- Provide facts</td>
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<tr>
<td>- Explain details well</td>
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</table>

<table>
<thead>
<tr>
<th>STEADY/RELATING/AMIABLE</th>
<th>INFLUENCING/EXPRESSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>styles are often:</strong></td>
<td></td>
</tr>
<tr>
<td>“We” oriented</td>
<td>“Me” and “Fun” oriented</td>
</tr>
<tr>
<td><strong>You can:</strong></td>
<td></td>
</tr>
<tr>
<td>- Listen and build trust</td>
<td>- Be openly friendly</td>
</tr>
<tr>
<td>- Be sincere using a quiet manner</td>
<td>- Give personal recognition</td>
</tr>
<tr>
<td>- Give them time to think</td>
<td>- Build personal relationship</td>
</tr>
</tbody>
</table>

### Displays Emotions

Figure 3.5
As a retirement counselor you have the privilege of helping clients plan their retirement future. People tend to be most comfortable working with and referring others to a counselor they like and trust. Client trust is much more likely to increase when you make a sincere effort at adjusting/adapting your own style of communicating to better match the other person’s style of communicating.

During your next client meeting, presentation, or interactions with others, watch for opportunities to practice controlling your natural strengths/tendencies when communicating. You will benefit from greater respect and cooperation from others and a greater ability to influence people in making wise choices regarding their retirement future.

Gender Considerations in Communication

Men and women, at least in the dominant cultures of North America, often use language in different ways for different purposes. As a group, women are generally more inclined than men to use conversation to establish and maintain relationships with others. Some of the relational characteristics of female conversation can offer important insights into the process of communication and even some cautionary notes for the interested/responsible counselor.

Because women often use conversation to pursue social needs, they typically use statements showing support for the other person, demonstrations of equality, and efforts to keep the conversation going. Women are also more inclined to ask lots of questions that invite the other person to share information: “How did you feel about that?” “What did you do next?” Note the understanding, the common ground, and the promptive listening techniques that are associated with communication between women.

The importance women place on nurturing a relationship also explains why female speech is sometimes mistaken as tentative or powerless. Women might say, “This is just my opinion . . .” or “I’m not sure, what do you think?” This is less likely to put off a conversational partner than a more definite, “Here’s what I think.” This is an example of going one down (a process of listening and learning where the person takes a non-expert position in the interaction) for purposes of developing a relationship that isn’t threatening to the other.

Such an interaction style offers two important lessons. First, when talking about relationship building, there is strength in the “one down” approach. Knowing when to be the expert and when to go one down is an art, a strength that comes naturally to some and must be developed in others. Second, when counseling women, the one down approach a woman might take should not be assumed to be apathy, weakness, or surrender. Further, when a man and woman present for counseling together, and the man exhibits a more in-charge expert stance, the assumption should not be that power and decision making reside with him.
Men’s speech is often driven by quite different goals than women’s speech. Men are more likely to use language to accomplish the job at hand than to nourish relationships. This might explain why men are less likely than women to disclose their vulnerabilities – sometimes seen as a sign of weakness. When someone is sharing a problem instead of empathizing, men are prone to offer advice: “That’s nothing to worry about...” “Here’s what you need to do...” Besides taking care of business, men are more likely than women to use conversations to exert control, preserve their independence, and enhance their status. This explains why men are more prone to dominate conversations and one-up their conversational partners (Adler and Towne, 1996).

The seemingly natural problem solving position taken by men in their communication efforts can be a strength, especially when used within the counseling context and tempered by the one down approach practiced so well by women. Moreover, in the retirement counseling arena, the one down approach taken by some women might be enhanced by incorporating the more problem solving-solution oriented approach taken by men.

There is something to be learned here. Perhaps most importantly, balance in communication styles may offer an edge in the process of interpersonal communication. There is a lot that men and women can learn from each other in relation to this most important subject – communication.

Differences between the sexes can be noted in the categorical ways of communicating listed below (C. Pulvino & J. Lee, 1991):

<table>
<thead>
<tr>
<th>MALES</th>
<th>FEMALES</th>
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<tbody>
<tr>
<td>Value independence</td>
<td>Value intimacy</td>
</tr>
<tr>
<td>Emphasize report talk</td>
<td>Emphasize rapport talk</td>
</tr>
<tr>
<td>Talk more than women</td>
<td>Talk less than men</td>
</tr>
<tr>
<td>Talk for information</td>
<td>Talk for interaction</td>
</tr>
<tr>
<td>Overestimate word power</td>
<td>Underestimate word power</td>
</tr>
<tr>
<td>Argue categorically</td>
<td>Argue personally</td>
</tr>
<tr>
<td>Argue from external events</td>
<td>Argue from internal data</td>
</tr>
<tr>
<td>Focus on external events</td>
<td>Focus on personal data</td>
</tr>
<tr>
<td>Focus on large picture</td>
<td>Focus on personal details</td>
</tr>
<tr>
<td>Lecture</td>
<td>Listen</td>
</tr>
<tr>
<td>Offer information</td>
<td>Seek understanding</td>
</tr>
<tr>
<td>Focus on content</td>
<td>Focus on emotions</td>
</tr>
<tr>
<td>Listen silently</td>
<td>Give feedback as they listen</td>
</tr>
</tbody>
</table>

The perspectives advanced above are apparent in an article by Judy B. Rosener (1990) entitled, *Ways Women Lead*. The major points of the article are that women managers emphasize interactions, encourage participation, tend to share power and information, work at enhancing the self-worth of others, and tend to energize co-workers. Male managers, by contrast, encourage independent action, retain power and information, and focus on the task at hand more than on those attempting to achieve the task.
Key Terms

Baby Boomer generation
central tendency
common ground
communication styles
Generation X
Generation Y (Millenials)
one down
promptive listening
Silent generation
understanding
Review Questions

1. The Silent Generation is characterized by
   a. belief in hard work, duty, resistance to financial help, distrusts financial institutions.
   b. belief in hard work, duty, resistance to financial help, doesn’t embrace “personal growth” concepts.
   c. belief in hard work, duty, resistance to financial help, embraces “personal growth” concepts.
   d. belief in hard work, duty, desires financial help, embraces “personal growth” concepts.

2. The Boomer generation is characterized by being
   a. individualistic, less financially savvy than Silent Generation, placing a high priority on home life, distrusting of institutions.
   b. individualistic, more financially savvy than Silent Generation, placing a high priority on home life, trusting of institutions.
   c. individualistic, more financially savvy than Silent Generation, placing a high priority on home life, distrusting of institutions.
   d. individualistic, less financially savvy than Silent Generation, placing a high priority on home life, trusting of institutions.

3. All of the following describe Generation X, except
   a. savvy, task-driven and self-reliant.
   b. risk takers, skeptical.
   c. place high value on preening or being pampered.
   d. don’t care very much about what others think of them.

4. All of the following describe Generation Y (the Millennials), except
   a. high sense of immediacy, confidence.
   b. lack of sense of civic duty.
   c. value social connections, sharing homes, food, rides.
   d. more ethically and racially diverse.
   e. embrace a multi-tasking work and life style, and spends over 7 hours a day online (texting, surfing web, etc.).

5. A high D behavior style has a
   a. faster-paced speaking style and is not very task-oriented.
   b. slower-paced speaking style and is very task-oriented.
   c. faster-paced speaking style and is very task-oriented.
   d. slower-paced speaking style and is not very task-oriented.
6. A high I behavior style has a
   a. faster-paced speaking style and is not very task-oriented.
   b. slower-paced speaking style and is very task-oriented.
   c. faster-paced speaking style and is very task-oriented.
   d. slower-paced speaking style and is not very task-oriented.

7. A high S behavior style has a
   a. faster-paced speaking style and is not very task-oriented.
   b. slower-paced speaking style and is very task-oriented.
   c. faster-paced speaking style and is very task-oriented.
   d. slower-paced speaking style and is not very task-oriented.

8. A high C behavior style has a
   a. faster-paced speaking style and is not very task-oriented.
   b. slower-paced speaking style and is very task-oriented.
   c. faster-paced speaking style and is very task-oriented.
   d. slower-paced speaking style and is not very task-oriented.

9. Someone with a natural Direct style should adapt their communication for someone with a natural Conscientious/Analytic style by
   a. slowing down, providing facts, and explaining details well.
   b. being openly friendly, giving personal recognition, and building personal relationships.
   c. giving choices and options, moving to tasks quickly.
   d. listening and building trust, being sincere, giving them time to think.

10. Someone with a natural Direct style should adapt their communication for someone with a natural Influencing/Expressive style by
    a. slowing down, providing facts, and explaining details well.
    b. being openly friendly, giving personal recognition, and building personal relationships.
    c. giving choices and options, moving to tasks quickly.
    d. listening and building trust, being sincere, giving them time to think.

11. Someone with a natural Influencing style should adapt their communication for someone with a natural Steady/Relating style by
    a. slowing down, providing facts, and explaining details well.
    b. being openly friendly, giving personal recognition, and building personal relationships.
    c. giving choices and options, moving to tasks quickly.
    d. listening and building trust, being sincere, giving them time to think.
12. Someone with a natural Steady style should adapt their communication for someone with a natural Direct/Pace style by
   a. slowing down, providing facts, and explaining details well.
   b. being openly friendly, giving personal recognition, and building personal relationships.
   c. giving choices and options, moving to tasks quickly.
   d. listening and building trust, being sincere, giving them time to think.

13. Women often use conversation to pursue social needs, using statements showing support for the other person and demonstrating equality.
   a. True
   b. False

14. Males tend to focus on content more in conversation than females.
   a. True
   b. False

15. According to an article by Judy B. Rosener, male managers emphasize interactions, encourage participation, tend to share power and information, work at enhancing the self-worth of others, and tend to energize co-workers.
   a. True
   b. False

16. According to an article by Judy B. Rosener, female managers encourage independent action, retain power and information, and focus on the task at hand more than on those attempting to achieve the task.
   a. True
   b. False
Answer Key

1. b
2. c
3. c
4. b
5. c
6. a
7. d
8. b
9. a
10. b
11. d
12. c
13. a
14. a
15. b
16. b
Overview

Given the interpersonal/systemic nature of counseling, it is necessary to understand some of the basic fundamentals. This becomes essential when considering these fundamentals within the context of a retirement counseling relationship, whether done one-on-one or in groups, where participants from “different” environments come together with the goal of generating solutions. This is where professional and personal communication differs, in that personal communication isn’t always about finding solutions or solving problems, it is more often about listening and being there for the other person. On the other hand, professional counseling requires more of a balance between listening and information gathering and solution finding. Where we are often misguided in our professional effort is that we think it’s all about solutions and forget about the need for relationship building. This is an oversight, which must be considered. Quality employee/counselor relationships will not be established and solutions will NOT come easily if the basic elements of effective counseling are missing.

Learning Objectives

1. Understand how to listen well.
2. Become aware of effective listening techniques.
3. Learn about several types of nonverbal communication.
4. Understand how to facilitate communication by how and what questions are asked.
5. How to approach crisis communications.
Basic Processes in Counseling

Listening

1. Hearing
2. Attending
3. Understanding
4. Responding
5. Remembering

Listening Considerations – 3 Areas of Focus

Nonverbal Communication

Facilitating Communication via Effective Inquiry

Additional Tips – 3 Areas of Focus

Crisis Communication
Basic Processes in Counseling

- **Listening**
  1. **Hearing**
  2. **Attending**
  3. **Understanding**
  4. **Responding**
  5. **Remembering**

- **Listening Considerations – 3 Areas of Focus**

The following principles are vital in the development and maintenance of interpersonal relationships.

♦ **Listening**

Listening is the beginning point of effective interpersonal communication. According to Adler and Neil, 1996, “Besides being the most frequent form of communication, listening is arguably just as important as speaking in terms of making relationships work.” In one survey, when a group of adults was asked to identify the most important on-the-job communication skills, listening ranked at the top of the list (Wolvin, 1984). A study examining the link between listening and career success revealed that better listeners rose to higher levels in their organization. Additionally, the ability to listen well was linked to persuasive skills, showing that good listeners are also good speakers (Sypher, Bostrom, and Seibert, 1989).

Good listening is essential to the counseling process and is particularly important in the rapport building and information gathering phase of retirement counseling. There are five important elements in this informational listening process.

1. **Hearing**
   
   Hearing is the physiological component of listening. Hearing results when sound waves strike a person’s ear. These sound waves arrive in differing frequencies and loudness. Hearing messages is at times difficult due to the distortions of external, physiological, and psychological noise or “static.” Much of the static that impedes communication can be dealt with through appropriate preparation and planning. Examples of such preparation would include limiting outside interference, monitoring levels of personal distraction, taking time to prepare for, and focus on, the intended interaction.

   If we are to engage in the act of hearing, it is important that we take the time to hear. In our personal interactions, we are highly skilled at moving people through their dialogue so that we
can assume the talking role – it appears to be easier to listen to ourselves as opposed to someone else. We often attend with a blank stare or casual nod of the head while our thoughts and considerations are focused on what we think are more important matters. This is particularly true when someone says something we don’t like – either we tune them out completely or spend the rest of the time they are talking preparing our comeback. Hence, we hear little of what they are saying beyond the first few words and we do little to “prompt” additional dialogue.

Such a scenario would be a total disaster in the retirement counseling arena. In this arena, information is essential in establishing a trusting and productive counselor/employee relationship and in protecting the counselor from ethical faux pas and legal liabilities. Thus, there are three important listening techniques that a successful communicator/counselor should utilize to elicit information from their employees during the process of hearing: (1) silent listening, (2) supportive listening, and (3) promptive listening (Robinson and Hall, 1983).

Silent listening is a non-verbal form of communication, a silent response that lets the employee know that the counselor is listening and elicits further information from them. How do we respond silently to enhance the process of information gathering? By using facial expressions and gestures – the same body language that, when done improperly, gets us in trouble, done correctly can make all the difference in the counselor/employee relationship. Examples include:

- A nod of the head (“I hear you”)
- Eye contact (“I’m with you”)
- A grin or smile (“wow”)
- Raised eyebrow (“So, you don’t say”)

Note: The statements in parenthesis reflect what the gesture might be saying to the employee.

Remember, within the context of retirement planning, silent listening accomplishes two things:

1. it shows that the counselor is tuned in, ready to listen
2. it sets the foundation for continued message sending on the part of the employee and additional information gathering on the part of the counselor.

Supportive listening is a method that not only lets the employee know the counselor is listening, but like silent listening can stimulate additional information exchange between the employee and counselor. Supportive listening says in WORDS what silent listening says with gestures and body language. Examples include:

- Is that right? I agree!
- I see what you mean! Oh, really!
- You did? I couldn’t agree more!
- I see! You bet!

Promptive listening is used to obtain “hard to get” information. It encourages the employee to offer more information that they might otherwise skip or forget. Promptive listening is to some degree the opposite scenario from silent listening – here the employee is finding it hard to offer
information and the counselor would be “prompting” the employee in an effort to encourage them to continue. Promptive listening is an art, one which requires a proper balance between investigative efforts and sensitivity to important employee boundaries. Examples might include the following:

- Tell me more about that!
- So, what else happened?
- What does that mean to you?
- What else would you add to that?
- What else do I need to know?

2. Attending

Attending is the process of filtering out background and other noise and proactively focusing on the primary message. Attending is more than listening; it’s a proactive effort of attending/focusing on the important messages of the employee, while filtering out unimportant content and outside interference. Studies have shown that we most often attend to communication perceived to be most profitable. Such selectivity in our attending should be of concern to retirement counselors. When an employee’s meta-level message, “I want to have lots of money at retirement” is heard to the exclusion of the more immediate message, “I don’t like risk-oriented funds” profitability issues and/or our own personal biases may be impeding the communication process. It is important that the retirement counselor hear the messages the employees need them to hear, not just the ones the counselor chooses to hear.

Paying attention and blocking out interference are two of the major tasks in the listening process. It’s easy for a stockbroker to listen to a client who is about to give you $250,000 on which his/her commission would be $7,500; yet, where is the profit for a retirement counselor in spending the same amount of time with the baby boomer who needs some budgeting advice so they can increase their 401(K) contribution by $100 per month? Here the motivation for attending may become more difficult unless more intrinsic reasons to attend can be found. Some of these intrinsic reasons might include personal/professional satisfaction, professional commitment, future benefit to employee/counselor, and/or ethical considerations.

3. Understanding

Understanding occurs when sense is made of the primary message and the counselor is able to inform the employee that they have found common ground or some level of agreement – agreement that will validate the employee’s position and help them assess the counselor’s own level of understanding. This requires the counselor to listen beyond the mundane, the boring and even to sift through areas of disagreement until the common ground can be discovered. Understanding is not an exercise in critical thinking or a hunt for flaws; it is an exercise in identifying areas of consensus. Whether total consensus is found or just some place where the counselor can partially agree with the employee, such agreement will establish a more lasting foundation of trust and confidence. The following are two examples of differing levels of finding common ground:
Example 1 (Total Consensus)

**Employee**: “The volatility of financial markets has me very concerned right now. I’m not at all pleased with the performance of the funds in my account and am even more concerned with regard to future performance. I think that the allocation of my retirement funds needs to be considered.”

**Counselor**: “You’re absolutely right! The markets have been volatile and now would be a good time to consider your allocation strategy in an effort to increase performance.”

In this example, there is agreement by the counselor on virtually all the issues of concern. *The markets have been volatile! Considering allocation is important, especially at a time of volatility. Performance should be considered.* Though this may seem like a simple procedure, it requires listening beyond the defensiveness of the employee. It would be easy to take a defensive posture in response to the employee’s statement and respond with explanations and justifications rather than look for and nurture areas of agreement. Explanations and justifications will only cause the employee to become more adamant and defensive. If there is agreement, it should be stated. If there is a difference of opinion, strive for an area of common ground. It is important to not allow the employee’s posture to determine the counselor’s response. Stating areas of agreement is an effective way to de-escalate conflict. Remember, the understanding phase of good listening is not the time to highlight areas of disagreement; however, important areas of disagreement should be dealt with later in the planning process.

Example 2 (Partial Consensus)

**Employee**: “The volatility of financial markets has me very concerned right now. I’m not at all pleased with the performance of the funds in my account and am even more concerned with regard to future performance. I think that the allocation of my retirement funds needs to be considered.”

**Counselor**: “Considering the allocation of your funds would seem a very responsible thing to do!”

In this example, the counselor may not agree that markets have been volatile and that fund performance is poor, but does find a place in the employee’s dialogue where agreement can be stated. *Looking at allocation is a responsible thing to do!* It would be easy for the counselor to get derailed and become defensive, especially if the counselor only listened to the first two parts of the statement. But, in the third part, *I think that the allocation of my retirement funds needs to be considered,* there is a very benign statement that most counselors would consider good planning or vigilance on the part of the employee. This is the portion of the statement that should be focused on in the initial part of the response by the counselor, and even though total agreement is not expressed, the employee has been validated at some level. This effort to validate is the key to relationship building. The initial part of the response by the counselor, and even though total agreement is not expressed the employee has been validated at some level. This effort to validate is the key to relationship building.
Additionally, understanding is the process of assigning meaning to communication. Meaning is often attached via a filtering process, where new stimuli (input) is guided through the multiple “strainers” of life experience. This is a process that can taint our ability to perform in an objective manner. Thus, from an ethical informed perspective, personal insight into biases, prejudices, and personal inclinations is essential in the maintenance of optimal levels of objectivity. This is particularly important when considered from the “most profitable” motive discussed above. What are your biases, prejudices, and personal inclinations that may affect your ability to perform in an objective manner?

4. Responding
Responding to a message consists of giving observable feedback to the speaker (Adler and Towne, 1996). This process of giving observable feedback is often referred to as reflective listening. Reflective listening requires the counselor to send back the message to the employee by repeating important messages word-for-word; this is called parroting. An example of parroting would be:

**Employee**: I’m really nervous about the volatility of the stock market at this time and am concerned about the safety of my retirement funds.

**Counselor**: You’re nervous about the volatility of the stock market at this time and are concerned about the safety of your retirement funds.

Notice the almost word-for-word recitation of the employee’s statement by the counselor. A slightly better and more natural approach is paraphrasing where the counselor uses his/her own words to tell the employee what he/she heard them say. Paraphrasing is more than just repeating the content, it allows for a degree of interpretation and clarification. An example of paraphrasing would be:

**Employee**: I’m really nervous about the volatility of the stock market at this time and am concerned about the safety of my retirement funds.

**Counselor**: So, you’re concerned about the level of risk that the stock market presents right now and are looking for a safer place to invest your funds. The counselor’s interpretation regarding a “safer” place to invest is the key and allows the employee to either confirm or reject the interpretation. Such confirmation or disconfirmation can help to move along the planning process by identifying areas of agreement and/or disagreement.

It is through the processes of reflective listening (parroting and paraphrasing) that the speaker is informed as to how well the counselor heard, attended to, and understood their message. This is also the procedure where content is checked to see that the listener accurately received the message. However, it is important to remember that reflective listening allows for the opportunity to feedback to the employee their emotional message. Responding to the emotional message might be defined as tracking the underlying feeling or emotional aspect of the employee’s response and integrating it with the verbal or content portion of their message. In
many cases, the emotional message of the employee is as, or more, important than the verbal one. The following employee/counselor interaction will illustrate this point:

**Employee**: I’m very upset with myself! I have tried and tried to take care of my retirement needs, but have failed to do so. Every time I try to plan for my retirement I get derailed with another new venture or purchase. I have failed miserably (employees voice becomes choppy with emotion)!

**Counselor**: Wow, I can see this is an important subject for you. You have felt the need to do some planning and are feeling a great deal of guilt and frustration with yourself over the fact that you haven’t done so.

When reflecting the feeling, notice the affective words or meanings (e.g., guilt and frustration) used or inferred by the employee and reflect them, or some variation of them, back to the employee without repeating their exact words. In many cases, it is the emotional portion of the employee’s communication that carries the primary message and hence, requires the greatest level of validation (validation occurs when the employee feels they have been heard and, to some degree, understood).

5. **Remembering**

*Remembering* is the chore of recalling information previously attended to. Research has shown that we remember about 50% of what we hear immediately following having heard it (Adler & Towne, 1996). In most cases, that which is able to be recalled will depend on how well the person listened and attended to the specifics of the original communication and the degree to which it was understood (assigned meaning to it). Given the problems with memory, it is essential to establish a financial paper trail (discussed later) of interviews, meetings, presentations, passing conversations, phone calls, and other correspondence. Keeping thorough notes in relation to these interactions is professionally recommended and ethically/legally a must.

♦ **Listening Considerations – 3 Areas of Focus**

For most, good communication doesn’t come naturally, it is learned. Remember, practice makes MORE perfect. The following are three areas that generally require significant consideration and practice:

1. **Maintaining Eye Contact** -
   - Attend to, don’t stare at, the employee
   - Look for nonverbal cues
   - Don’t look around or do other things while the employee is talking
   - Allow employees to tell their story in their own way
   - Limit environmental and personal distractions
   - Don’t judge the employee prematurely, keep focused

2. **Body Language** -
   - Meaning isn’t always in the words spoken, but in the actions
• Assume a relaxed and forward-leaning body position
• Gestures need to be easy and natural
• Facial expressions should be congruent with content of employee message

3. Verbal Responses -
• Remember to reflect and validate
• Look for key ideas and areas of agreement
• Don’t offer verbal solutions too quickly
• Verbal responses should be related to what the employee is saying
• More communication is not always better – listen more and talk less
• Don’t interrupt the employee
• Finish the topic at hand before moving on
• Don’t be too quick to fill in moments of silence, especially after asking questions
• Ask open ended questions in an effort to get more information – “What do you think about this?” or “How do you feel about that?”

Nonverbal Communication

Nonverbal communication is represented in what we do, not in what we say. Nonverbal communication could be defined as communication that occurs in the absence of words, and in addition to words. Estimates regarding the percentage of communication that is nonverbal range from 65 to 93% (Adler & Towne, 1996). It has been said that people cannot NOT communicate. No matter what a person does, or doesn’t do, he/she is providing information about themselves. Isn’t it ironic that a person who doesn’t say or do anything is labeled shy, difficult, or even antisocial based on the fact that they haven’t said or done anything? Nonverbal forms of communication are speaking volumes, regardless of what is said or not said.

There are several types of nonverbal communication that should be considered.
Body positioning – how the body is positioned in relation to the person being communicated to. According to Adler and Towne (1996), “...facing someone directly signals your interest, and facing away signals a desire to avoid involvement” (p. 243).

Body posture – rigidity or looseness of a person’s posture offers information as to how engaged a person might be. A person leaning back and folding their arms may be sending the message that they are “shutting you out” or are “overloaded” with information. A person leaning forward and making eye contact is usually considered to be engaged and interested.

Gestures – body movements can be very precise indicators of what the person is feeling and/or thinking. The simple gesture of a “thumbs up” or a “thumbs down” leaves little question as to the intended meaning. Drumming a pen on the table or tapping feet on the floor are “fidgeting behaviors” that are used to hurry people along and usually portray boredom or disinterest.

Proximity – spatial issues are an important consideration and are a very powerful form of communication. The distance an individual puts between himself and others provides important nonverbal cues as to how he feels about the relationship.

Eye contact – the eyes themselves can send multiple messages. Maintaining eye contact usually is a sign of involvement whereas looking around or away often signals a lack of involvement. However, as stated previously, attend to, don’t stare at, the employee.

Touch – though touch is usually reserved for greetings and good-byes, it can play a powerful role in shaping how an individual responds to others and how they respond in return to the individual. A shake of the hand or a pat on the back not only enhances the joining process, but boosts compliance in the counseling process as well. Research has shown that appropriate touch between a professional and her employees has the potential to create beneficial change, increase self-disclosure, and contribute to more positive employee/counselor relationships.

Effective communication requires both verbal and nonverbal skills and some degree of congruency between the two. Mixed messages are communications that give conflicting messages between the verbal and the nonverbal components. For example, if the listener (counselor) declares verbally their confidence in a company’s ability to manage an employee’s 401(k) funds and the listener (counselor) was wiping the sweat off his brow while stammering and stammering through the declaration, then the employee will be on the receiving end of a mixed message – a message that says one thing verbally (the company is competent) and another nonverbally (I’m worried about this recommendation), thus creating confusion for the employee.
The task of a counselor is to facilitate information exchange by providing structure through the use of effective inquiry. The foundation of “open inquiry” is the open-ended question – a question that requires more information than a simple “yes” or “no” or brief factual response. In contrast, a closed-ended question is designed to get a “yes,” “no,” or simple factual response. Closed-ended questions are used when trying to focus the discussion on a particular point or area of concern. Examples of both types of questions follow:

**Employee:** I’m having problems with my retirement accounts.

**Counselor:**
- Closed-ended questions
  - How many years have you been saving for retirement?
  - Who is named the beneficiary on your accounts?
  - How many accounts do you have?
- Open-ended question
  - Tell me more about the problems you are having with your retirement accounts.

Such an open-ended question encourages the employee to tell the counselor more about the problems and encourages further dialogue from the employee.

Pulvino and Lee (1991) offer additional ideas in relation to open-ended and closed-ended types of inquiry – level I and level II probes. The following discussion of level I and II probes is taken from their book.

**Level I Probes**
Level I probes are a more closed-ended inquiry style used to gather factual information that is verifiable in some way, for example, demographic data such as name, address, telephone number, and
place of work. Level I probes usually follow the normal interrogative of who, what, when, where, how, and sometimes why. Demographic data is usually gathered easily and efficiently by using employee information forms before sessions begin. However, some information necessary for counseling can be gathered during interviews. For example, consider the following:

**Retirement counselor**: How long have you been with your present employer?

**Employee**: Four years.

**Retirement counselor**: Hmm, what type of retirement plan do you have?

**Employee**: A complete package. I mean I can retire at 62 or with 30 years of service, whichever comes first, at 66 percent of my final base salary.

**Retirement counselor**: I see. That sounds good. When do you think you'll retire?

**Employee**: I haven’t figured out the exact year, but I know I'll be 62!

**Retirement counselor**: You sound very certain about how old you'll be. What would you like to have built up in investments by then?

And so on. Probes of the type used in this example are most effective when used in combination with the level II probes discussed below.

**Level II Probes**

Level II probes are a more open-ended inquiry style and are very similar in form to level I probes; that is, they usually use the interrogative who, what, how, when, where, and sometimes why. The difference lies in the kind of information that is being acquired. While level I probes get at factual information, level II probes usually attempt to get the employee’s deeper response or feelings about the information being discussed. For example:

**Level I probe**: What kind of account would you like to open?

**Level II probe**: What is there about that type of account that makes you think it will meet your needs?

The level II probe attempts to get at information concerning the employee’s underlying feelings about a specific type of account. While the level I probe provides necessary information for the beginning of planning, the level II probe provides information that is necessary to develop potential action plans with the employee. Level II probe questions solicit details about the employee’s representational map which form the basis for choosing one alternative over others. There may be a number of equally good action plans for the employee. A better understanding of the deeper aspects of the employee’s map may need to be acquired to help the employee make decisions or to choose among the various alternatives.

Both level I and level II probes follow the normal interrogatives who, what, when, where, how, and sometimes why. Why is listed as “sometimes” because why questions solicit some degree of
defensiveness. Throughout our lives parents, teachers, and other authorities have asked why questions when they wanted us to explain ourselves. For example, “Why didn’t you clean your room?” or “Why didn’t you get your homework done?” When you heard such questions, you usually became a little afraid and intuitively knew that no excuses would be accepted. Of course, the tone of voice with which why questions are asked will have a great effect upon the message conveyed. Regardless of the tone of voice, why questions tend to make people defensive.

♦ Additional Tips – 3 Areas of Focus

Beginning a question with the word *could* or *can* is an open inquiry that stimulates more participation on the part of the employee. Inquiries that begin with the word *how* encourage an employee to give a personal view of the problem and are considered to be more “people” oriented as opposed to “fact” oriented. More fact-oriented questions begin with *what* and *why*, with *why* questions, as stated previously, often evoking defensive answers. Additionally, avoid asking multiple questions in a single response – remember, the counselor should be interviewing NOT interrogating. Leading questions should be avoided as well. A leading question may look like this: “I’m assuming that you really like the opportunities presented by the stock market at this time, true?”

Crisis Communication

According to the Random House Dictionary, crisis is defined as “a stage in a sequence of events at which the trend of all future events is determined; a turning point.” Hence, we could define crisis communication as communication that occurs at a turning point. Such a definition provides an optimistic way of thinking about situations usually considered to be very difficult. Turning points infer change, and change often spells progress. However, it is important to note, that change isn’t always considered to be a positive thing. For instance, a company merger may have been anticipated. However, anticipation of a merger is very different from the reality of a done deal. Employees might be expecting a corporate downsizing, but that does not mean the
announcement is any less of a shock. Negative publicity about a company demands a response so employees do not spend the day speculating instead of working.

All of these events cause anxiety among employees that is best handled with communication to them about the events. They should not be left wandering in the jungle of their own imaginations. Remember the old parlor game where one person whispers a story in the ear of the person next to them, who passes it to the next person, who passes it to the next person, and so on until the last person has the story. The fun of the game is to hear the last person’s version of the story. It usually bears little resemblance to the story as told by the first person. The same is true of rumors that are left to pass among employees unchecked.

Though it is NOT a retirement counselor’s job to solve employee’s personal crises, it is the counselor’s job to encourage the planning process while staying crisis informed. Being crisis informed requires a counselor to consider financial/retirement planning within the context of any significant existing or pending crises. This is the only responsible/ethical way to proceed.

A retirement counselor must be seen as both caring and competent and be willing to work toward building and maintaining a professional working relationship. Given the unexpected nature of crisis-type communication, the relationship must often be built in a brief period of time and under difficult circumstances. Developing such rapport requires a premium of the listening and inquiry techniques already discussed, as well as acknowledgment of the crisis and efforts to extend empathy, and reassurances of confidentiality.

Acknowledgment is essential to dealing effectively with crises. It would probably be more pleasant if we could skip over the fact that an employee just lost their wife to cancer or is going to be laid off from their job. Although these are difficult subjects to talk about they must be acknowledged and empathized with or they will become an impenetrable barrier in the relationship building and retirement planning process. Acknowledgment and empathy are illustrated in the following example:

**Employee:** I have never done any significant planning in relation to my financial future. I have always wanted to plan for retirement, but it’s only been in the last couple of weeks that it has become a necessity. Things have completely changed!

**Counselor:** Well, I’m glad to be able to help you with your planning; however, I’m interested to know what has changed so completely in your life?

**Employee:** My wife passed away two weeks ago.

**Counselor:** Mr. Doe, I’m very sorry to here that. Losing someone so close has a way of turning everything in our lives upside down. (Allow for Silence....)

**Employee:** Thank you! It’s just been so very hard. I never thought it would be like this.

**Counselor:** I can only imagine how hard it must be! (Allow for Silence....)
Let’s analyze the sequence of interactions in the example. First, the employee alludes to a problem or concern. Rather than move on to the job of planning, the counselor asks a prompting (open-ended) question in an effort to obtain more information. The employee provides the information regarding the crisis in his life, his “wife has died.” Here the counselor has two choices: (1) to acknowledge and validate the employee’s feelings, or (2) state how sorry he/she is and move on to the business at hand.

For the counselor who is relationship building, acknowledging and empathizing is essential – without this the counselor may never get enough objective and subjective information to plan within the context of the crisis. The counselor responds by acknowledging the employee’s statement with an “I’m very sorry”... and then following with a series of empathic statements. “Losing someone so close has a way of turning everything in our lives upside down” and “I can only imagine how hard it must be.” Both of these empathic statements came after the counselor allowed for silence and then waited for the employee to reply. Note, of the two attempts to offer empathic statements, neither are attempts to totally understand (something no one is capable of doing unless they are experiencing the same thing at that moment), though each are attempts at understanding, or better yet, identifying with the employee.

There are four common categories of crises:
1. out of the blue crises
2. developmental crises
3. caretaker crises
4. structural crises

**Out of the blue crises** are the least common type of crisis. These may include sudden death of a loved one, financial disaster (market crash), loss of job due to company bankruptcy or company downsizing, and can even be more positive like winning the lottery or receiving an unexpected inheritance. The most important points about out of the blue crises are they are external to the person, arising from forces outside of the person’s control. They are usually unanticipated and have rarely, if ever, happened before. They occur equally to those who are prepared and to those who aren’t. One of the positive results of this type of crisis is that personal blame is usually not a factor and family and friends tend to rally their support. If an out of the blue crisis occurs in relation to an employee’s financial situation – something the counselor is associated with – be proactive! Always be the first to share the good news and the first to share the bad!

**Developmental crises** are universal, and therefore are often anticipated. These are usually more permanent than temporary and occur in relation to the passage of time – they are in some cases, not preventable. Examples include birth of a child, marriage, children leaving home, growing old, retirement, and death. Some of these changes are subtle; some are abrupt. Some are biologically determined and others are societal in nature. Most are considered to be a natural part of the life cycle and are often what financial planning is triggered by and/or centered around. Most retirement planners and counselors help their employees plan for developmental crises.

**Caretaker crises** occur in situations where there are one or more nonfunctional or dependent people for which a person is responsible. These people may require an inordinate amount of care and can drain limited resources faster than expected. These may include small children,
chronically ill family members, or elderly dependents. More often than not, these crises are dealt with inside the family system and can foster feelings of isolation (i.e., no one on the outside would ever understand the burden I am experiencing). Given the personal nature of such crises, identifying them may require more extensive inquiry and subsequent acknowledgment, empathy, and reassurances of confidentiality.

**Structural crises** are those recurrent crises that are caused by forces inherent in the individual or within the individual’s family. These crises are created from within, and rarely have an external trigger. These crises include: divorce, separation, problems generated by gambling or alcohol abuse, serious debt problems caused by excessive spending, problems with dependents (i.e., difficulties with children/adolescents, financial problems with extended family members, etc.). Structural crises are characterized by forces that are not easily understood and often appear to be irrational and resistant to change. Unlike out of the blue crises, these are crises that the individuals and those within the family system may have struggled with before and dealt with over substantial periods of time. As a result, they may not be as motivated or able to solve them, especially with any degree of rapidity. Given the irrationality associated with these crises, family support can be nonexistent or very strained or limited.

There are five stages in the model for dealing with crises.

**Stage 1 is that of relationship building.**
Here, the focus is on developing rapport or joining with an employee. If a counselor expects to help an employee in crisis, he must have the trust of the individual. The employee must feel comfortable enough to allow a free exchange of information regarding the crisis so planning can be done within the context of the crisis. The counselor should assume a nonjudgmental posture and establish an environment of concern for the employee’s problem. All of the techniques discussed to this point will be helpful in this stage.

**Stage 2 is where the crisis is defined.**
This is where a counselor attempts to determine the type and severity of crisis that is being experienced e.g., out of the blue, developmental, caretaker, or structural. Finding a definition is essential given that each type of crisis has a different set of circumstances that accompany it. For instance, out of the blue crises are usually accompanied by a greater level of immediate panic and family support, whereas, in a structural crisis, family support may be limited or even nonexistent. These factors may alter or influence the process of planning and should be considered by the counselor. Severity is determined by assessing the level at which crisis needs are exceeding personal and family resources. The more crises needs exceed available resources, the greater the severity of the crisis.

**Stage 3 is where strengths and resources are mobilized.**
Here, the counselor and employee assess and mobilize personal, family, and financial resources that could be helpful to the crisis or may potentially exacerbate it. Considering the employee’s previous successes in dealing with this type of crisis, especially if it is a recurring one, can be helpful in identifying strengths and resources that have previously been utilized to overcome similar crisis situations.
**Stage 4 is where employee and counselor develop a positive plan of action.**

Developing a positive plan of action, one that will give the employee the best chance of success, requires developing the plan within the context of stage 3 strengths and resources. For example, if a counselor is dealing with a developmental crisis (i.e., excessive spending) and an employee’s spouse has been very helpful in the past regarding this problem, the counselor would be less than helpful if she didn’t invite the spouse to be part of the plan-of-action stage of planning. Additionally, efforts to identify resistance to change – those personal and family processes that are attempting to maintain the status quo (preventing change) – should be identified and considered. This is best accomplished by asking simple open-ended questions like the following: “what has prevented you from doing this in the past” or “what do you think might be the biggest factors that would keep you from accomplishing this plan?” Perhaps the most important aspect of this employee/counselor collaboration includes soliciting the employee’s, and anyone else who may be involved, level of agreement and commitment to the action plan.

**Stage 5 is the implementation and evaluation stage.**

Stage 5 involves implementing and evaluating the plan of action. Observations should include how well the plan is working and what needs to be reconsidered and changed. Evaluation is ongoing and should be pursued on a regular basis. Here, a counselor should be the motivator, NOT the master – employees must learn to take the majority responsibility when it comes to implementation.

Some additional steps should be considered if crisis communication is to be most effective.

- Timelines are essential. Crisis evokes anxiety. The anxieties need to be addressed as soon as possible. Even if complete answers cannot be given, employee concerns can be validated and a timeline can be provided as to what is being done and when an answer might be provided.

- Being truthful is critical. A falsehood or half-truth will return every time, whether in lawsuits or lowered credibility. Everyone is familiar with the story of the boy who cried wolf. The counselor’s credibility should never be compromised. If it is, then everything will be greeted with skepticism, which then affects morale.

- Determine who is best to deliver the message. For instance, the President/CEO might be best to deliver the initial announcement of a corporate downsizing. Subsequent messages could fall to the Human Resources department and/or individual unit managers.

- Determine if multiple messages are necessary. It is not enough for the President to announce a downsizing. There should be follow up as the reality of the message sinks in and the anxieties build.

- Be consistent when issuing multiple messages. Everyone should be touting the same message.

- Consider how to deliver the message. This depends in large part on the nature of the announcement, such as when employees need to hear the news, how urgent it is and if the
employees have access to computers or voice mail. If it is known that employees are
going to hear of a merger in the Sunday news, then they should have a letter on their desk
when they come in Monday morning or an e-mail or voice message. Consider referring
employees to an employee web site if you have one. Set up a hot line for concerns and
questions. If employees are working the night shift, then other arrangements need to be
made. If employees are not likely to read or don’t have computers or voice mail, then
simultaneous messages should be offered via coordinated meetings.

- The more personal the issue, the more personal the response should be. Negative media
  publicity is not as personal or anxiety provoking to employees as the announcement of an
  impending downsizing.

- Legal counsel review is probably a necessity for most crisis communications. They
  might need very specific language for legal reasons.
◆ Key Terms

acknowledgement  nonverbal communication
attending  open-ended question
body positioning  paraphrasing
body posture  parroting
closed-ended question  partial consensus
crisis communication  promptive listening
emotional message  proximity
eye contact  reflective listening
five stages in the model for dealing with crises  remembering
four common categories of crises  responding
gestures  silent listening
hearing  supportive listening
informational listening process  total consensus
level I probes  touch
level II probes  understanding
mixed messages
Review Questions

1. The difference between personal and professional communication is that personal communication is
   a. more often about listening and being there for the other person.
   b. more of a balance between listening and information gathering and solution finding.
   c. more important than professional communication.

2. What is the beginning point of effective interpersonal communication?
   a. hearing
   b. listening
   c. responding

3. All of the following are important elements in the informational listening process except
   a. hearing.
   b. attending.
   c. understanding.
   d. rephrasing.

4. Name the listening technique that is a non-verbal form of communication that lets the employee know that the counselor is listening and allows them to elicit further information.
   a. supportive listening
   b. promptive listening
   c. silent listening

5. Name the element in the informational listening process that focuses on the important messages of the employee while filtering out unimportant content and outside interference.
   a. hearing
   b. attending
   c. understanding

6. Paying attention and ______ interferences are two major tasks in the listening process.
   a. blocking out
   b. listening to
   c. responding to
7. The process of giving observable feedback is often referred to as
   a. parroting.
   b. paraphrasing.
   c. reflective listening.

8. The listening technique that requires a counselor to send back the employee’s message by repeating important messages word-for-word is called
   a. remembering.
   b. paraphrasing.
   c. reflective listening.

9. All of the following are listening considerations that generally require significant consideration and practice except
   a. maintaining eye contact.
   b. body language.
   c. proactive listening.
   d. verbal responses.

10. Nonverbal communication is represented in what we do, not in what we say. Nonverbal communication includes body positioning, body posture, gestures, and _____.
    a. eye contact
    b. parroting
    c. paraphrasing

11. The foundation of “open inquiry” that is a question requiring more information than a simple “yes” or “no” or brief factual response is a (an)
    a. closed-ended question.
    b. open-ended question.

12. Level I probes used to gather factual information are a (an) ________ inquiry style.
    a. closed-ended
    b. open-ended

13. Maintaining effective communication in a crisis situation is a vital step in eliminating an employee’s anxiety. What is the element that is essential to dealing effectively with crisis?
    a. listening
    b. responding
    c. acknowledgment

14. What is the least common type of crisis?
    a. out of the blue crises
    b. developmental crises
    c. caretaker crises
15. Developmental crises
   a. are usually not anticipated and have rarely happened before to a person.
   b. include events such as divorce, problems with alcohol abuse, and debt problems.
   c. occur in relation to the passage of time and are often anticipated.
   d. are the least common type of crisis.

16. Level II probes
   a. are used to gather factual information such as name, address and telephone number.
   b. are usually closed-ended questions.
   c. are a form of parroting.
   d. seek to get a deeper response or feelings about the information being discussed.

17. When a counselor attempts to relate personally to an employee for professional purposes, this is known as
   a. proximity.
   b. joining.
   c. parroting.
   d. responding.

18. The terms, “universal,” “anticipated,” and “part of the life cycle” describe what type of crisis communication?
   a. overload
   b. caretaker
   c. structural
   d. developmental

19. Which one of the following is the best example of an open-ended question?
   a. Where do you live?
   b. What is your experience like living in that neighborhood?
   c. How long have you lived there?
   d. Do you like living there?

20. Which one of the following is the best example of a mixed message?
   a. The counselor states “that’s a great stock to buy” while looking like he just ate a sour grape.
   b. An employee states that “everything is going great” while they have a big smile on his face.
   c. A counselor makes a recommendation that an employee “look into a particular mutual fund” while looking the employee directly in the eye.
   d. An employee has just lost her spouse and she is very emotional.
21. Which one of the following is the best example of a “promptive” listening technique?
   a. moving your chair forward  
   b. nodding your head  
   c. saying “I agree”  
   d. stating that you “would like to know more”

22. An employee makes a statement and the counselor says, “I see what you mean.” This scenario is an example of what type of listening technique?
   a. silent  
   b. supportive  
   c. promptive  
   d. validative
◆ Answer Key

1. a
2. b
3. d
4. c
5. b
6. a
7. c
8. a
9. c
10. a
11. b
12. a
13. c
14. a
15. c
16. d
17. b
18. d
19. b
20. a
21. d
22. b
Chapter 3
Modes of Educating and Advice

Too often, retirement plan sponsors rely on printed materials such as brochures, pamphlets, and newsletters to educate employees and to encourage them to enroll in or contribute more to retirement plans. However, benefit managers say these are the least effective communication tools. A survey by the Profit Sharing/401(k) Council of America stated that benefit managers rated group meetings with benefits consultants as the most effective communication technique, followed by phone centers and one-on-one meetings. Account statements, voice response systems, and modeling software also made the top ten. Slide shows, videotapes, print materials, and newsletters were all rated educationally as much less effective than those mediums that provide a more human touch.

Written materials are best used to reinforce company messages or provide easy outlets for information that needs to be communicated, such as a market update or changes to a plan. They are also necessary to satisfy legal requirements. However, often they go straight into the trash, never read by the non-participant who needs the information the most.

Regardless of the medium used, what does work?

- **Matching the medium to the desired result.** Do the counselors need to communicate a new piece of information or educate employees on gaining a new skill?

- **Providing interactive materials.** Think about it: do most people enjoy learning more when they only sit and listen or when there is an opportunity to apply new knowledge to a personal situation?

- **Providing relevant content.** How many times do people mentally check out of a meeting because they didn’t feel the subject matter was relevant to them?

- **A message that is entertaining.** Why do television and movies get the reception they do? They entertain us!
• *Tailoring the message to specific groups of employees.* Those in their twenties may not relate to a message about how important it is to save for retirement; Spanish speaking employees will not learn anything from an English-only communication. Think of the counseling department as a Madison Avenue advertising firm. Look at what they do to motivate consumers to purchase their product. They tailor the message to the audience. Ads for people who live in New York may not work the same for those who live in Idaho.

• *One-on-one contact with both recognized experts and peers.* It is hard for an individual to say no when there is someone sitting right in front of him with all the answers to his concerns and the necessary forms ready to be filled out.

• *Semi-annual or quarterly enrollment meetings with mandatory attendance.* If the message is consistently reinforced, after awhile it gets through. We recognize it is often difficult to encourage managers to allow mandatory meetings. However, it is an argument worth pursuing.

A successful financial education program begins by understanding the strengths and weaknesses of the various options for communicating and educating employees about how to secure their retirement future. Moreover, these options must be considered within the context of ERISA 404(c) requirements.

**Learning Objectives**

1. Become aware of the fiduciary protections provided by 404(c) and the investing advice regulations

2. Understand the difference between education and advice

3. Understand the difference between education and communication

4. Discover how understanding learning style and stages of learning can help you be more effective in one-to-one and group interactions

5. Explore how different types of communication and education tools provide different outcomes.
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Learning Styles and Learning Stages

Learning Styles
Learning Stages
Stage One: Awareness of the Problem –
They Don’t Know that They Don’t Know
Stage Two: Understanding of Solutions –
They Know that They Don’t Know
Stage Three: Confidence & Self-Motivation –
They Now Know that They Know
Stage Four: Action – They Don’t Know that They Know

Common Types of Communication and Education Tools

Print Materials
  Required By Regulation
  Retirement Plan Participant Statements
  Newsletters
  Brochures

Audio Visual
Seminars
Technology
  Call Centers
  Voice Response Systems (VRS)
  Internet and Computer Programs
  Electronic Distribution Regulations

Workshops
One-on-One Counseling Sessions
What are the rules for providing financial education that provides fiduciary protection under Section 404(c)? (By the way, while it is true that many government plans do not follow the ERISA rules, it is a good idea to be familiar with them. They are still appropriate guidelines in the defining of education or advice.)

Are the fiduciaries of ERISA Section 404(c) plans required to exercise prudence in the selection of and monitoring of educators and advisors? YES. The communication and education delivered needs to be monitored to make sure the rules are being followed. It does not matter if the work is done in-house, or if it is performed by a third party provider, or if independent financial advisors are used. The responsibility is ultimately the counselor’s. If a third party or independent financial advisor is used, the rules also apply.

The fiduciaries of an ERISA 404(c) plan are required to exercise the same prudence in the selection and monitoring of educators and advisors as is required with any discretionary authority or control with respect to the management of the plan. Whoever makes the selection must act solely in the interests of plan participants and beneficiaries when appointing persons to provide investment educational services or investment advice. The educator must act solely in the interests of the plan participants and beneficiaries. In addition, counselors, educators, and plan fiduciaries must get a clear understanding on whether the company goal is education, counseling (guidance) and/or advice.

♦ Safe Harbors

To what extent may a fiduciary offer investment education and still maintain the protection from liability provided under ERISA’s Section 404(c)? There are rules as to what is and is not construed as education. These rules fall under what are called safe harbors, defining education versus advice.
What are the “safe harbors”? A safe harbor is a provision of a statute or a regulation that specifies that certain conduct will be deemed not to violate a given rule. There are four that apply, regardless of who provides the information, how often it is shared, the form in which it is provided, or whether information and materials are furnished alone or in combination with other pieces. They are:

- Information and materials that inform participants about the benefits of plan participation, the benefits of increasing plan contributions, the impact of pre-retirement withdrawals, the operation and terms of the plan, and investment alternatives available under the plan (including investment objectives and philosophies, risk and return characteristics, and historical return information).

- General financial and investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return and tax deferred investing, historical differences in rates of return between different asset classes based on standard market indices, effects of inflation, estimating future retirement needs, determining investment horizons and assessing risk tolerance provided that the information has no direct relationship to investment alternatives available under the plan.

- Asset allocation information (e.g. pie charts, case studies, or graphs) available to all participants and beneficiaries that provide participants with models of asset allocation portfolios of hypothetical individuals with different time horizons and risk profiles. However, the models must be based upon accepted investment theories. All material facts and assumptions on which the models are based must be specified, and the models must include certain other disclosures.

- Interactive investment materials, such as questionnaires, worksheets, software, and similar materials that provide participants a means of estimating future retirement income needs, provided that requirements similar to those for asset allocation in
step three above are met. These rules must not be ignored, whether the counseling department provides the education or someone is hired to do so. Make sure if the intent is to provide education, that education, not advice giving, is provided.

These rules must not be ignored, whether the counseling department provides the education or someone is hired to do so. Make sure if the intent is to provide education, that education is provided, not advice.

♦ Education versus Advice

Fiduciaries are not required to offer investment advice under an ERISA Section 404(c) plan. {Reg. § 2550.404-1(c)(4)}. However, many plan sponsors recognize that some participants may not be able to make sound decisions regarding their plan accounts because they simply do not possess the investment expertise to do so. The Department of Labor (DOL) has offered guidance for plan sponsors who would like to provide some assistance for these participants and their beneficiaries, while still maintaining their protection from liability.

What exactly constitutes advice? Counselors, or those hired by a counselor, are considered to be giving investment advice if they:

- Render advice as to the value of securities or other property, or recommendations are made as to the advisability of investing in, purchasing, or selling securities or other property.

- Have direct or indirect discretionary authority or control to purchasing, or sell securities or other property for participants or beneficiaries, or render any advice described above, on a regular basis to the participant or beneficiary pursuant to an agreement, arrangement, or understanding, written or unwritten, between the counselor and the participant or beneficiary that such services will serve as the primary basis for the participant/beneficiary’s investment decisions with respect to plan assets.

While the debate of education versus advice has centered primarily on investment advice, the role of all advice needs to be addressed and decided upon prior to any program design. A counselor needs to determine if the company goal is education and/or advice.

⇒ For example:
During the question and answer period at a workshop the counselor is asked for advice about life insurance. Does the counselor talk about life insurance in general and have a worksheet for the client to fill out on how much life insurance (education) they need, or does the counselor look at a policy and make specific suggestions (advice)? Counselors need to know the ground rules going into the process.
Until 2011, ERISA was very clear that companies could offer educational programs but should not stray into investment advice. There had been some individual rulings for companies who have requested them (i.e., DOL ruling 2001-09A for SunAmerica) that suggest companies, or the financial providers they choose, can offer investment advice. However, there was and still is a fine line between education and advice. Crossing it might get the counselor into trouble, particularly in the area of retirement benefit plans. Offering investment advice can result in the employer or plan provider assuming an additional level of fiduciary responsibility.

The ERISA rules offer fiduciary protection when providing education. Not crossing the line is easier said than done. Making financial decisions is not something that comes easily to many people. When anxious, and expertise is available, a person will ask, “What should I do?” If the counselor tells him what to do, he has given advice. There is a difference between explaining the fundamentals of asset allocation and telling a client what specific funds he should choose and exactly how much of each he should purchase.

Imagine twenty years in the future and the client is now retiring and does not have enough money. The client may come looking for someone to blame. The question will be asked, “What benefits communications did the counselor provide? What type of education was presented?” All of this takes the employer onto a higher level of fiduciary responsibility. The company/counselor has to defend the appropriateness of advice given - or not given - to workers/retirees.

As a counselor, the real issue is to fully understand the intentions of the employing organization or the company who contracted the services. Just a few short years ago, there were some that feared that even education could result in liability. Today, many of those very same plan sponsors recognize that not providing education will result in potential liability. The next step of giving advice is not a surprising leap. There are consulting firms today set up to provide individualized advice in groups, individually, or via the Internet such as through robo-advisors, which are online wealth management services that provide automated, algorithm-based portfolio management advice without the use human financial planners. These specialty firms are also Registered Investment Advisors. It is anticipated that over time, more plan sponsors will consider the advice alternatives.

Even if the employer is willing to dispense advice, the counselor needs to be very careful. The relationship with the employee may not be the same as an individual financial planning practitioner with a client, where the counselor has the opportunity to do extensive fact gathering and discuss in-depth goals and objectives with all interested parties. It is what may not be known that could make the advice inappropriate.

> For example:
> What if the husband is the client and the only one being counseled? Unbeknownst to the counselor, his wife has her own company with a partner. It is new and still not on firm ground. They have a good deal of money tied up in the business. The client tells the counselor nothing about this, yet he
asks for advice on estate planning or insurance. The response would probably be very different given this additional information.

The Pension Protection Act of 2006 (PPA) amended the Employee Retirement Income Security Act of 1974 (ERISA) to create a new statutory exemption from the prohibited transaction rules to expand the availability of investment advice to participants in 401(k)-type plans and individual retirement accounts (IRAs), subject to safeguards and conditions. A final rule and related class exemption published in January 2009 were withdrawn in November 2009 in response to concerns raised in public comment letters questioning the adequacy of the final class exemption's conditions to mitigate the potential for investment adviser self-dealing.

**Overview of the Final Investment Advice Regulation.** In 2011, the DOL issued final investing advice regulations that addressed many of the public’s concerns about the 2009 rule and class exemption. The 2011 statutory exemption allows fiduciary investment advisers to receive compensation from investment vehicles they recommend if either:

1. the investment advice they provide is based on a computer model certified as unbiased and as applying generally accepted investment theories, or
2. the adviser is compensated on a "level-fee" basis (i.e., fees do not vary based on investments selected by the participant).

The final regulation provides detailed guidance to advisers on compliance with these conditions.

The regulation also shows advisers how to comply with other conditions and safeguards in the statutory exemption, including:

- Requiring that a plan fiduciary (independent of the investment adviser or its affiliates) authorize the advice arrangement.
- Imposing recordkeeping requirements for investment advisers relying on the exemption.
- Requiring that computer models must be certified in advance as unbiased and meeting the exemption’s requirements by an independent expert.
- Establishing qualifications and a selection process for the investment expert who must perform the above certification.
- Clarifying that the level-fee requirement does not permit investment advisers (including their employees) to receive compensation from any party (including affiliates) that vary on the basis of the investments participants select.
- Establishing an annual audit of both computer model and level-fee advice arrangements, including the requirement that the auditor be independent from the investment advice provider.
- Requiring disclosures by advisers to plan participants.
The final rule does not affect the applicability of the DOL’s prior guidance on the application of the prohibited transaction rules and existing prohibited transaction exemptions to investment advice arrangements.

For example:
The guidance contained in Advisory Opinion Nos. 2011-08A, 2005-10A (Country Trust Bank), 2001-09A (SunAmerica Retirement Markets) and 1997-15A (Frost National Bank) continue to apply.¹

ERISA and a Communication Paper Trail

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<td>• Detailed record keeping of client/counselor interactions</td>
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<td>• Provides protection from ethical and legal liabilities</td>
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For our purposes in this course, the process of keeping updated and detailed records of counselor/client interactions are referred to as a communication paper trail. Such a trail, though not foolproof, can go a long way in protecting counselors from ethical and legal claims that question professional conduct.

Establishing a communication paper trail becomes even more important given recent concerns under the Employee Retirement Income Security Act of 1974 (ERISA). The question of most concern relates to the educational activities of retirement counselors and when these activities may create a fiduciary responsibility.

The primary objective here is to illustrate a point regarding the importance of establishing a paper trail. How else would counselors support their contentions that the information they provided their clients was limited to the broad safe harbor categories of plan information, general financial and investment information, asset allocation models, and interactive investment materials if the specific information they provided in each category was not thoroughly documented?

¹ http://www.dol.gov/ebsa/pdf/fsinvestmentadvicefinal.pdf
Documentation of counselor/client interactions should, at a minimum, include the following information:

- time and date of all interactions
- who was present
- reason for interaction
- general categories discussed
- specific issues dealt with in relation to the general categories
- recommendations or instructions given to the client
- clients response to recommendations/instructions
- actions agreed upon – both for client and counselor
- plan for implementation and follow-up
- written information exchanged.

Aside from protecting yourself from ethical and legal liabilities, there is an important self-care issue that should be noted here: Professional self-care is defined as daily efforts to enhance the quality of one’s professional life. A portion of these daily efforts should be committed to maintaining a quality paper trail in relation to client/counselor interactions. The time pressures of maintaining appropriate documentation are only exceeded by the worries that follow those who do not take this important precaution. The stressors associated with professional life are significant enough without having to worry about potential litigation or ethical scrutiny that may result from the failure to establish a communication paper trail.

**Communication versus Education**

Have you ever asked yourself:

- I’ve given them all the tools for retirement planning. Why aren’t they using them?
- We have a great benefits package. Why don’t employees appreciate this?
- What is it that they don’t understand? We’ve explained it over and over again!
- Our materials look great. How come no one reads what we send out?
- This was included in the presentation we made. Weren’t they listening?

Additional questions might include the following: What is the problem? Most likely, it is that the benefits have been poorly communicated. What is poor communication? Information that is not conveyed in a way that is relevant to the reader, lacks clarity, lacks a call to action, or in other ways makes it hard for people to use or apply. Many great benefits programs are not as appreciated, understood, or utilized as they could be because these and other factors were not accounted for in the design phase of the education campaign.
The Difference between Communication and Education

Communication, in the context it is used for benefits communication, is defined by Webster’s as “the act of imparting, conferring, or delivering, from one to another knowledge, opinions, or facts.” Some things need to be communicated, like how to fill out allocation change forms, who to talk to when signing up, where to find loan information, what funds are performing well, etc. However, certain other topics, where an employee needs to gain a deeper level of understanding or develop a new skill before they will change their behavior, require education. For example, determining how much one needs to save for retirement or how to diversify properly, actually requires learning, not just being informed.

Education is a more comprehensive process of developing knowledge and skills. Webster’s defines education as “the process of training and developing the knowledge, skill, mind, and character of, especially by formal schooling or study.”

In turn, learning is defined as a “change in knowledge, behavior, attitudes/values/priorities, or creativity that can result when learners interact with information. It occurs to the extent that learners are motivated to change, and it is applied in the real world to the extent they take successful steps to integrate that learning into the real world situation.”

The ultimate goal of all education programs should be to help people learn. Communication, which we have historically depended heavily on when educating about retirement programs, especially in the private sector, should be only one part of an overall financial education program.

True education and learning is not a passive experience. Employees will not learn by sitting and listening. Adults learn by doing, by being involved in the learning. The process has to be interactive. It is only through doing repeatedly that most skills are acquired. One learns to play the piano through practice; “practice makes perfect”. The same is true of learning financial skills. The counselor must give participants an opportunity to practice and be there to answer questions or to point out errors. Some employees, however, do not care to learn financial skills, which could then put the provider in the position of having to give advice and the participant in the position of having to continue to ask for advice.

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Transfer of learning refers to learning in one context and applying it to another, i.e. the capacity to apply acquired knowledge and skills to new situations. The transfer of learning or understanding is best achieved when adults are involved in the learning process. Confucius said, “What I hear I forget, what I see I remember, what I do, I understand.” Studies show that after three days, people only remember

- 10% of what they hear
- 20% of what they see
- 30% of what they see and hear
- 90% of what they say as they do (when they apply what they have learned).

Learning to drive is a good example. Would it have been easier to learn by reading a book, listening to a lecture, watching a video, or actually getting behind the wheel?

♦ The Advantages of a Well-Communicated Benefits Package

A well-communicated benefits package makes it easier to attract top talent in a competitive marketplace. The easier it is for prospective employees to understand how a company’s benefits package will help them reach their financial goals, the more likely they are to decide in favor of joining an organization. A well-communicated benefits program allows existing employees to truly understand and appreciate the value of their benefits package.

To most employees, total compensation is the sum total of their paycheck. Their real compensation is actually the dollar value of their paycheck, plus benefits. Employees don't always look at compensation this way and need to be educated to do so. It has been shown that employees who understand their benefits and have the knowledge to make the right choices for themselves, often have a greater appreciation for their company and a higher satisfaction rate. This, in turn, can help morale and retention.

There are also negative reasons why it is important to communicate benefits effectively. Poor communications can lead to not achieving targeted goals. Is more participation needed in the company 401(k) plan to avoid failing discrimination testing? If so, this is probably a very important goal to the counselor and to senior management. The right kind of communication is needed, both in delivery mechanism and content, so the result is increased participation. A failure to do so could be very costly.

Inadequately communicated benefits also cost employees. Employees often make the wrong decisions for their circumstances, because they do not truly understand the benefits and/or how to make choices that are best suited to meet their needs. For example, many employees do not fully understand and appreciate the value of their employer-sponsored disability insurance. A misunderstanding and underutilization of this benefit can create a long-term financial crisis for an employee. Many companies provide long-term disability insurance that pays sixty percent of base pay in case disability prevents an employee from performing his/her job for a certain period of time. Employees who earn a large percentage of annual compensation from sales, commissions...
and/or bonus, may not know to ask the question, “Am I going to receive sixty percent of my base pay only, or all of my compensation in case I become disabled?” In addition, many employees do not know that if they were to collect disability payments, they will pay income tax on the sixty percent of pay they receive. It will not be until they get a check that is sixty percent of base pay, with taxes withheld, that they realize they did not have enough coverage and cannot get by. This is even more tragic if they had had the opportunity to buy more insurance through their company-sponsored plan and didn’t take advantage of it.

Poor financial decisions made by employees about benefits can have consequences for the company, too. A disabled employee that faces potential financial ruin is going to be tempted to look for someone to blame. Even if a company is legally in the clear and prevails in court, the resulting legal bills and the accompanying ill-will is not the best way to spend valuable company time and resources.

Learning Styles and Learning Stages

♦ Learning Styles

A major hypothesis of learning style theory is that individuals use and prefer different learning strategies or styles that correspond to how effective and comfortable they are when learning. Learning style is the way in which individuals begin to concentrate on, process, internalize, and retain new and difficult information.

Learning style is a biological and developmental set of personal characteristics that makes identical instructional environments, methods, and resources effective for some learners and ineffective for others.

As adults, we use three primary information-processing modes: visual (images), auditory (sounds), and kinesthetic (feeling or action).

1. Visual Learners: The visual learning style usually refers to pictorial representations of events and is characterized by words that embody vision, for example, seeing, picturing, reflecting, and mirroring. About 40% of the population are primarily visual learners.

2. Auditory Learners: The auditory learning style refers to hearing, word characterizations, abstract thinking, and verbal analysis. This learning style is typified by words such as thinking, knowing, analyzing, assessing, evaluating, and appraising. About 15% of the population are primarily auditory learners.

3. Kinesthetic Learners: The kinesthetic learning style encompasses feelings and actions and is represented by words like sensing, feeling, exciting and words like forcing, being, doing, and acting. About 45% of the population are kinesthetic learners.
For example, how someone greets you can provide insight into their learning style preference. When greeting someone we often use several modes of interaction:

1. Auditory – the verbal part of the greeting, “hello”;
2. Visual – the gesturing part of the greeting, “wave of the hand”; and
3. Kinesthetic – the touch part of the greeting, “hand shake or high five.”

Utilizing multiple modes of interaction can enhance the prospect of making more significant connections with a greater number of people. So is the case when interacting with people, whether one-on-one in a private session or with large groups, understanding learning styles can offer the counselor one more important resource for effective communication.

♦ Learning Stages

In addition to the need to consider preferred learning styles such as visual, auditory, or kinesthetic when designing education programs, counselors need to identify existing levels of financial literacy for key segments of employee populations in order to maximize learning effectiveness whether it be in one-on-one individual meetings or large group sessions.

It is a mistake to have communication, whether written or oral, be a recitation of facts, figures, and examples. Remember, the industry is competing with USA Today, Money Magazine, People Magazine, CNN/MTV/HBO, and every other media outlet that wants to talk about the hot new topic of our time...money management. Additionally, today’s employees have been raised with television, in ten minute segments interrupted by a commercial. Educators have found that attention spans need to be timed accordingly.

However, the counselor can overcome both of these expectations. Most of the time the media is just transferring knowledge or information. Because the counselor has the ability to design communications that are interactive, it can even be more effective. This makes it much more interesting, relevant, memorable, and fun. The idea is not simply to transfer the information (communication), but to achieve acceptance of potential problems and an understanding of solutions (education). It’s important to get employees asking and answering questions and even crunching their own numbers. If behavioral change is sought, the stage must be set and a reason delivered and a means for the employee to get involved (learning). A proverb about fishing is apropos here:

“You can give a man a fish and feed him for a day, or you can teach a man to fish and feed him for a lifetime.”

The following chart denotes the “Four Stages of Learning” which provides a model for learning. It suggests that individuals are initially unaware of how little they know, or unconscious of their incompetence. As they recognize their incompetence, they consciously acquire a skill, then consciously use it. Eventually, the skill can be utilized.
without it being consciously thought through: the individual is said to have then acquired unconscious competence.

For example, an individual takes a trip to England. During the second week of the stay, he decides to rent a car and take a drive to the country. Upon getting behind the wheel, he realizes that the steering wheel is on the opposite side of the car (This is Stage One of the Four Stages of Learning: the person didn’t know that he doesn’t know how to drive in England). Now that the person knows that he doesn’t know how to drive on the opposite side of the road (Stage Two of the Four Stages of Learning), he becomes a willing learner and begins to practice on the side roads before heading off on his trip. Once on the road, he is very aware of every decision made when driving in order to not have an accident (Stage Three, when the person becomes aware that he knows how to drive in England). Stage Four is when the person becomes so accustomed with driving on the opposite side of the road, that his decisions are second nature or are made subconsciously (the person isn’t consciously aware that he knows – he just does it).

The counselor should make sure every program offered incorporates the Four Stages of Learning, since each employee will be at a different level of familiarity and knowledge of retirement financial issues.

When teaching adults, the counselor should start with that which requires the least amount of effort (defined as doing things to get the most out of a situation for the least
amount of effort), or energy. Remember, the employee may not be motivated to do anything. Many are unaware of the issues, and therefore of the problems as well. There is no compelling reason for them to expend energy changing their behaviors. Employees may have disquieting anxieties that maybe they should be doing something, but their lack of knowledge and understanding leaves them in a state of “passive procrastination.”

Most people tend to do this when confronted by something with which they are unfamiliar. They may get to it eventually, when it can no longer be put off. Unfortunately, by then the “something” may be a much bigger problem. That is when most people act by reacting. The idea is to show employees why they need to be proactive in the management of personal finances. At the same time, it is important to show them that if they wait, options, and opportunities may narrow considerably. They may be forced into choices that are far less appealing.

Stage One: Awareness of the Problem - They Don’t Know that They Don’t Know

The first step is to move employees from “passive procrastination” to awareness. This requires little effort or energy on their part so they are more likely to participate. But the message has to be compelling if they are going to be asked to exert more effort later. They need to have a greater awareness of potential retirement and financial planning problems and issues. This will set them up to be shown how they can find solutions through a fuller utilization of their employee benefits.

An example of this is to show employees a graph of how much a person has to save monthly in her twenties versus if she starts in her thirties, forties, or fifties to have $200,000 at retirement. It can even be shown at different rates of return. This demonstrates rather dramatically the concept of compound interest and time – the advantage of starting to save early for retirement as opposed to the consequences of waiting. For example, it is estimated that for every 10 years a person waits, it will cost him five times the amount to fund the same goal. In addition, for some goals there are other ways to finance them, i.e., grants or loans for college education. There are no other ways with which to fund retirement, especially if the employee isn’t counting on Social Security. This needs to be a central theme of a retirement education campaign. Employees need help finding saving solutions and being motivated to use them. Relevant examples will help employees relate this to their life. They are now aware of the problem.

Another example is to show graphically how much money employees will have over time with and without a company match. Graphs demonstrate very clearly that a match does make a difference as to how much money an employee will have at retirement. They can now begin to accept the importance of making sure they get the full company match. The use of company benefits has been made relevant to their desires/goals.

Another hook is when the counselor talks about a company’s retirement plan. It is not as effective for a counselor to say “eligibility is immediate and vesting is in five years.” Instead try, “It is important to know what eligibility and vesting mean to you in your retirement planning.” Defining eligibility and vesting should be done before delving into
the details of these benefits. Do not assume anything when educating. Explain these concepts in simple terms, bringing in the company’s eligibility and vesting schedules as examples, and what it means to them now or if they were to leave the company. For example, given the mobile nature of today’s employee population, it is probably a good idea to emphasize what happens to the employee’s defined benefit plan if the person leaves just short of the vesting date in a five-year Cliff plan. (Again, define the terms first.) Another comment might be that it is important to touch base with past employers at least annually if entitled to future benefits, such as a pension. Make sure the company is still at the same number and has the individual’s current address and phone number on file, so they can inquire if they need to talk about important information that effects the benefits.

Once employees have accepted how benefits are connected to their personal financial well being they are more willing to listen to solutions, bringing them one step closer to doing something...to taking action. However, most employees will still not take action if the process stops here. In fact, they will probably be frustrated and angry, because they now know they have issues, but don’t yet have solutions. The counselor must help provide the solutions.

Stage Two: Understanding of Solutions – They Know that They Don’t Know
Stage Two is moving the employees from awareness of and acceptance of the potential financial problems to an understanding of their potential solutions. Creating an understanding of solutions is not just handing out worksheets, it’s about doing more personalized statements or providing Internet addresses to helpful interactive education resources. This is a common mistake. So many programs, brochures, and web sites are full of worksheets. While they are interactive and can be customized, two additional critical ingredients are usually missing: 1) the employees’ understanding of the concepts and assumptions that drive the tool, and 2) how they can best apply the tool to their financial needs.

Concepts are usually separate from the worksheets and are expressed as definitions or terminology. There may or may not be examples, but the examples are usually generic in nature and don’t allow the users to apply it to their personal financial situation.

A prime example of this is worksheets that tell employees how to calculate what they need to save for retirement. Have they been educated with regards to inflation or is it assumed that inflation has been explained at some other time. Even if it was, employees may not be able to translate the theoretical knowledge to the retirement calculation. This need to translate also adds an additional step to the learning process, further encumbering the learner and reducing the effectiveness of the tool.

Toward the end of this stage, the counselor needs to stop and make sure the audience is following along. The goal is to help the employees generate enough confidence in their abilities that they will do something, or more specifically, take appropriate action. If they are not following along, the counselor may be back to square one, which is passive procrastination. In this stage, it is very important that the program does allow for
participant comments or questions. This feature can be designed into formats other than workshops. It can be accomplished with inserts to be mailed or a phone number to call if they have questions regarding any of the material, or by placing HRD staff out in a visible location one day a week for a period of time. The latter is very effective. Face to face in an informal setting, the cafeteria for instance, employees are more likely to express confusion or ask any questions they might have. It does not require the extra step of filling in a form or dialing a number.

An employee focus group at this stage is also a means of spot checking what employees understand about their potential solutions. This group can be used in the design phase and then serve throughout the implementation of the education program as a sounding board. What are the focus group moderators hearing from employees? What are their questions or concerns? Do they think the objectives of the first step have been met? Whatever method used, the counselor needs to make sure that everyone is following along before moving onto the next stage of learning.

Stage Three: Confidence & Self-Motivation – They Now Know that They Know
To motivate employees to change behavior, the counselor should start with a program that brings the employees to an acceptance of the problems at a personal level; one that is tied to their available benefits. Then provide an understanding of potential solutions, again making it personal. Once employees are confident in their ability to comprehend, they are more likely to be motivated to expend the effort required to take the most difficult step, a step to change their financial behavior. This is the stage where employees begin to apply what they have learned.

Now comes the difficult part for the employer. It must be easy for the employees to make changes. A call to action has been issued! One of the biggest mistakes communication programs make is to offer information without a call to action. Without some action to be taken the reaction is almost always, “so what?” They have been shown what they need to do! They are now ready to do so, and probably even excited about it. The process needs to be definitive, but also quick and easy. Forms or phone numbers need to be easy to access. There is nothing worse than being ready to take action and being held up because the proper phone number cannot be found or several calls have to be made to get the right form. If it is too difficult, it won’t happen – employees will lose the momentum.

It is also important to be vigilant about reading the potential audience. More plans are becoming paperless. Yet for workers who do not have access to a computer on a regular basis, it could very well be fear of technology that is holding them back from implementing changes. Even with a paperless system, it may be worthwhile to have the ability to sign up on a form at an employee meeting. The counselor can then encourage and assist the employee right there.

Stage Four: Action – They Don’t Know that They Know
In this stage, repetition allows people to not be consciously aware they are performing their new skill. Advice can be given once and taken or not taken. Learning requires
repetition. It is not enough to offer the educational message once and to move on, it must be reinforced. All too often we hear, “Well, we did an education program last year so that is sufficient.” One does not learn to play the piano in one lesson. It takes multiple lessons. An ongoing program must be offered so that the skills are reinforced.

Once the counselor has answered the questions asked above, and any others that are important to his/her employee demographics, he/she can move on to the next step, which is to define the problems and list the specific goals to be achieved.

Common Types of Communication and Education Tools

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<td>• Workshops</td>
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<td>• One-on-One Counseling</td>
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While the above needs to be a part of any communications program, there are many ways and means to communicate. The most important action a counselor can take is to choose the education tools that best fit employee needs and are most likely to produce the desired results. Appropriateness will in large part be determined by initial analysis of the audience. The most common are (in order of least to most effective and interactive):

- Print materials
- Audio-visual
- Seminars
- Technology
- Workshops
- One-on-one counseling

There are advantages and disadvantages to each. The best solution is to use a combination of mediums since a one-size-fits-all approach does not account for differences in learning styles, financial literacy, and other diversity issues.
Print Materials

This is an area where one should consider using a focus group. Step outside the Human Resources (HR) arena and get feedback from the intended audience, the employees. This will help avoid the most common pitfalls of print materials:

- Using the jargon of the HR world.
- Using technical investment jargon.
- Using examples that make no sense to the readers, even though they make perfect sense to the counselor.
- Too difficult to understand – lacking simplicity.
- Using too many words when bullet points or a cartoon/picture could convey the concept.
- Too drab, not enough color or if two color, not enough contrast.
- Too boring.
- Not culturally specific to the group.

Required by Regulation

Some print materials are required by regulation, and a counselor needs to make sure they are aware of the regulations now and as they change in the ever-evolving laws that apply to benefits. For instance, what are the rules as they apply to defined benefit statements vs. defined contribution participant statements? How often must they be sent out? What must be included in each? The counselor should make a list of requirements, both documents and content, in order to make sure this is built into the plan and the budget.

Whenever possible, one should endeavor within the mandated guidelines, that required documents follow the rules below on education:

- Do the documents enhance the participants’ ability to make financial decisions?
- Are they relevant?
- Are they simple to read and to understand?
- Do they reinforce education efforts by using the same terms and explanations?
- Are they interactive and “promptive” in that they lead the participant to apply the skills the counselors have been teaching? For example, do participant statements give the percent invested in each kind of investment (stocks, bonds, and cash) so that the participant can compare this information to her own ideal asset allocation based on her risk tolerance and circumstances?

The counselor/plan manager can follow the legally mandated minimal requirements or can use the required documents as additional teaching tools. This is not always possible as some documents have very specific required language and content. However, wherever possible, look at these as another education tool.

Retirement Plan Participant Statements

Retirement plan participant statements are an example of a mandated document where a counselor has some flexibility as to how they present the required information. Sample
statements that are presented to a vendor should be reviewed very carefully. Does the statement make sense to a layperson, assuming they know very little or nothing about their retirement plan? What is the amount of “jargon” in the content? Is it easy and simple to comprehend? Is it specific to the participant?

The other advantage to this kind of a statement is it can be used as a tool in education and communication pieces. Send it out to non-participants to get them thinking about the plan. New research confirms that distributing benefit statements is an important way to influence employees who routinely undervalue their retirement plans and for those who refuse to participate.

For instance, instead of just giving employees the accrued benefit under a pension plan, show the projected benefit if they continue to work until retirement. If the company makes matching contributions, show the impact of the contributions. Include a comparison of the funds that will accumulate over time with and without the company contribution. To encourage increased contributions, show a projection of future benefits if contributions are increased by specific amounts, assuming a reasonable rate of return. Couple this later with some suggestions as to how to save more out of each paycheck.

Another example of a mandated document is the pay stub. Everyone looks at these. Why not put a message on them that reminds or reinforces the communications desired? This can be especially effective in down markets. In addition, a one page educational piece can be included with the pay stub. Most everyone opens a paycheck!

Newsletters
These can be wonderful tools if done regularly, with repeated themes and simplicity. Regular, repeated themes are important in building a message or reinforcing the skills being taught in other educational efforts. A common mistake is to try to make each newsletter issue different. Don’t confuse the message. The question should be asked, “How can this article help to reinforce the message and help in achieving goals?” No matter how interesting, if the newsletter message doesn't reinforce the message the counselor wants to communicate, create or find something that does.

Newsletters need to have few words. Everyone is busy with little time to read. Most people like to be entertained. Use bullet points, pictures, and cartoons. These can be very effective. Some of the best points are often made on the editorial pages of a paper with a simple cartoon or drawing. A thousand words can be used in an article or the same point can be made with a picture. Remember, the effort is not to impress the audience with knowledge, but to use this medium as a way to achieve a goal.

An example is the effect of inflation and taxes on investments. This could be explained in several paragraphs. Another way would be to show a bucket with two holes labeled “taxes” and “inflation.” There could be a brief explanation out to the side with a short example of the effect of each. If one wanted to compare investments that were not in a retirement plan to those that were, he could put Band-Aids over the same two holes in a second bucket, again with simple examples.
Brochures

All too often brochures are full of technical jargon and examples that make no sense to the average reader. In addition, standard brochures are often provided by benefits consultants who simply personalize them by inserting the name of the company.

A case in point was a new brochure for a hospital group explaining the new retirement plan with changes to both the defined benefit plan and the 403(b). It was a “cookie cutter” benefits consultant brochure. The consultants inserted the name of the hospital and the new defined benefit formula, with an example. The example was not relevant to most employees’ situation and assumed all employees had the level of math skills needed to solve the algebraic equation. A wrong assumption! It was wasted paper and still left the employees with questions and anxieties. All they knew for sure was that the benefit was changing.

Another classic was a brochure that used an employee example, “John Doe”, where 99.9% of the employee population was from Southeast Asia. Remember, cultural sensitivity should not be an option, it is a necessity. Alienation has never proven to be an effective technique for increasing plan participation.

Again, keep it simple with bullet points and easy examples. Use technical jargon as little as possible. If it must be used for regulatory or ERISA reasons, explain the technical terms. If possible, use pictures or clear/appropriate examples to meet regulations.

♦ Audio Visual

Audio-visual is an area where it is easy to get carried away by all the bells and whistles that exist, never stopping to ask what kind of audio-visual is the best way to reach the audience and achieve desired goals.

PowerPoint presentations have a place. For some audiences, they convey a degree of technical expertise that the audience equates with professionalism. However, for other audiences, this kind of a presentation is intimidating. They are more comfortable with an overhead presentation. It is not difficult to determine which direction to go. Look around the company offices or conference room. What kind of technology is available? Who is going to be the audience and what kind of technology (if any) do they use every day at work? In addition, if examples need to be personalized on the spot to help better drive home a point or make an example more relevant for the audience, overheads or flip charts are the best options that provide the needed flexibility.

It may require two distinctly different presentations. If the counselor will be speaking to the employees of a company that do presentations internally and are accustomed to using advanced technology, the counselor should use a different audio-visual approach compared to what might be done for employees in the same company who are working on the manufacturing floor.
The meeting room has to be conducive to the choice of audio-visual. This should be looked into ahead of time. Are there sufficient and well-placed electrical outlets, or will an extension cord be needed? How is the lighting? Can it be controlled? Is a microphone needed? Is there a screen or a blank wall to project visual images if needed?

Again, flexibility is the key. Will the presenter need to deviate from the prepared presentation due to employee questions? Issues may materialize halfway through the presentation that make it necessary to shift gears and change the order of the topics in the presentation? Both of these happen more frequently than might be anticipated. For instance, the counselor may not have planned to discuss employee retirement account layout options. As the presentation moves forward, it becomes clear that this is on the mind of many in the group. If these concerns are not addressed, the audience may be lost for the balance of the presentation. This is the time the presenter might wish his slide or PowerPoint presentation was more flexible. This may be a time where a flip chart or blank overhead sheet to diagram payout options would be useful.

The presenter should be prepared for the eventuality that all does not go according to plan with the equipment and/or the presentation. This is especially true of equipment. Even the best can fail. A backup plan should always be in place. What if the laptop that holds the PowerPoint presentation does not work? What if the bulb burns out on the overhead and there isn’t a spare? What if the flip charts don’t show up? One of the best backup plans is to have key information in hard copy for the employees. If there is an equipment failure, the participants can follow along while the counselor talks.

One area that the counselor should carefully evaluate when using audio-visual tools is when the content involves highly emotional issues. For example, a company might have been bought and many in the audience are worried about losing their jobs. In fact, the program may be for those who know they are losing their jobs and it is the counselor’s job to explain the severance package, or the program could be for employees who are being offered an early retirement package. Many may be upset that they even have to consider this. Others might feel if they don’t go now they would be fired down the road. Change creates anxiety for most people. The greater the potential change, the greater the anxiety. These things should be taken into account.

The best approach may not involve high tech audio-visual. In fact, this kind of presentation might be more upsetting. The employees may be on an emotional roller coaster. They need to perceive the presentation as not one of “tech touch”, but with more of a “human touch.” The same subject matter can be covered in the same order with an overhead presentation that is much more approachable. In fact, except for the delivery mechanism, the presentation might not change at all. It’s in the perception. If the perception is that the counselor is aware of the employees’ emotions and can empathize with them, they will listen to what is said. Often, the audiences’ willingness to listen will be most influenced by the counselor’s ability to listen and find “common ground”.
Seminars

Seminars differ from workshops in that they are typically thirty-minute to two-hour lectures on a particular topic. They are an excellent medium for communicating information to large groups of employees in a cost effective manner. However, they are not effective education mediums since they inherently provide a passive learning experience for the audience.

Many seminars are “cookie cutter” in nature. They don’t change from one audience to the next. Participants’ attention can be easily lost because they cannot relate the generic material to themselves. If the counselor is going to assume the cost and exert the effort to gather hundreds of employees, often during work hours, to communicate information about the retirement plan, the content should be as relevant and applicable to their personal situation as possible.

Seminars are primarily an auditory experience aided by visual images. However, seminars are no different from the other mediums that have been discussed as to their need for key design points. They, too, must have the message tailored to the audience, be as interactive as time allows, have a conspicuous lack of jargon, and repeat the themes of other communications. Examples might include: moving throughout the audience to close the distance, telling an appropriate joke, or engaging in short interactions with individual members of the group.

Technology

The use of technology everywhere tempts us to use it in the arena of employee communications and education. Computer access, Websites, Internet links (all with interactive components) are the way to go for those who are daily users of such communication mediums. This is particularly true due to the ease and cost of updating information.

However, these are not the only factors when dealing with employees. One has to consider employee familiarity with an attitude towards the medium, as well as accessibility. Is it appropriate for employees? Do they have the skills to work a computer? If not, and the decision is made to teach them, will they be willing participants or dragged into the process kicking and screaming with a chip on their shoulders? This will create ill will towards the counselor and the company. It may also negatively impact participation and follow through.

Call Centers

Remember when 800 numbers were first introduced for benefits communication? Large companies in the 1980’s decided to introduce this as a cost- and time-saving benefits communication tool. Those employees who were comfortable with technology were delighted by the convenience of being able to call 24 hours a day and the minimization of paperwork to fill out. Those employees who were uncomfortable with technology hated the system, often making mistakes and/or hanging up in disgust. It took much
handholding to get employees over their fear and anxiety about this new process. Many companies made the mistake of thinking that simply introducing the technology and extolling its virtues was enough. They needed to have an education process and a PERSON that was available for questions during the initial introductory phase and on an ongoing basis.

How does a person feel when she calls a service company with questions and cannot get a live person on the phone? By the time she finishes listening to the eight options, none of which appear to get any closer to someone who can answer a few simple questions, she is probably very annoyed. Even worse are systems that direct an individual to dial another extension “for someone who can help you” and then get that “someone’s” voice mail. Employees are customers, captive or not. Remember to treat them accordingly in any system that is designed.

Call centers can be a very useful tool, particularly when doing an open enrollment that involves changes to the benefit plans. Set up a phone line with staff that is available to answer questions, with times of availability announced in advance. This is not the “1-800-... press the button if you want...” kind of line. It is more personal! It works well because employees easily get immediate answers, making it more likely they will take action. Call centers are very helpful when decisions have to be made quickly by the employee. Be sure the call center attendants are well versed in the program and know what they can and cannot address.

Voice Response Systems (VRS)
Companies introducing interactive communications technology often begin with interactive voice response systems because they rely primarily on the use of touch-tone phones, which are universal and less intimidating to employees, especially those who are not computer literate.

Today, virtually all 401(k) plans use VRSs for both daily valuation and traditional record keeping. Employees usually access the system using an 800 number and then enter their Social Security number and personal identification number (PIN). Once these numbers are verified, a series of recorded voice messages walk employees through the benefit decision-making process by outlining available choices and telling them to press a button on their telephone keypad to make their selections. Information collected through phone lines is fed into a dedicated PC that can perform even complex administrative tasks quickly and accurately.

Operating 24 hours a day, voice systems perform two primary functions: inquiry and transaction initiation. The inquiry feature allows employees to review general plan and personal account information.

Interactive voice response systems free benefits staff from answering repetitive, time-consuming questions regarding general plan information and individual accounts. They also ensure that plan information is conveyed consistently and accurately. They are also
helpful during peak times of the year when increased demands, such as open enrollment, keep staff occupied for weeks, forcing them to set aside more important duties.

Internet and Computer Programs
The greatest challenges of internet and computer technology are the availability and comfort of computers. Many people assume because they could not live without their computers, that this is true of everyone. This is not so. People with other learning styles may avoid contact with computers at all costs. If a retirement education program is designed around this as the delivery mechanism, the counselor may be excluding a large part of the intended audience.

The counselor must work with the demographics of the employee population. Is the population familiar with, and do they have access to, computers – or is there a mix? This would require multiple delivery systems. Those employees who are computer literate will use the technology. But, alternatives should be provided for those who are not. If the decision is made to use computer access, do not get carried away with the myriad of options that are now available – keep it simple!

Interactive internet and computer-based programs are highly effective ways to communicate and administrate retirement plans. Plan administration requires complicated and time-consuming steps, including processing information on new enrollments, payroll deductions and changes, and participant requests for transfers, loans, or yield information. Furthermore, large amounts of information must be transferred to record keepers and plan trustees. Interactive communications can make the job more efficient and timely.

What sets interactive computer tools apart from other interactive media is the capability to program them to forecast or model. If it is decided that technology will be used, it will be essential to keep current on the legal requirements and any ethical dilemmas – two areas under discussion at this time.

There is also a growing trend to use online meeting and video technology to facilitate one-to-one meetings or large group virtual meetings. Innovation and the expansion of internet band-width has dramatically driven down the costs of using this technology. The tools are advanced enough now to allow the host of the meeting to interact with attendees by allowing them to:

- “Chat” by typing in questions or comments in real time with the presenter or organizer or other attendees
- “Raise their hand” by clicking a button that lets the presenter know they have a question
- Turn the speaking capabilities of attendees on and off in order to answer questions live
- Use a webcam to see the participant/client “face to face”
- Share the participant’s or presenter’s screen in order to demonstrate how to use an online retirement calculator
• Record a presentation or one-to-one counseling session for future viewing
• Etc.

In the years to come, online meetings and video-conferencing very well might become the primary communication vehicle for retirement education and counseling sessions.

Electronic Distribution Regulations
Under the Electronic Disclosure Safe Harbor, the DOL states that as long as a plan administrator takes the steps required in the Safe Harbor, a notice or other electronic means will be considered to have been delivered, as if the information was sent by first class mail. Plan administrators may rely on the Electronic Disclosure Safe Harbor for delivering plan information that is required to be delivered to participants.

Electronic Disclosure Safe Harbor Requirements: Plan information may be delivered electronically under the Electronic Disclosure Safe Harbor only if all of the following general requirements are met:

1. The electronic system used must be designed to reasonably assure actual receipt of the information. This may require periodic reviews or surveys to confirm receipt of the electronically delivered information. Also, the plan administrator should be aware of, and follow-up on, undelivered and, to the extent known, unopened e-mail.
2. The system must be designed to protect the confidentiality of the personal information of the participant who receives the information.
3. A participant receiving an electronically delivered document must, at the time the document is delivered, be provided with a notice explaining the importance of the document and the right to receive a paper copy of the disclosure.
4. Electronically delivered documents must be prepared in the style and format applicable to the particular disclosure.
5. Electronically delivered documents must contain all of the information required to be included in the particular disclosure.
6. Upon request, the participant must be provided a paper version of the document.

So long as these requirements are met, plan administrators have flexibility when providing information by electronic delivery methods. For example, a document may be sent in the text of an e-mail or as an attachment to an e-mail. A plan administrator may also send, via electronic or paper mail, a link to the required information on a website.

The Electronic Disclosure Safe Harbor recognizes two categories for individuals who may receive documents electronically: participants who “affirmatively consent” and employees who are “Wired at Work.”

1. To “affirmatively consent”, a participant or beneficiary must, before consenting, receive a clear statement describing:
   a. The types of documents to which the consent would apply;
   b. That consent can be withdrawn at any time without charge;
c. The procedures for withdrawing consent and for updating the individuals address for receiving electronically delivered documents;
d. The right to request and obtain a paper version of an electrically delivered document, including whether the paper version will be provided free of charge; and
e. Any hardware and software requirements for accessing and retaining the documents. Additionally, if the disclosure documents are going to be delivered over the Internet, the participant or beneficiary must demonstrate the ability to access information by either consenting or confirming the consent electronically.

2. The “wired at work” method is limited to current employees participating in a 401(k) or other retirement plans. In order to be “wired at work”:
   a. Employees must have the ability to effectively access electronic documents at any location where the employee performs duties as an employee, and
   b. Using the employer’s electronic information system must be an integral part of the employee’s duties. This group is not required to give “affirmative consent” to receive plan information electronically. “Access” to a computer during working hours is insufficient to satisfy this delivery method; rather access must be an “integral part” of the employee’s duty. Simply providing computer kiosks does not make employees “wired at work.”

♦ Workshops

Workshops are an excellent education medium. They offer an opportunity to obtain real time feedback from employees that other communication mediums may not. Often employees’ questions tell the nature of a problem, such as why they are not participating, etc. Workshops have proven to be the most effective method of educating adults about personal finance when the desired education result is a change in the saving and investing behavior of employees.

For example, there was a 403(b) plan where employee participation was low. During a series of workshops, the reason for the low participation became apparent. Employees thought they had to pay a fee of $20.00 from every paycheck to the third party provider (TPP) to even use their funds. The reality was that the TPP had a minimum contribution of $20.00/per fund. In other words, the employee could not contribute $15.00 to a fund per paycheck. This was a minimum requirement, not a fee. Once this was understood, participation in the 403(b) skyrocketed. It was a misunderstanding that printed communication may never have uncovered.

If a financial planner is being used to sell products, there may be an initial negative perception to overcome. Studies show that many companies and workers are leery of hiring planners that also sell financial products. They expect to get sales pressure from financial planners, and they are often concerned about objectivity. Be clear that the objective is education, not sales. If the audience comes to a program expecting education
and is subjected to a disguised sales pitch, they become very angry, very quickly. The credibility and trust that has been established with the employer will be irrevocably destroyed.

Another common mistake is that workshop education is often narrowly defined as “investment education.” This is usually because the mutual fund provider bundles education into the 401(k) package offered, or the intent of the independent planner is to ultimately manage assets. As we discussed earlier in the section on methodology, investment education is a critical part of any benefits education program. However, it should only be one component of the message - not the only or even the first message. Workshops should include the entire range of what constitutes good financial planning as it relates to saving for retirement. For example, when trying to solve a problem such as a low participation or low savings rate, topics like budgeting and debt reduction are much more effective in producing the desired results. Again, it is better to use focus groups or written surveys to gauge the educational needs of employees before forging ahead with new topics.

Workshops must be as carefully scripted and delivered as print material to achieve the goals set out for the communications. Unfortunately, many times this is not done. An effective train-the-trainer program prior to delivering programs will create a framework of consistency among the messages delivered by the different facilitators when it is necessary for more than one person to deliver the programs. If trainers are given too much flexibility in their delivery, it will be much harder to measure results since a counselor will not know if the success or failure of the program was due to the instructor or the materials. It is recommended that communication skills be thoroughly used in the effort to train quality presenters.

What else should be considered when using workshops?

- Topics desired
- Location
- Length of program (time)
- Attire and environment
- Refreshments
- Significant others involvement
- Employee literacy/education level

The question of time means to decide whether the program should be offered during work hours or after hours. It is a well-known fact that attendance is generally greater when the workshops are offered during work hours. However, there are additional benefits to offering education during work time that are less obvious – this is especially true if employees work on multiple shifts.

Take a moment and think about an 11:00 p.m. to 7:00 a.m. worker who may never have had an opportunity to meet face to face with someone from HR, or to attend an education workshop because those opportunities are only available during the day when he is sleeping. Often after a session these midnight-shift employees say, “We have never seen
anyone during our shift from HR. It makes us feel good that the company cares enough about us to make it easy for us to be included in the same education that everyone else is getting.” Goodwill is generated when one goes the extra mile to include these employees in the company’s educational efforts.

Workshops that are not held during the employees normal workday present a different set of challenges. The first is to get the employees to attend. Employees do not attend in the same numbers as they would to a program held during their normal work hours. Employees who do attend are those who are already motivated and involved in their financial planning and benefits. They know they need to learn more about their financial situation. Those who really need the information often don’t even know it, so they don’t bother to attend.

An employer seeking for employees to better understand their benefits or to make more informed financial decisions would be better served to have workshops during the employees’ workday. In addition to better attendance, the company gains a side benefit of improved employee work attitudes. If done well, the employees often leave with a new appreciation for their benefits and for the employer. This is not as strong if the employee is attending on his/her own time.

However, if the workshop is not going to be a part of the workday, then it might make sense to not worry about whether to offer it before or after work. Go with a time that allows most of them to attend. Also take into account the availability of significant others to attend if the program is not tied to work hours. Make it easier for them to be a part of the program. In fact, they might convince the employee to attend and/or be influential in their participation and accountability.

Significant others attending workshops is preferable, but this is not always possible. If it is possible, do include them. There are multiple reasons for this. The first is that financial planning should be a joint activity. It is hard to set and prioritize goals alone if part of a couple. The other person has to buy into the goal and agree to start saving. The employee can attend a retirement workshop and have the best of intentions. The partner, who has not had the benefit of the education or is only hearing part of it secondhand, may balk. The partner may in fact be the “decision maker” when it comes to the finances.

Planning for retirement ideally is a partnership activity. The employee may be dyslexic or unable to read. The employee may feel uncomfortable with his/her ability to understand this “stuff” and would not attend without the partner to help explain. There are many unknown variables, so it is best to offer a time for significant others to attend. The decision for the significant other to attend is then up to the employee.

Location is very important to consider. The site has to be one that employees want to go to. Additionally, it has to be convenient. They are already being asked to go out of their way, so don’t create more obstacles in relation to location.
There are other things to consider about location, regardless of when the workshops occur. On-site delivery makes it easier for employees to attend physically, as well as to attend to business that might arise. Additionally, employees are often more comfortable in familiar surroundings. However, the downside is that they can attend to business. Interruptions are easier and more likely to happen than if the workshop is off-site.

Another factor to consider when choosing a location is the availability of an appropriate facility. Often on-site, there is not a room or setting that is conducive to learning. It is helpful to have a checklist of requirements and needed equipment. While it is important to be flexible and to accommodate a company’s physical space, there is no reason to accept a facility that will make learning impossible. This is a message companies are reluctant to hear, as it may mean paying for space off-site. It is best to be diplomatic, but firm. The problem can be presented as one “where having an appropriate space” allows employees to get the full benefit of the workshop without distractions, leading to greater participation in the intended programs.

Make it an event. Offer food, perhaps even a meal. A light breakfast in the morning before starting works well, or hors d’oeuvres at the conclusion of the program. Food, especially if significant others are attending, is a great program draw.

Refreshments depend on the time of day and length of the workshop. They are essential for workshops over two to two-and-one-half hours. However, do not let them eat into the scheduled workshop time – schedule them in. One last note: make them good refreshments. While it may seem trivial, if folks are coming expecting a continental breakfast and get bad coffee and stale rolls, they don’t start off in the best frame of mind.

Attire is very important. A counselor should not wear the banker’s suit on the factory floor anymore than she should wear casual clothing in the corporate boardroom. It is important to be professional, but at the same time the employees have to be comfortable with the counselor. This is much the same as earlier comments on being aware of the employees’ speech or body language. The counselor needs to put them at ease.

Employee literacy is something that should be considered in workshop design. Many employees can do their job just fine with minimal literacy skills, or even with English as a second language. They can find someone to read written communications to them. They can often use technology, or again get help quietly and privately. This is not possible in a workshop, particularly if the spouse who helps them is not present. Be aware of this when a workshop is being designed. Use pictures, cartoons, or verbal examples instead of overheads or worksheets in class. In fact, it may not be clear this is a problem until the presenter is in the midst of the workshop, so have a backup plan.
One-on-One Counseling Sessions

For counseling sessions, be aware of the following:

- Advantages
- Goals
- Length
- Education or advice
- Preparation
- Location
- Confidentiality
- Documentation

Many employers do not think of one-on-one counseling sessions when they think of benefits communications. If they do, it is usually financial planning advice to a select group of employees, or it is event driven (new benefits package, early retirement window, downsizing).

For the latter, employers are looking for decisions on the part of employees and feel that the one-on-one format is more likely to resolve issues that might be obstacles to employees moving ahead with these decisions. For instance, when a company is acquired, the new company’s benefits might be entirely different.

While other forms of communications can explain the old, the new, and make comparisons, they cannot answer questions about specific employee circumstances. When all benefits are changing, it is a time of anxiety and turmoil for employees. Just having a sounding board increases the likelihood that the right decisions will be made, decreasing the problems that will result for the company down the road. Additionally, employees are grateful that the company provides such an opportunity, increasing goodwill towards the company. This is a very helpful attitude to cultivate in times of change and stress.

The issue of employees not acting due to perceived obstacles is even more important when the choice is something like an early retirement window. The company is obviously looking for employees to take the offer. Employees who believe they have unique circumstances or issues that are not addressed in general communications are less likely to accept the offer. One-on-one sessions can often result in solutions the employees had not thought of, causing them to decide they can afford to take the offer.

There are other reasons to offer one-on-one counseling as a benefit perk to some employees or in times of change. Some employee populations are not going to be reached by any other communications media.

For example, the parent company of a regional health care group owns two hospitals, a couple of physician practices, a rehabilitation center, and two nursing homes. A new benefits program was introduced. The workshop format and written communications
worked very well for the hospitals. It did not work as well for the physician practices, the rehabilitation center, or the nursing homes. The physician offices could not close down for the length of time it takes to do a workshop. It was also felt that attendance would suffer if the program was held outside of the normal workday and attendance was critical. Written communications and the one-on-one concept were the answer for this portion of the staff. Meetings were scheduled throughout the day, as the demands of the practices allowed.

The issues with the rehabilitation center and nursing homes were of a different nature. It was not a problem to schedule workshops. However, it was felt that those who most needed to attend would not. The staffs are primarily hourly, shift workers. Pay is low and most feel the cost of many benefits is beyond their financial means. Therefore, these workshops are of no use to them. They don’t attend. Additionally, this group is more likely to be intimidated by written materials and “financial” workshops. A one-on-one counseling session that is billed as “your time to get help and answers” is different from a “benefits workshop”. The counselor needs to be out and about the facility before, between, and after sessions. This visibility and a welcoming manner are critical to setting the employees at ease so that they come to see the counselor.

As with any other form of communication, identify ahead of time what the employer’s goals and expectations are of these sessions. The goals and objectives of the programs need to be clearly communicated to potential program participants. This is particularly important with one-on-one counseling. It is easy to get off on tangents. Without such guidelines, employees will come to the meetings expecting to discuss a wide array of financial issues. Too much time may be spent discussing divorce issues or life insurance, when the employer expects only to see filled-out benefit selection forms. Make sure the counselor, the employer, and the employee have the same understanding of the purpose of these sessions.

The tendency of employers is often to run as many employees through as quickly as possible. However, it is important to refer back to the company’s goals for the program. If the intent is simply to review worksheets handed out in workshops and make sure questions relating to the benefits presentation are answered, the sessions can be shorter. However, anything less than 45 minutes is cutting it close. The employees may need help in another area of their finances in order to make benefits decisions.

For instance, they may need to discuss credit card debt reduction to have enough money to contribute to a retirement plan. It is very difficult, if not impossible to not stray into other areas of the employee’s financial life. For example, what does a counselor say to an employee who says, “My husband is having major cancer surgery in two days, and I’m worried that we have not done what we should in case something should happen to him.” It’s pretty hard to say, “That’s not our goal for today’s session.” The counselor will want to first allow a small amount of time to build rapport, then ask a few specific questions, or provide helpful resources like names of attorneys or other advisors that may be helpful.
If the employer has allowed for wider latitude in these sessions and, in effect, said all financial planning issues and questions are fair game as long as the goals previously outlined are met, a minimum of one to one and one-half hours to meet is essential. The employees are going to take advantage of the opportunity and come in with both questions and paperwork.

Education or advice is even harder distinctions to make in one-on-one sessions. Again, the employer needs to be clear with the counselor and the counselor needs to be clear in her own mind if the purpose is just education, or education and advice. The counselor needs to set the stage with employees as to what role he will play in the counseling.

Even if education is stressed, they will ask, “What should I do?” If the intended role is to educate, this cannot be discussed. However, it cannot be left unaddressed! The presenter has to lead them through the educational process again. Step back and walk through the relevant parts again. This is another reason not to have one-on-one sessions less than 45 minutes, particularly if the employee population needs remedial work.

Let’s look at an example. Often, the employee will come into the session with his most recent 401(k) statement and ask, “Do you think I am doing the right thing with my investments?” First of all, the counselor may not know enough to answer the question. The counselor should beware of giving advice, even if the employer has given the go ahead – all of the relevant information may not be available for each of the employee’s finances. What the counselor doesn’t know could make a difference in how the employee should be investing. They will look to hold someone responsible if it doesn’t work out. A far safer route is to lead the employee to his own decision. It’s a fine distinction, but an important one. For instance, it is noted that the employee’s risk profile exercise says he should be a moderate investor, yet he is investing as if he had an aggressive profile. The counselor could tell the employee to change his asset allocation, thus giving advice. Or, the counselor could say, “Do you see a disconnect between the results of the exercise and the way you are investing?” Then it could be asked, “Why do you think this is so?” The answer might be due to information that is missing. Again, the employees’ answers could expose what has been missed in the education program.

A solution must be determined during the counseling session – if it is not, employees will leave frustrated. They may even leave angry that they are so close after all their effort, but still don’t have their issue resolved. By properly guiding them to make their own decisions, they may leave the session more confident in their abilities and more likely to take action now and in the future as needed.

Employees should be encouraged to prepare for a counseling session ahead of time. Give them a written checklist on what they need to bring to the session. Otherwise, they may ask questions that cannot be answered. If they want to know whether their 401(k) asset allocation matches their risk tolerance, the most recent 401(k) statement will be needed in order to help them answer this important question.

Environment/location is another important factor in one-on-one counseling sessions. A room with a door is essential for confidentiality reasons. The counselor never knows
what’s going to come up and it is important for employees to feel free to discuss personal financial matters. It is helpful to have an outlet for a laptop. There may be resource information or programs in the laptop that would be helpful. It is preferable to have a table for the laptop in order to refigure worksheets if necessary. It is also recommended NOT to sit across a desk or table from the employee; this may be intimidating. A round table setting or sitting adjacent to the employee is a better alternative. There should be a chair for everyone who is attending. Many of these suggestions sound simplistic, but they set the stage and provide an atmosphere that is conducive to getting results.

Confidentiality, within ethical and legal bounds, is non-negotiable. An employee who is thinking of leaving a company needs to be able to discuss the results of a retirement calculation that may show a different 401(k) match than what her company actually provides. While a counselor can discuss trends with an employer, individual information is off limits. This assurance of confidentiality should be addressed in any initial discussions of providing one-on-one counseling to employees. These important ground rules need to be understood by the employer as well.

It is important to have records of any benefits communications. This is important to maintaining an accurate communication paper trail. These records should be archived. These serve as documentation of what was communicated. One-on-one sessions are no different. There needs to be documentation of what was discussed. In fact, if the counselor’s role is as an educator and not giving advice, this should be reflected somewhere in the record.

The most effective way is to have a checklist that covers the benefits under review. If the sessions are more global, provide a second checklist on the page that is by topic area, i.e., estate planning, insurance, taxes, and cash flow. It is a list where the counselor can check “yes” or “no” after the topics. There should be a place for comments. An employee may be doing something financially that could have problematic consequences and this should be noted in the discussion. The counselor may feel an employee has a low level of understanding regarding his/her benefits and is still making inappropriate choices. This section is also used as an overview of the meeting. These should stay in the counselor’s archives for confidentiality reasons.

One final note: counselors need to find out if corporate counsel needs to review and/or approve any communication or education materials. They should always review any materials that relate to contracts or contract language and should probably review formulas and examples used for benefit plans. Company actuaries should also review anything involving benefits and accompanying formulas and sign off on formulas and their accompanying assumptions. It is important to note, some companies may want legal approval on all benefits materials.
Key Terms

advice
auditory learners
communication
communication paper trail
education
electronic disclosure safe harbor
ERISA 404(c)
four stages of learning
kinesthetic learners
learning
learning styles
professional self-care
robo-advisors
safe harbors
transfer of learning
virtual meetings
visual learners
Review Questions

1. According to a survey by the Profit Sharing/401(k) Council of America, the most effective communication technique is
   a. phone centers.
   b. newsletters.
   c. group meetings with benefits consultants.

2. ERISA Section ________ provides fiduciary protection for employers providing financial education.
   a. 401(c)
   b. 404(a)
   c. 403(a)
   d. 404(c)

3. The following are considered education under the safe harbor rules except
   a. general information about the plan.
   b. asset allocation information based on accepted investment theories.
   c. advisability of a particular investment.
   d. interactive investment materials.

4. The _____ of ERISA Section 404(c) plans are required to exercise prudence in the selection of and monitoring of educators and advisors.
   a. plan sponsors
   b. fiduciaries
   c. participants

5. Fiduciaries are not required to offer ______ under an ERISA Section 404(c) plan.
   a. education
   b. communication services
   c. investment advice

6. The purpose of ERISA Section 404(c) is to offer _____ to plan sponsors in offering education and investment advice and maintaining protection from liability.
   a. advice
   b. education
   c. guidance
7. Fiduciaries of ERISA Section 404(c) are required to
   a. select financial educators and advisors.
   b. offer investment advice if it will help employees make sound decisions regarding their plan accounts.
   c. provide questionnaires, worksheets and software that provide participants with the means to make informed investment decisions.
   d. act solely in the interests of plan participants and beneficiaries in making decisions regarding the appointment of persons to provide investment education services or investment advice.

8. The four “safe harbors” from the Department of Labor on 404(c) specify
   a. the parameters within which a plan sponsor can give advice while still maintaining their protection from liability.
   b. what is considered investment education and not advice.
   c. how investment information should be provided to participants.
   d. that personalized asset allocation model recommendations based on hypothetical individuals and based upon accepted investment theories must be provided by outside providers.

9. Communication is the process of developing knowledge and skills, while education is the act of imparting, conferring or delivering knowledge, opinions or facts.
   a. True
   b. False

10. All of the following are true learning styles, except
    a. about 40% of the population are primarily visual learners.
    b. about 25% of the population are primarily auditory learners.
    c. about 45% of the population are kinesthetic learners.

11. All of the following are true learning styles, except
    a. Visual Learners: The visual learning style usually refers to pictorial representations of events and is characterized by words that embody vision, for example, seeing, picturing, reflecting, and mirroring.
    b. Auditory Learners: The auditory learning style refers to hearing, word characterizations, abstract thinking, and verbal analysis. This learning style is typified by words such as thinking, knowing, analyzing, assessing, evaluating, and appraising.
    c. Kinesthetic Learners: The kinesthetic learning style encompasses feelings and actions and is represented by words like sensing, feeling, exciting and words like forcing, being, doing, and acting.
    d. Dimensional learners: The dimensional learning style includes being able to think mathematically and is captured by concepts such as 2D and 3D, geometric shapes, light and darkness.
12. Studies show that people learn better by  
   a. listening.  
   b. seeing.  
   c. doing.  

13. Stage One of the four stages of learning is  
   a. they don’t know that they don’t know.  
   b. they know that they don’t know.  
   c. they now know that they know.  

14. The first step in Stage One of the four stages of learning is to move employees from “passive procrastination” to  
   a. action.  
   b. awareness.  
   c. anxiety.  

15. Stage Two of the four stages of learning involves moving the employees from awareness of the potential financial problems to  
   a. action.  
   b. learning about the problems.  
   c. an understanding of their potential solutions.  

16. Stage Three of the four stages of learning is  
   a. they don’t know that they don’t know.  
   b. they know that they don’t know.  
   c. they now know that they know.  

17. The key concept in Stage Four of the four stages of learning is  
   a. repetition.  
   b. action.  
   c. establishing goals.  

18. There are many types of communication and educational tools. The best approach is to use a combination of mediums since a one-size-fits-all approach does not account for differences in learning styles, financial literacy, and other diversity issues.  
   a. True  
   b. False  

19. Using ______ is a common pitfall in print materials.  
   a. investment jargon  
   b. numbers
20. Certain types of _____ are required by regulation to be provided to participants.
   a. investment advice
   b. print material
   c. one-on-one workshop

21. Which communication medium has been proven to be the most effective method of educating adults about personal finance, especially when the desired education result is a change in the saving and investing behavior of employees?
   a. print materials
   b. one-on-one counseling sessions
   c. workshops

22. When choosing communication and education tools, what is the most important factor to consider?
   a. the age of the audience
   b. the education medium that best fits the employees needs and is most likely to produce the desired results
   c. the form of communication that was voted most favorable by the employees

23. _____ are best used to reinforce company messages or provide easy outlets for information that needs to be communicated.
   a. Phone centers
   b. Employee statements
   c. Written materials

24. All of the following are true about workshops as an education medium, except:
   a. They can be designed to be more interactive than other media.
   b. They should be carefully scripted.
   c. They provide an excellent opportunity to get real-time feedback from participants.
   d. They should only address investment education.

25. Which of the following is true about using technology with retirement plans?
   a. Call centers are not useful for open enrollment that involves changes to the benefit plan.
   b. Voice response systems are best for those who are more technologically oriented.
   c. Interactive web and computer based programs are one of the most effective ways to educate employees about their retirement plan.
   d. none of the above
26. Financial education workshops  
   a. have proven to be the most effective method of educating adults about personal finances when a change in saving and investing behavior is desired.  
   b. do not offer an opportunity to obtain feedback from employees any more than other communication and education mediums.  
   c. do not need to be carefully scripted and delivered since instructors need to be flexible in their delivery to best meet the needs of the group.  
   d. are best offered after work hours when employees are more focused and spouses can attend.  

27. Assume your employer is preparing to announce the acquisition of another company and therefore a corporate early retirement (downsizing) program for approximately 1,000 employees of the newly combined company. What would you recommend be the primary financial education vehicle used to help employees make an informed decision about taking the offer?  
   a. One on one counseling, since it allows for questions about specific employee circumstances to be answered and best helps overcomes perceived obstacles to the desired behavior.  
   b. Workshops, since they can address unique employee circumstances that are not addressed in general communications.  
   c. Seminars, since that is the best way to reach great numbers of people in a short time period.  
   d. Personalized statements, since they can clearly spell out the economic ramifications of the offer.  

28. In general, seminars  
   a. are more effective than workshops in providing a learning experience.  
   b. provide a passive experience for the audience.  
   c. capture the participants’ attention better than most other media.
◆ Answer Key

1. c
2. d
3. c
4. b
5. c
6. c
7. d
8. b
9. b
10. b
11. d
12. c
13. a
14. b
15. c
16. c
17. b
18. a
19. a
20. b
21. c
22. b
23. c
24. d
25. d
26. a
27. b
28. b
CHAPTER 4
Ethical Issues in Retirement Counseling

Overview

While testifying before a U.S. Senate committee, Warren Buffett, when acting as the temporary CEO of Salomon Brothers, stated, “If I hear of an employee losing the company money, I’ll be understanding. However, if I hear of any employee losing Salomon one shred of reputation, I’ll be ruthless.”\(^1\) Buffett’s remarks were part of an effort to save Salomon’s reputation and help it recover from a devastating bond scandal. Bonds were the company’s specialty, and the scandal caused a major loss of trust in Salomon and the industry as a whole. Buffett’s underlying assumption was that companies had elevated profits above reputation.

A common thread through all stages of retirement planning and counseling is professional ethics. This chapter will clarify the role of ethics in retirement counseling. According to John Dobson, professor of finance, “There are undoubtedly practitioners who would question whether such a role exists” given that financial-economic theory (wealth maximization) has “promulgated its own brand of hedonism.”\(^2\) The wealth maximization perspective must be tempered by a strong code of ethics, which requires internal values to provide backup when more external motivators (wealth maximization) do not offer ethical direction.

This chapter attempts to create this link and offers several checks on personal ethical behaviors and the behaviors of the counselor’s employer. We also introduce and explain the CRC® Code of Ethics. This chapter culminates with a series of case studies that address the very real ethical issues counselors face in communicating with and educating employees, members and clients.

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\(^2\) Ibid.
Learning Objectives

1. Define the term ethical.
2. Describe two operational definitions of ethical behavior.
3. Differentiate between internal and external motivators for ethical behavior.
4. Describe the model for ethical decision-making.
5. Identify the nine considerations for evaluating core ethical values.
6. Identify four considerations for evaluating an employer’s ethical potential.
7. Identify and describe the eight ethical guidelines in the CRC® Code of Ethics.
8. Be aware of regulatory considerations and fiduciary relationships.
9. Apply the guidelines of the CRC® Code of Ethics to specific case examples.

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Values

Subscribe to a Set of Professional Standards
Adopt the Golden Rule as a Standard for Ethical Behavior
Develop a "No Harm" Perspective
Develop a "Do Good" Perspective
Obtain Moral Role Models
Be Trustworthy
Develop a Willingness to Be Supervised
Learn from Past Decisions
Learn from Mistakes

Systemic/Employer Considerations
Regulatory Considerations
Fiduciary Relationship

CRC® Code of Ethics

CRC® Code of Ethics Principles of Conduct
Ethical Accountability: Case Studies

Conclusion
What Does It Mean To Be Ethical?

Ethics is defined as a “system of moral principles; the rules of conduct recognized in respect to a particular class of human actions...”. The word ethical is defined as “pertaining to or dealing with morals or the principles of morality; pertaining to right and wrong in conduct; in accordance with the rules or standards for right conduct or practice, especially the standards of a profession”. In essence, ethics is concerned with the choices human beings make when confronted with moral decisions.

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<th>KEY POINTS</th>
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<tr>
<td>Ethics</td>
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<tr>
<td>• System of moral principles</td>
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<tr>
<td>• Legal compliance is minimum requirement</td>
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<tr>
<td>• Ethical behavior</td>
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<tr>
<td>• golden rule</td>
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<td>• platinum rule</td>
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Agreement as to the “absolute standards” that constitute ethical behavior is rare. The problem is compounded by the fact that many ethical decisions do not require the counselor to decide between right and wrong, but more often, between a middle of the road scenario. This is the basis for ethical dilemmas – the answer is not always clear. Different from mathematics and some sciences, ethical issues/dilemmas are more normative than factual. That is, ethics addresses principles that ought to govern human conduct rather than those that do govern it.³

Ethical behavior may be operationally defined as “how people behave when they are absolutely guaranteed that no one will find out what they have done.” Translated, this is often expressed as the Golden Rule, “Do unto others as you would have them do unto you.” A platinum rule has even been suggested, “Do unto others as they would have you do unto them.”⁴ However, given that many discussions about ethical behavior often regress to a discussion about “rights” and “legalities,” the practical definition of ethical behavior provided by a former Supreme Court Justice, Potter Stewart, seems worthy of consideration – “knowing the difference between what you have a right to do, and what is the right thing to do” [emphasis added]. This statement takes ethical decision-making beyond mere compliance with the law to a more stringent level of personal responsibility

which requires the consideration of a person’s moral responsibility. In short, legal compliance is often the minimum requirement – there are many ethical decisions that mandate action not required by the law.

- **Wealth Maximization Perspective**

According to Michael Caccese (*Financial Analysts Journal, 1997*), ethical behavior can be summed up in four words: *ethics is good behavior!* This is evident in a research study conducted by C.C. Verschoor (*Journal of Business Ethics, 1998*), which found that the mean financial performance rank of companies with a stated commitment to ethical behavior was significantly higher when compared with the mean rank of companies that did not make any overt reference to ethics. However, such a *wealth maximization perspective* (a perspective that suggests if we engage in ethical behavior, we will ultimately profit), has been criticized as being too much of an external motivator for ethical behavior, requiring almost no consideration of morals or values. According to Dobson (1993), the idea that wealth maximization creates ethical reputations needs to be tempered by the fact that ethical behavior, under this hypothesis, is “maintained for economic reasons – reputations for trustworthiness will be fostered only if agents believe that such actions maximize wealth.” The counselor must buy into this concept.

- **For example:**
  - If a stockbroker believes he will have a greater number of clients if he does not churn or otherwise manipulate their accounts, then he will likely act in an ethical fashion because of this expectation.
  - Additionally, if a used car saleswoman feels that she will sell more cars if she does not take advantage of her customers, she will supposedly act in a more ethical manner in order to maximize her wealth potential.
But what really are the motivators of ethical behavior? What if these financial incentives for ethical behavior do not exist, or there are unethical ways to maximize wealth potential through “kick backs,” “referral fees,” or even “churning” client accounts? Or what if like most retirement counselors, the person is on a salary with only the incentive of keeping his job? Is this enough motivation for ethical behavior? It may be for some, but what about those who really do not care for or like their jobs? What then are the external motivators for ethical behavior; and if there are not any, is it not important to have some internal constraints to guide ethical decision making?

♦ Values

For this reason, most theorists and philosophers believe internal motivations for ethical behavior must exist for ethical conduct to occur. These internal motivators are usually referred to as values, “cherished beliefs and preferences that guide human decisions” according to W.J. Doherty and P.G. Boss (Handbook of Family Therapy, 1991). They further note these “values and ethics are closely related in the following way: values are the beliefs and preferences that undergird the ethical decisions made by individuals and groups. In other words, all ethical issues involve values as grounds for decision making, and all values dealing with social rights and obligations inevitably surface in ethical decisions.” The following illustration is offered as a way to conceptualize the relationship between values and ethical decisions. Note that values ought to be the core motivators, with external motivators being secondary.

![Figure 10.1: Model for Ethical Decision Making](image)

Though the nurturing of values is too big a task to accomplish in this chapter, there are some considerations that might help a counselor evaluate core ethical values and beliefs and their place in professional affairs.
Ethical Issues in Retirement Counseling

Core Ethical Values for Counselors

- Subscribe to a set of ethical standards
- Adopt the golden rule
- Develop a “no harm” perspective
- Develop a “do good” perspective
- Obtain moral role models
- Be trustworthy
- Develop a willingness to be supervised
- Learn from past decisions
- Learn from mistakes

Subscribe to a Set of Ethical Professional Standards
Do you subscribe to and agree with a set of ethical professional standards? Just hanging the standards on your office wall is not enough. Counselors must understand them, agree with them, and practice them. A person’s level of internal agreement and/or disagreement with the standards reveals a great deal about her internal ethical potential. The professional standards of ethical behavior referred to here are the ethical guidelines outlined by InFRE, discussed later in this chapter.

Adopt the Golden Rule as a Standard for Ethical Behavior
Do you agree with, and live by, the Golden Rule (Do unto others as you would have them do unto you)? If you are at odds with this rule or the platinum rule discussed earlier in this chapter, consider what internal or external motivators help you in the process of ethical decision-making.

Develop a “No Harm” Perspective
Are you concerned about NOT harming others? If you have never considered whether you have harmed or might harm another person, your insight may be limited. Part of the formula for consistent ethical decision-making is the personal “policing” mechanism that helps monitor potentially unethical actions. If this internal mechanism is not fully developed, it is probably wise to establish a trusting relationship with a friend, colleague, or supervisor whom you can trust as a source of feedback, insight, and accountability.

Develop a “Do Good” Perspective
Though a “no harm” perspective is essential, there is another part to the formula. Are you a person that desires to accomplish good things? Does your philosophy of life include “doing the good stuff” as well as “not doing the bad stuff?” Combining these two will balance your retirement counseling effort with your effort to make informed ethical decisions.
Obtain Moral Role Models
Looking to role models and/or mentors is an effective way to learn. Role model learning requires a model/mentor to exhibit certain behaviors and someone who models what the model/mentor is doing. This process is referred to in the research literature on human development as modeling. In basic terms, modeling is the process of “observing and then imitating another person’s behavior.” Modeling is considered by social learning theorists to be one of the strongest forms of learning. From the mentor’s perspective, she must “practice what they preach” or “walk the walk, not just talk the talk.” The observer’s perspective must ultimately transform itself into an imitation of the mentor’s behavior.

Can you identify people that you respect for their integrity, and do you seek to model their behavior? If you cannot, begin seeking them out and imitating their ethical behaviors.

Be Trustworthy
Taking responsibility for personal actions is a requirement for ethical decision-making. The level of responsibility assumed can be partially determined by our actions when we are not being observed. Does the mentor still act as a mentor when the mentoree is not observing? Perhaps this is the real test of personal responsibility and trustworthiness. Consider what you do and how you act when no one is looking. Do you act more or less ethically when being observed, as opposed to when you are not?

Develop a Willingness to Be Supervised
As discussed above (no harm perspective), the willingness to be supervised is an important component of ethical decision-making and the process of nurturing ethical values. Are you willing to have your decisions and actions evaluated by a supervisor or third party? A counselor’s willingness to include others in decision making often reflects a person who is eager to learn and has nothing to hide.

Learn from Past Decisions
How often have your past professional decisions impacted others in a negative way? A pattern of negative impacts may reveal a history of poor ethical decision-making on the counselor’s part. Negative impacts can be defined in at least three ways:

1. A pattern of poor ethical decision-making
2. Multiple negative counseling outcomes
3. High attrition among plan participants.
Learn from Mistakes
Absolute perfection will not be achieved anytime soon. Given this premise, mistakes will be made by even the best counselors; however, these mistakes can be a powerful tool for growth and learning. For this to occur, two things must happen: (1) counselors must acknowledge their mistakes and take responsibility for them; and (2) counselors must assess the impact of these mistakes and do whatever it takes to make things right. Do you learn from your mistakes in this manner? Counselors who use their mistakes to improve their performance inherently exhibit a more internal value orientation, and from this perspective, will typically behave more ethically and last longer in their profession.

♦ Systemic/Employer Considerations

One of the biggest issues that may hamper a counselor’s ethical decision making is the herd mentality. The herd mentality is characterized by individuals who are seduced into subordinating their own personal value systems in an effort to toe the company line, often referred to as being a “team player.” If the company is valueless, the counselor may find himself without values in a very short period of time.

The following are four ethical considerations that may help the counselor evaluate his employer regarding the level of ethical commitment in an effort to keep from being herded into unethical situations.5

- Consider the ethical leadership of those in charge. Leaders set the tone and shape the climate for future ethical decision-making.

- Research suggests that companies with a good track record of ethical behavior have spelled out their ethical policies in a company vision, values statement, or organizational code of ethics. Whether a statement or code exists in a particular company offers insight into the level of ethical commitment.

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3. Does the company have an ethical enforcement officer, ethics committee, or specific procedure for dealing with ethical infractions or problems?

4. Does the company provide ethics training? According to F. Navran (1997), “Ethics training teaches employees what the organization requires and gives them the opportunity to practice the values in hypothetical training situations so employees can apply those same standards in the real world.”

♦ Regulatory Considerations

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<tr>
<td>• Federal/national agencies</td>
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<td>• State governments</td>
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<tr>
<td>• Accreditation for designations</td>
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<td>• Fiduciary relationship</td>
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Both federal and state regulators are looking into the use of professional designations with the use of “senior” or “elder” in the designation. For instance, in 2007, the Financial Industry Regulatory Authority (FINRA) began conducting inquiries regarding the use by registered persons of professional designations or titles that use the term “Senior” or “Elder” as part of the designation or which state or imply that a person has special expertise, certification, or training in advising or servicing senior citizens (“Senior Designation”). FINRA also began reviewing the use by registered persons of professional designations or titles that use the term “Retirement” or “Retiree” or which state or imply that a person has special expertise, certification, or training in advising retirees or near retirees by (“Retirement Designation”).

The North American Securities Administrators Association (NASAA) provides regulatory guidance, educational programs and an information-sharing forum for state securities agencies responsible for investor protection. NASAA has proposed a model rule on the use of “senior-specific” certifications and professional designations that could be adopted by individual states. InFRE has strongly supported NASAA’s intent to develop a rule that not only would effectively regulate the use of designations but also create a more uniform national regulatory environment. InFRE also agreed with

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NASAA’s general premise that approved designations must meet professional accreditation standards.

Several state securities departments have also passed or considered a regulation which limits the use of “senior-specific” certifications and designations used by advisors selling financial products and services. Massachusetts has been in the forefront of attempting to understand and regulate the validity of various senior designations. Sample regulatory language would prevent the following:

*Using a purported credential or professional designation that indicates that an investment adviser representative or a broker-dealer agent has special expertise or training in advising or servicing senior investors, unless such credentials or designations have been accredited by a nationally recognized independent accrediting organization whose purpose is to develop standards and implement methods for assuring competency. Such organization shall be approved by the Secretary by order. For the purposes of this rule, the term “senior investor” shall include a person 50 years of age or older.*

These actions are several of the reasons why InFRE began the process of preparing the Certified Retirement Counselor® (CRC®) certification to meet the rigorous accreditation standards of the National Commission of Certifying Agencies (NCCA) in 2007. These standards include but are not limited to:

- Exam design that assesses the competency of the professional (versus knowledge only) using psychometrically-acceptable and defensible testing instruments and procedures
- Adherence to a professional code of ethics
- A disciplinary process overseen by an independent Board of Standards
- Recertification requirements that require professionals to keep their knowledge current

Accreditation is an indication to consumers that all who hold the certification possess a consistent level of knowledge and competency pertaining to their profession. To be an accredited program, an organization must meet high standards regarding governance, responsibility to stakeholders, exam process, and recertification. Evidence of compliance with these standards must be submitted along with other required documentation.

Accreditation requires a certification to be structured and governed in way appropriate for the profession and that ensures autonomy in decision making over essential certification activities. To avoid conflicts of interest between certification and education functions, the certification agency may not require the purchase of educational materials but may offer educational materials as on optional way to prepare for an exam. Study materials and exams are based on the domains of knowledge and tasks determined in an industry practice analysis and generally accepted psychometric principles. The certification program must also demonstrate that its recertification requirements measure or enhance
the continued competence of certificants. Accrediting organizations like the NCCA use a peer review process to establish accreditation standards, evaluate compliance with the standards, and recognize organizations/programs which demonstrate compliance.

♦ Fiduciary Relationship

A fiduciary relationship with a client is viewed as the highest standard of customer care available under law. It requires both a duty of care and a duty of loyalty, which means the fiduciary is to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.

Registered investment advisors are regulated by the Securities and Exchange Commission (SEC) and broker-dealers are regulated by the Financial Industry Regulatory Authority (FINRA). In 2009, the Obama Administration proposed to standardize the care that investors receive at a federal level, whether they be a financial advisers or a broker-dealers. Under the Dodd-Frank Act, Congress directed the Securities and Exchange Commission (SEC) to study the need for and develop a standard that establishes a uniform federal fiduciary standard of care for brokers and investment advisers providing personalized investment advice. Separate from and conflicting with the definition of fiduciary being contemplated under Dodd-Frank, the Department of Labor (DOL) proposed a substantial rewrite to its regulation that redefines what it means to be a fiduciary under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code.

Where does the Department of Labor get the authority to regulate advisors?\(^7\)
The Employee Retirement Investment Security Act of 1974 (ERISA) sets minimum standards for pension plans in private industry. For example, if an employer maintains a qualified retirement savings plan, ERISA specifies when an employee must be allowed to become a participant, how long they have to work before they become vested in their pension, how long a participant can be away from their job before it might affect their benefit, etc. ERISA also establishes the standards of conduct for fiduciary advisors assisting both employers and plan participants with respect to the plans and the participant accounts. Although Individual Retirement Accounts (IRAs) are not “plans” under ERISA, the DOL has authority with respect to the definition of fiduciary and prohibited transactions for IRAs so these rules are applicable to IRAs as well.

Do DOL regulations under ERISA apply only to retirement plan advisors? Securities outside of qualified retirement plans, as well as the advisors who provide them, do not fall under ERISA. They are regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). However, SEC and FINRA regulations do also apply to advisors who provide securities within qualified retirement plans.

What does ERISA say about retirement plan advisors’ fiduciary standard of conduct?
ERISA requires advisors who provide “investment advice” to serve as fiduciaries to their clients, meaning that they must act with prudence and loyalty, diversify client assets and follow plan documents.

A financial professional satisfying the duty of prudence acts “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.” (ERISA 404(a)(1)(B)).

A duty of loyalty requires that advisors act solely in the interests of the participants for the “exclusive purpose” of providing benefits and defraying costs. ERISA currently prohibits fiduciaries from completing transactions that involve conflicts of interest, unless they disclose the conflicts and operate under the oversight of an independent fiduciary.

What constitutes providing “investment advice,” according to the DOL?
Under current ERISA rules, a broker-dealer becomes a fiduciary providing investment advice ONLY if he or she satisfies a five-prong test. An broker-dealer is a fiduciary if he or she:

1. provides advice,
2. on a regular basis,
3. pursuant to a mutual agreement or understanding
4. that the advice is the primary basis for an investment decision,
5. and if the advice is individualized based on the particular needs of the plan or participant.

If any one of the five parts of the test is not met, the broker-dealer is not considered to be providing investment advice and therefore is not deemed a fiduciary. Anyone with discretionary authority is always a fiduciary under both ERISA and SEC rules.

A broker-dealer making trades at the direction of a plan sponsor, investment advisor or plan participant is not considered as providing “investment advice,” under current rules. Nor is it considered “investment advice” to provide general education about asset allocations or types of investments.

If broker-dealers and registered representatives do not currently fall under DOL regulation, does that mean they are unregulated?
A broker dealer is always subject to SEC and FINRA rules, which require advisors to deal fairly with clients, make suitable recommendations, execute the best trades and disclose conflicts of interest.

Suitability, as enforced by FINRA, is a very robust standard. Registered reps must comply with regulations covering nearly every aspect of their businesses, from how they communicate with clients to how they interact with senior citizens, from how they
advertise to how they keep and maintain records. The suitability standard is governed by no fewer than six FINRA rules and more than a dozen Regulatory Notices and Notices to Members. It requires registered reps to compile and regularly update detailed investor profiles for each client. Registered reps must get to know their clients and have a strong understanding of their clients’ needs and interests.

Registered reps face near constant scrutiny and annual compliance reviews by their broker-dealers. The broker-dealers, in turn, are subject to detailed FINRA examinations approximately once every two years.

What are the consequences for an advisor who breaches fiduciary duty?
The consequences of a claim of breach of fiduciary duty are significant. The financial professional has the burden of proof that he or she has not violated the duty if a complaint is made. If a breach is determined, the financial professional is personally liable for any losses to the plan or participant account, and must return any profits arising from the breach.

What’s wrong with requiring advisors to act with prudence and loyalty?
DOL fiduciaries are not permitted to have any conflicts of interest, even if disclosed, so receipt of commissions or other third party compensation is prohibited (if the amount of commission varies by product and/or provider). Retirement savers therefore lose the ability to choose how they engage their professional advisors. For many, paying out of pocket for financial advice may be too costly. Paying an asset management fee may conflict with FINRA’s suitability rules, in that accounts with minimal trades or transactions are better served under the broker-dealer model.8

In February 2015, President Obama announced that the DOL was moving forward with its proposed rulemaking to address conflicts of interest in retirement advice. On April 14, 2015, the DOL announced a re-proposal of the rule, which was followed by a period for public comment. Public hearings are were held in August, 2015. While there is no hard deadline for a final rule, it is expected to be in place well before the 2016 presidential elections, when a different regulatory approach might be adopted at the Labor Department.

**CRC® Code of Ethics**

The right thing to do as a retirement counselor is to become intimately familiar with the CRC®’s Professional Code of Ethics, and then practice the principles with tenacity. This Code of Ethics, adopted by the CRC® Board of Standards and Policy Development, provides Principles of Conduct for all persons who earn the CRC® certification. By accepting the Code, a designee recognizes the obligation to follow, in their professional

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activities, both traditional ethical principles and the letter and spirit of the state and federal laws that regulate advice, records, and transactions.

The Code is both an indication and affirmation of the increasing importance of retirement planning, administration, counseling and advice. It recognizes the responsibility of members of the profession to act honestly and with integrity in their conduct of business affairs, both towards particular plan participants and the public at large, by putting the interests of their clients first. Like all codes, its true value is not in specific and necessarily evolving principles, but in the overall purpose and spirit with which it is adopted and maintained. A code too specific and intrusive precludes or eliminates a check at the level of values, and a code too broad and diffuse may allow for personal values to run amok.

Adherence to the Code is mandatory for all CRC® designees who are actively involved in the practice of retirement counseling. The tenets of the Code are applicable while performing any professional activity in which the knowledge and integrity of the certification marks are (or are implied to be) used in the performance of a counselor’s professional responsibilities. Abiding by this Code will serve to assure public confidence in the integrity and service offered by those professionals who have earned either the Certified Retirement Counselor® certification.

There are two consistent things to consider when evaluating most ethical codes: (1) codes are heavy on moral absolutes and imperatives, but (2) often lack specific guidance to be used in every day ethical dilemmas and situations. More often than not, the counselor will be left to apply general ethical principles to very specific and difficult ethical situations. Becoming an ethical person is a long-term process rather than a one-time event. According to Laura Addington, the process “entails making choices and decisions, and a commitment to learning from past experiences and examples in order to make better ethical decisions in the future.”

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**CRC® Code of Ethics Principles of Conduct**

**KEY POINTS**

1. Comply with the letter and spirit of all state and federal laws
2. Act always in best interest of plan participants
3. Never disclose confidential information
4. Be truthful in all communications

Principle 1: Comply with the letter and spirit of all federal and state laws that regulate retirement advice, services, records, and transactions applicable to retirement planning or retirement administration.

The field of retirement services is affected by a broad range of law, and includes such disciplines as tax, securities, and labor relations. The Certificate Holder acknowledges that adherence to such laws is an important part of all professional obligations.

Principle 2: Act always in the best interest of the client or individual retirement plan participant for whom services are performed; and, when performing services for a retirement plan as a whole, act in the best interest of the plan and all persons who have rights under the plan.

This principle requires the Certificate Holder to act in the best interests of a client or plan participant whose interest is affected by the performance of services. Thus, if Individual X seeks explanation of two alternative benefit formulas from Counselor Y, the counselor is obligated to present information on both, even if one formula is more expensive for the counselor’s employer, or more troublesome for the Certificate Holder to process or explain. This principle also recognizes that many persons in the field of retirement counseling and administration perform services that do not relate to a specific client transaction, and yet advance mutual interests. This is permissible under Principle 1. Principle 1 covers adherence to specific statutes relating to conflict of interest, fiduciary responsibility, or investment disclosure; disclosure of possible adverse interest from receipt of compensation for service.

Principle 3: Never disclose confidential information about the finances or status of a client or particular plan participant unless authorized by the individual or by law.
This principle prohibits use or transfer of particular information for personal gain. Examples include:

- discussion about an employee’s designated beneficiary, or
- sale of information about an individual’s precise account balance to a newspaper or third party provider.

Disclosures compelled through subpoena, other provisions of law, or through processing of routine plan transactions are allowed. A Certificate Holder employed by a plan sponsor may, of course, disclose plan information when directed to do so by the individual.

Principle 4: Be truthful and forthright in all communications relating to retirement services and transactions.

Truth may seem relative in some issues because it is not black and white but differing shades of gray – the lighter the shade of gray, the more okay the decision may seem. Hence, it can be rationalized that the total truth may not be necessary and that complete candor might confuse the issue. This principle requires the entire truth to be told, with complete candor, in all counseling situations.

### KEY POINTS

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Principle 5: Perform all retirement services competently, diligently, and according to the highest professional standard; the Certificant will maintain the necessary specific knowledge and expertise to do so, and decline any activity that cannot be competently performed.

The duty of competence and diligence is routine standard for trustees and professional advisors, and the Code makes it mandatory for Certificate Holders. This section also emphasizes the obligation of the Certificate Holder to know when a given action is outside the scope of competence.
For example:
This might include calculation by an investment professional of a defined benefit or cash-out payment under a complex formula set forth in a plan.

Finally, the Certificate Holder is expected to take steps to keep his or her skills and/or competence up to date as necessary regardless of whether the number of required continuing education hours have been met.

Principle 6: Conduct activities relating to the retirement profession under the highest standards of personal and professional integrity, and in ways that reflect creditably on the profession.

This principle promotes a standard of conduct that looks to something more than minimal requirements. Promotions of services or particular transactions through unrealistic fear or greed are both prohibited. The principle also requires professionals to work cooperatively with other entities or persons involved with a plan or its participants, so that transactions may proceed accurately, efficiently, and according to the parties’ intentions.

Principle 7: Disclose, to all persons for whom services are provided, the Certificant’s source of compensation, the identity of any person or entities paying the compensation, and any material fact about the compensation that is necessary to understand potential adverse interest.

This principle works in conjunction with Principles 1 and 4 and imposes an affirmative duty to disclose the relevant business relationships of the Certificate Holder. In many (if not most) cases, the relationship and source of compensation will be obvious:

For example:
An employer for the manager of the benefits department or a stockbroker earning commissions on a particular recommended transaction, the disclosure of which is governed by securities laws.

Persons hired by a plan or employer to provide particular retirement advice, or to encourage a particular retirement plan transaction such as enrollment in a 401(k) plan, are required under this principle to disclose the identity of his employer, and whether their compensation comes from multiple sources, such as the employer and/or one of the investment providers under the plan.

Persons providing retirement planning services outside the direct scope of the employment context (such as advising on a plan distribution and roll-over to another financial entity) are required under this principle to disclose any contingent compensation, such as commissions or fees from investment providers that will receive the distributed funds. The Board of Governors believes that the precise form of any such disclosure is best left to future development within the professions, consistent with existing regulatory and fiduciary requirements, the requirement that Certificate Holders
be affirmatively honest and candid, and their obligation to put the best interests of the plan participant first (Principle 2).

Principle 8: Supply material information relating to the transaction or service to the person for whom services are performed (including information that is not requested), if such information is generally recognized as necessary to any informed decision.

An example of this obligation would be a benefits administrator providing an existing distribution options brochure, or current investment prospectus, to a participant, whether or not it had been asked for specifically.

♦ Ethical Accountability: Case Studies

Codes of ethics are by nature quite broad and are regularly debated by their adherents. Additionally, ethical dilemmas are just that, dilemmas that are not always easily dealt with in black and white solutions, but more often in differing shades of gray.

Learning about ethics is more of a practicality than a science, and is perhaps best dealt with through case examples. The following are eight case studies that will present common ethical dilemmas and offer analysis and direction via the CRC® Code of Ethics.

Case Study #1
A retirement counselor from a very large company invites a registered representative (rep) from a financial services company to do a seminar on the company’s available funds. The counselor is excited about having a rep come and potentially increase employee enrollment. The rep is excited because he will receive a trailer commission on each product he sells. Each party (the counselor and the rep) considers this to be a win-win situation – the rep makes money and the counselor increases enrollment. Because it is such a good thing for both they decide not to mention commissions, since this makes employees a bit skeptical and puts a damper on meetings. Additionally, this will save everyone the confusion of trying to understand the different commission breakdowns for the many different products offered (e.g., mutual funds, annuities, etc…).

Analysis
The ethical implications of this scenario are centered on the universal principle of “full disclosure.” The primary CRC® ethical guideline to consider is Principle 7 – “Disclose, to all persons for whom services are provided, the Certificate Holder’s source of compensation…” Additionally, Principle 1 states, “Comply with the letter and spirit of all federal and state laws that regulate … transactions” and, Principle 4 states, “be truthful and candid in all communications relating to retirement services and transactions.”

* * * * *


**Case Study 2**

The company retirement specialist decides that a financial education program is essential to boost participation. The counselor spends a lot of time planning the effort, but despite having an adequate budget, chooses to use the cheapest and most convenient financial education materials in an effort to save money and impress company principals. After all, the employees will benefit by getting more information than they already have, the principals will be impressed with the efficient use of funds, and the counselor will most likely get a commendation.

**Analysis**

How could anything be problematic here? After all, how much is spent and for what is relative when you really think about it. According to the CRC® ethical guidelines, **Principle 2** “Act always in the best interest of the retirement plan participant for whom services are being performed…” and **Principle 5** “perform all retirement services competently, diligently, and according to the highest professional standard…” such an effort would be highly suspect. It seems clear that the counselor is acting in her own interest (and the principal’s interest), rather than in the best interest of plan participants. Principle 5 could be debated in that the counselor could argue that the materials selected, though not as expensive as certain others, were adequate. This may be a good rationalization and might keep the counselor out of trouble, but it seems questionable from an ethical perspective, in light of the “adequate budget” described in the facts.

* * * * *

**Case Study 3**

One of the principals of a company seeks retirement assistance from one of the retirement counselors employed by the company. The counselor is completely caught off guard that this particular company executive would seek out his help. After getting over the initial disbelief, the counselor begins to gather information regarding the executive’s situation. In the information-gathering phase, the counselor learns that the executive not only makes $350,000 dollars per year, but is awaiting a bonus of $50,000 dollars that she wants to partially invest in the company retirement plan. After the interview, the counselor is very clear as to the solution, but visits with one of the other counselors regarding the visit and the executive’s incredible income.

**Analysis**

Though the temptation to talk about this important employee and her large salary will most likely exist, this information should be kept confidential. **Principle 3** states, “Never disclose confidential information about the finances or status of a client or a particular plan participant unless authorized by the participant or the law.” The only exception to this principle is “disclosures that are compelled through subpoena or other provisions of the law…”

* * * * *
**Case Study 4**

A ten-year employee of a company finally comes in to discuss her financial situation with the company retirement counselor. During the process of the interview, the employee states that the real reason she is exploring her options is her impending divorce. After discussing the financial details, the employee breaks down emotionally and suggests she is really struggling with this problem, especially since she does not feel she is getting support from family or friends. The counselor, doubting whether she can be helpful, mentions it to a supervisor in the hope that the supervisor will help organize assistance and support for the employee. The counselor justifies this by telling the supervisor that she is bound by confidentiality with regards to financial matters, but feels this does not really apply when people need help with more personal matters. Moreover, the counselor rationalizes that she really has an “ethical” responsibility to help this employee in a time of despair.

**Analysis**

This is a little different scenario than Case Study 3. Here the counselor is sharing personal, not financial, information about the client in an effort to be helpful. **Principle 3** does not specifically address personal issues, only the finances or status of a plan participant. Given that ethical guidelines do not always address every potential scenario, is this a situation where a breach of confidentiality is justified based on personal needs? After all, **Principle 3** is vague on personal issues and **Principle 2** states that we should act in the “best interest of the client or individual retirement plan participant.” Though some may argue that personal issues are covered under **Principle 3** of the CRC® Code of Ethics, additional guidance can be obtained from **Principle 1** “Comply with the letter and spirit of all federal and state laws that regulate retirement advice, services, records, and transactions.” Confidentiality is a core principle covered under both the letter and spirit of federal and state laws and of every other governing/regulatory body associated with any type of professional counseling. The only exception may be in “Duty to Warn” situations where someone is likely to hurt themselves or someone else (individual state laws will govern this duty differently). If there is any question regarding the need for confidentiality under **Principle 3** in this scenario (which there should not be), find support in **Principle 1**.

Another option might be to ask the client’s permission to discuss this with another counselor so as to obtain the best information possible. Also, since procurement of assistance from others need not be accompanied by disclosure of confidential information, a discreet mention that “an employee could use some help” might be productive and would not be unethical.

* * * *

**Case Study 5**

A long-time employee of the company is seeking advice regarding an early distribution from her 401(k) account to help fund her child’s education. The woman is 57 years of age and is anxious to retire when she is 65. The woman is a concerned mother who wants to provide everything for her children, especially a college education. She is excited about
the opportunity to help her child go to college and seems oblivious to the negative ramifications it has on her own retirement plan. Despite the counselor’s desire to discuss this problem, the woman makes it perfectly clear that all will be okay – “let’s just do it”. Not wanting to disappoint the mother or her child and feeling like the mother has already made up her mind, the counselor goes ahead with the plan without discussing retirement issues.

**Analysis**

What principles, if any, have been breached in this example? After all, this is an adult woman who made her desires perfectly clear – “I want to fund my child’s education,” with the implication that the consequences for her retirement plan were not important. Despite the fact that the woman will probably do what she wants anyway, there is an obligation on the part of the counselor to provide material information that will help her make a fully informed decision. **Principle 8** requires the counselor to “supply material information relating to the transaction or service, to the person for whom services are performed (including information that is not requested), if such information is generally recognized as necessary to any informed decision.”

Similar situations can occur with any benefit pay out option that pays larger sums on the front end, but leaves the client short on the back side. This type of information needs to be disclosed, even if it puts a damper on the initial enthusiasm of the client. This principle extends to information like brochures and prospectuses that are essential for full disclosure, even if the client does not request them.

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**Case Study 6**

An important client comes in for some counseling on the many combinations of 401(k), IRA, and Roth IRA benefits available to him. The counselor, like most, wants to be able to answer all the questions accurately, particularly because this important client is relying on her for such an important decision. The counselor does not want to admit not being current on pension and tax law requirements and provides information that she thinks is correct, but does not have complete confidence in.

**Analysis**

What principle can provide insight into ethical decision making for this counselor? Certainly, the counselor could find support in **Principle 2** “best interest” or **Principle 4** “be truthful and candid” or even **Principle 6** relating to “highest standards of personal integrity.” However, the key principle here would be **Principle 5** “Perform all retirement services competently … and decline any activity that cannot be competently performed.” It would be easy to slip through the session and then engage someone who knows more about the pension and tax laws and return like a knight in shining armor to save the day. But what happens when the client asks more questions that are beyond the counselor’s scope and it becomes clear the counselor is over her head? It is best to state any limitations and assist the client in finding more specific and reliable help. The confident
counselor knows that it is common for even the most well regarded expert to caution that the preliminary advice may not be accurate, needs to be checked, or simply is not known.

* * * * *

Case Study 7
Given the “just can’t lose” phenomenon prevalent in the market for the past several years, an employee, Betty, wants a piece of the action. She tells the counselor that she is fed up with the low returns on income funds and is ready to fly high in the market. Sally, the retirement counselor, just experienced several situations where clients made large gains in aggressive growth funds and has been successful personally with these more growth-oriented stock funds. In the excitement of the moment, Sally shares her successes with Betty and recommends pursuing the growth arena. She gives some limited verbal information about other less risky options that would be a compromise between where Betty is currently positioned and where she wants to go. However, because everything seems so clear, no additional information is provided.

Analysis
One of the first questions to consider is has Sally crossed over from providing education to giving advice? While this topic is not specifically addressed in the CRC® Code of Ethics, it might create future legal issues should Betty be unhappy with the performance of her stock fund. However, the Code does provide insight into another concern raised by this example. Principle 8 once again offers some help. It requires the retirement counselor to “provide information about the transactions, even in relation to the information not requested (less aggressive funds) so a more informed decision can be made.”

What if Sally was pushing the growth funds due to an incentive program by the fund distributors? Fund distributors often provide higher commissions on growth-oriented funds. Principle 7 deals with disclosure and any incentives that may cloud a counselor’s judgement. Such incentives need to be disclosed, specifically when dealing with “material facts about compensation that are necessary to understand potential adverse interest.”

Finally, the most important action left out of this example is the failure to deliver a prospectus (paper or electronic) or any information about other options. Betty should be told three things: 1) Read the prospectus for disclosure of risk; 2) Some investments are riskier than others; and 3) Betty is making the decision and will earn the gains or suffer the losses.

* * * * *

Case Study 8
A retirement counselor is always a step behind in his level of preparedness, but calls training meetings despite this lack of preparation. One meeting is particularly difficult because the topic area requires attention and study. However, this counselor is known for
his fast talk and ability to think quickly on his feet. The counselor pulls it off, but only because the group does not generally know any better.

*Analysis*

Principle 5 relates to competence, which is clearly an issue in the above scenario. However, Principle 6 “Conduct activities relating to the retirement profession under the highest standards of personal and professional integrity and in ways that reflect creditably on the profession” would appear to be the guiding principles in the above example.

* * * * *

**Conclusion**

There are several principles/guidelines in the CRC® Code of Ethics that can inform and offer insight into a counselor’s ethical decision making. The real test is the counselor’s ability to apply ethical decision-making in real world scenarios. Retirement counseling and the employers who demand it will become more ethical if and only if counselors and the companies themselves expand their value base, clarify these values in company codes of ethics, and practice, practice, practice, then monitor, monitor, and monitor.
◆ Key Terms

breach of fiduciary duty

Department of Labor (DOL)

duty of loyalty

duty of prudence

Employee Retirement Investment Security Act (ERISA)

ethical behavior

ethics

fiduciary relationship

Financial Industry Regulatory Authority (FINRA)

golden rule

herd mentality

modeling

platinum rule

Securities and Exchange Commission (SEC)

values

wealth maximization perspective
Review Questions

1. Ethics addresses principles that ________ govern human conduct rather than those that ________ govern it.
   a. do, ought to
   b. can, should
   c. ought to, do
   d. never, do

2. “Do unto others as they would have you do unto them” is known as the
   a. golden rule.
   b. platinum rule.
   c. rule of ethical behavior.

3. The wealth maximization perspective suggests that
   a. internal motivations must exist for ethical behavior to occur.
   b. if we engage in ethical behavior, we will ultimately profit.
   c. ethical behavior reduces the potential for wealth.
   d. ethical behavior is not necessary in today’s society.

4. ________ are the beliefs and preferences that undergird ethical decisions.
   a. External motivators
   b. Ethics
   c. Values

5. A company with ________ is less likely to “herd” an employee into unethical situations.
   a. ethical leadership
   b. an ethical statement or code
   c. ongoing ethics training
   d. all of the above

6. Which of the following is NOT a consideration given to help increase ethical behavior?
   a. Develop a “do good” perspective.
   b. Develop a willingness to be supervised.
   c. Adopt the golden rule as a standard for ethical behavior.
   d. Maximize external motivators for ethical behavior.

7. Which of the following is NOT true about a fiduciary relationship? It
   a. is almost the highest standard of customer care under the law.
   b. requires a duty of care.
   c. requires a duty of loyalty.
   d. requires full and fair disclosure of material facts and conflicts of interest.
8. Which of the following best describes a “duty of loyalty”?
   a. An advisor must act with care, skill, and prudence.
   b. To act with care while performing any acts that could foreseeably harm the client.
   c. Requires that advisors act solely in the interests of participants for the “exclusive purpose” of providing benefits, defraying costs, and disclosing conflicts of interest.
   d. Advisors must diversify clients’ assets and follow plan documents.

9. Counselors who use their mistakes to improve their performance inherently exhibit a(n)
   a. external motivation for ethical behavior.
   b. greater understanding of the wealth maximization perspective.
   c. more internal value orientation.

10. In a counseling session a client asks you which investment option most people choose. Can you tell him?
    a. Yes
    b. No

11. In a counseling session a client asks you how much a friend puts into his plan. Can you tell her?
    a. Yes
    b. No

12. A client comes to you for guidance on investing within his 401(k) plan. He is trying to decide between two funds, one more aggressive than the other. You receive higher commissions when a client invests in more aggressive funds. Should this information be disclosed?
    a. Yes
    b. No

13. A client has thoroughly researched all the investment options available to her under the plan. She has already decided which options she wants and has come to you to enroll in those options. Should you still give her the investment options brochures and prospectuses?
    a. Yes
    b. No

A client confides that he will be seeking reemployment. The counselor realizes this could affect the client’s ability to receive continuation of benefits and shares this information with the benefits department despite being asked not to.

14. Who should be the primary customer?
    a. the company
    b. the client
15. Which principle(s) should guide the counselor in this scenario?
   I. Principle 2: act in the best interest of plan participants
   II. Principle 3: never disclose confidential information unless authorized by the client or by law
   III. Principle 4: be truthful and candid in all communications relating to retirement services and transactions
   a. I only
   b. I and II
   c. I and III
   d. I, II, and III

The widow of a long-time company employee begins working with a retirement counselor. Shortly after, the retirement counselor hears a number of negative stories about the widow from mutual acquaintances. The counselor begins to feel biased against the widow and wonders if the counseling relationship should continue. One problem is that the widow is a friend of the counselor’s boss, who suggested the widow visit the retirement counselor in the first place.

16. What ethical principles can inform the counselor’s decision?
   I. Principle 2: act in the best interest of plan participants
   II. Principle 3: never disclose confidential information
   III. Principle 5: perform all retirement services competently and according to the highest professional standard; decline any activity that cannot be performed competently
   IV. Principle 6: conduct activities under the highest standards of integrity
   a. II and IV
   b. III and IV
   c. I only
   d. I, III and IV
   e. I, II, III and IV

A client interested in early retirement wants to know at what age she can collect her retirement. The counselor states she can take her money upon retirement, disability, or termination of employment. The counselor realizes this is the truth, but on second thought is concerned that a few details have been omitted. Does the counselor now risk confusing or disappointing the client by adding details like age and service requirements and penalties that may be applicable?

16. Though the counselor is sure this is just a client “wishing” about the future with no intention to retire, what ethical guidelines may inform the counselor’s actions at this point?
   I. Principle 8: supply material information relating to the transaction or service (including information that is not requested) if the information is necessary to any informed decision.
II. Principle 6: conduct activities under the highest standard of integrity.
III. Principle 4: be truthful and candid in all communications relating to retirement services and transactions.
IV. Principle 5: perform all services competently and diligently.

a. I and III 
b. I only 
c. IV only 
d. I, II and IV 
e. I, II, III and IV 

The counselor is invited to a company executive meeting. The vice presidents, in an effort to trim costs, decide to make changes in certain offerings and change asset allocation in the company pension plan. The changes appear to be motivated by selfish reasoning and do not appear to be in the best interest of plan participants. The counselor fears that disagreeing with company executives will threaten his job.

17. As a result, the counselor should agree with company executives.
   a. True 
   b. False 

18. What ethical guidelines might inform the counselor here?
   I. Principle 2: act always in the best interest of plan participants. 
   II. Principle 4: be truthful in all communication. 
   III. Principle 7: disclose source of compensation. 
   IV. Principle 8: supply material information relating to the transaction or service. 
   
   a. I and IV 
   b. I, II and III 
   c. I and III 
   d. I only 
   e. I, II, III and IV
Answer Key

1. c
2. b
3. b
4. c
5. d
6. d External motivators *may* help promote what appear to be ethical behaviors indirectly, but the other three choices listed all have a direct link to ethical behavior.
7. a
8. c
9. c
10. a Principle 3 prohibits sharing information about a particular individual but not about group activity/census information.
11. b
12. a Investment disclosures are covered under Principle 1.
13. a As of this writing, the SEC has issued a proposal calling for simplifying prospectus language, as well as simply making an electronic prospectus available (perhaps via the internet) to an investor rather than requiring actual delivery of a paper prospectus.
14. b
15. b
16. d
17. e
18. b
19. d
Overview

To address all of the potential areas affecting the retirement planning process for a worker/retiree, you likely will want or need to work with a variety of advisors. A typical list of advisors includes lawyers, accountants, bankers, insurance agents, real estate agents, health advisors, financial planners and stockbrokers. This chapter identifies the key roles, responsibilities and standards for each of the various types of advisors, as well as how their costs can impact the retirement wealth accumulation and distribution process.

Learning Objectives

1. Identify the various types of retirement advisors that can offer assistance in the retirement planning process.
2. Explain the roles, responsibilities and standards for each of the various advisor types.
3. Describe the types and impact of fees on the retirement wealth accumulation process.
## Contents

### Types of Retirement Advisors

- Lawyers/Attorneys
- CPAs/Accountants
- Insurance Agents
- Health Advisors
- Real Estate Agents
- Bankers/Lenders
- Financial Planners
- Stockbrokers

### Fees

- Types
- Impact on Wealth Accumulation

### Conclusion
### Types of Retirement Advisors

#### Advisor Roles
- Each type of advisor brings unique skills, abilities and limitations
- Advisor activities need to be coordinated and support the retirement planning process
- Conflicting advice must yield to the worker/retiree’s choice

As you learned from the Retirement Readiness Model in *CRC® 1*, there are six main areas to consider for inter-disciplinary retirement planning. While retirement planning may traditionally be thought of as primarily a financial issue, the Retirement Readiness Model shows there are both financial and non-financial areas of a person’s life to consider. From an advisory standpoint, that also means there are both financial and non-financial retirement advisors who can provide valuable input into the retirement planning process.

Clearly, no single advisor in any field knows everything there is to know, even about their own particular field; everyone has limitations. Thus, each advisor will bring a unique set of skills, knowledge and insights into the retirement planning process. One challenge in the retirement planning process then is combining and coordinating the various types of advice. A subsequent problem is resolving conflicting advice from two professionals in different fields.

For instance, assume a retiree’s tax advisor believes she should try to maximize income tax deductions in a particular year by recognizing some investment losses. Meanwhile, a stockbroker counsels her to “stay the course” in the midst of a down market, believing her well-diversified portfolio is positioned nicely to rebound when the market turns around soon. Which advice should carry more weight for the retiree?

Ultimately the final decision rests with the retiree and must be honored by all of the retiree’s advisors. When your first recommendation won’t be followed, hopefully you can create a compromise position that will still be valuable in the overall retirement plan and yet not sacrifice what you believe to be good advice – even when you consider it not “the best” for this retiree in this situation.
Let’s turn to an examination of the various types of retirement advisors that can serve workers and retirees. While this section captures a large sampling of typical advisors, there may certainly be others that can add value in the retirement planning process.

♦ Lawyers/Attorneys

A competent lawyer will nearly always be essential in a well-crafted retirement plan. Consider just a few of the many areas where a lawyer’s expertise may be required:

- Drafting a will
- Drafting a trust
- Drafting various advance directives, such as a power of attorney, durable power of attorney, living will, and health care power of attorney
- Filing for probate
- Settling an estate
- Titling assets and property (sole ownership, joint tenant, tenants in common)
- Eldercare

While a lawyer may be an expert on estate issues (such as property settlements), it does not necessarily mean the lawyer is a tax expert. On the flip side, other types of retirement advisors may understand estate-related issues, but if they are not licensed attorneys, they cannot provide legal advice. They can educate the worker/retiree, but they cannot, for example, draft a trust document.

Each state has its own bar association that licenses attorneys to practice within its jurisdiction. The bar associations typically have ethical standards as well as rules of professional conduct licensed members are expected to adhere to. Bar associations also typically require members to complete a certain amount of continuing legal education each year.

♦ CPAs/Accountants

Tax preparation is another key component in most retirement plans. In addition to knowledge about the federal tax code, tax preparers such as CPAs and accountants usually need to have a good understanding of state income tax rules as well. Particularly for retirees who may own property/homes in multiple states, the accountants they depend on will need to be well-versed on state income tax laws for all their various domiciles.

A good tax preparer for a retirement plan will also understand estate tax issues as well as gifting strategies. Tax preparers may go by various titles, including enrolled agents, public accountants, CPAs, and tax attorneys.
Situations when a competent tax advisor can add value to a retirement plan include:

- Net unrealized appreciation
- When to convert traditional IRA money to a Roth IRA
- Recharacterizing Roth conversions
- Tax loss harvesting
- Asset liquidation order during the distribution years
- Required minimum distributions
- Substantially equal periodic payments
- Receipt of nonqualified deferred compensation

Many groups monitor and support tax preparers, such as the AICPA (American Institute of Certified Public Accountants) and the National Association of Enrolled Agents. States have a local CPA society as well. Like bar associations, these groups promote ethical behavior, continuing education and practice standards.

♦ Insurance Agents

Retirement planning entails many forms of risk, as demonstrated in chapter 4. Insurance agents have a range of products that can help the worker/retiree minimize the financial impact of various risks, such as immediate income annuities for longevity risk, umbrella policies for liability risk, long-term care insurance for aging-related health risks, etc. A good agent can help a worker/retiree maximize coverage and minimize costs, making adjustments to deductible amounts, elimination periods, coverage ceilings, and eliminating duplicate or unnecessary coverages.

A good insurance agent can assist a worker or retiree with expert advice in situations such as:

- Selecting a long-term care policy at an appropriate age
- Taking advantage of pension max
- Choosing deferred or immediate income annuities
- Commercial coverage for self-employed individuals
- Life insurance vehicles for trusts, charities and estate tax situations
- Finding disability coverage for workers in their 60s and beyond
- Health savings accounts and high deductible healthcare plans

Each state has its own insurance commissioner’s office that oversees licensed insurance professionals. This office sets licensing and exam requirements, as well as continuing education requirements (including ethics). Recognize that different licenses are required to offer the various types of insurance products.
♦ Health Advisors

More so for retirees, health advisors can play a pivotal role in the aging process for a retiree age 60 and beyond. Health advisors could include home health aides, gerontologists, social workers, skilled nurses, geriatric care managers, pharmacists, dieticians, registered nurses, doctors, etc. Health advisors give direction in areas such as:

- Selecting a housing option, such as a continuing care retirement community or a nursing home
- Finding hospice care
- Choosing the right level of home health care
- Caregiver relief/respite care
- Managing medications

Health advisors come from a variety of fields, so there is no single “national” agency that monitors health advisors. Still, there are state area agencies on aging, federal aging agencies such as the Administration on Aging, and private groups/foundations that monitor health care issues for seniors.

♦ Real Estate Agents

Estimates say the average American will move roughly 12 times in their life.\(^1\) For workers who change locations, finding a good real estate agent can help smooth the overall moving process. Retirees are often thought of as being “set” in one location, but that impression is changing due to, among other things, longer life expectancies and improvements in health status. Thus, a retiree may move from a house, to a continuing care retirement community, to a group setting such as an assisted living facility, to a nursing home. For retirees, a real estate agent will likely be involved in at least one transaction, such as selling their home before the retiree enters a retirement facility.

Like state bar associations for attorney, each state has a board of realtors. These organizations promote ethical behavior and professional standards. Many subscribe to the National Association of Realtors (NAR) code of ethics. Members are expected to show loyalty and fiduciary duty to their clients, and be truthful in their statements and advertising.

♦ Bankers/Lenders

Maintaining access to loan-able funds is critical throughout the working and retirement years. During working years, workers may need loans for homes, cars, college education and other items. In the retirement years, individuals may have very similar needs (though likely not for college funding except perhaps for grandchildren), as well as for reverse

\(^{1}\) U.S. Census Bureau.
mortgages and other methods of taking cash out of their primary residence. Some common sources for lending include:

- Reverse mortgages
- Home equity lines of credit
- Primary mortgages
- Small business loans

♦ Financial Planners

“Financial planner” is a bit of an ambiguous term in the marketplace. For purposes of this chapter, we’ll use the term to mean an advisor who takes a more comprehensive look at a worker/retiree’s overall personal financial situation. Financial planners typically review clients’ insurance coverage, investment needs, tax and estate issues, cash management and retirement planning. Clearly, all of these areas impact the financial status of the workers and retirees you will counsel.

Financial planners may belong to national organizations like the Financial Planning Association (FPA) or the National Association of Personal Financial Advisors (NAPFA). Both groups have ethical standards members are expected to honor.

♦ Stockbrokers

Stockbrokers identify and implement suitable investment recommendations for workers/retirees. Typical investment products include mutual funds, exchange-traded funds, and individual securities like stocks and bonds. Brokers are required to be licensed to sell various securities products.

From an ethical standpoint, the Financial Industry Regulatory Authority (FINRA) requires its members (such as stockbrokers) to recommend investments that are “suitable” for a particular customer. To be suitable, the stockbroker is expected to know the customer’s financial status, tax situation, investment objectives and any other relevant information.
Fees

Types

All advisors are compensated in some form or fashion for their work. Compensation can come in the form of:

- Fees only, which can be a flat dollar amount or a percentage charge
- Commissions only
- A combination of fees and commissions

There is no “best” form of compensation for a worker/retiree working with an advisor. The facts and circumstances of each worker/retiree’s situation define which form of compensation is in the customer’s best interests.

You need to recognize that beyond your own form of personal compensation, retirement plans, insurance products and investment vehicles may have costs as well. For instance, retirement plans may have account maintenance fees or administrative fees for participants in plans like a 401(k) or 403(b). Insurance products such as annuities may have mortality charges or surrender costs. Investment vehicles like mutual funds have fund operating expenses and possibly sales charges that lower an investor’s total return.

In each case, whether explicit or implicit and whether charged directly by the advisor or through a product/service, higher costs ultimately mean less money for the worker/retiree’s retirement savings. Accordingly, advisors need to examine the products and services they offer to ensure fees are reasonable, and the worker/retiree is “getting her money’s worth” from the charges incurred.
Impact on Wealth Accumulation

The impact of costs can be seen in Figure 9.1. Here, assume a worker is saving for retirement in a 401(k) account using two mutual funds with similar objectives and overall returns from different investment companies; the main difference between the two is simply costs. The worker contributes $400 at the start of each month for 20 years.

With hypothetical investment choice A, she earns 6.5%; with choice B, she earns 7.5%, which is a 1% difference over choice A. In dollar terms, the end result shows she is over $25,000 better off with choice B. What might the 1% difference in returns be due to? Plan administration costs (record keeping, educational seminars), investment charges for the fund themselves (commissions, management fees, and/or 12b-1 fees), and/or individual service fees (such as for taking a loan from the plan).

![Figure 9.1: Dollar Value Difference of 1% Cost after 20 Years](image)

Conclusion

You may need to consider consulting a variety of advisors to address the potential areas affecting the retirement-planning process for a worker/retiree. This chapter identifies the key roles, responsibilities and standards for each of the various types of advisors, as well as how their costs might impact the retirement wealth accumulation and distribution process.
Review Questions

1. A retiree looking for assistance in choosing a housing option would most likely turn to which one of the following for advice?
   a. lawyer
   b. real estate agent
   c. health advisor
   d. financial planner

2. A 50-year old worker wants to establish a health savings account for her family. She will most likely consult with which one of the following?
   a. lawyer
   b. insurance agent
   c. health advisor
   d. financial planner

3. Which one of the following advisors has a regulatory duty to know its customers?
   a. stock broker
   b. insurance agent
   c. accountant
   d. financial planner

4. A worker who wants more of a comprehensive retirement plan would most likely consult which one of the following advisors?
   a. stock broker
   b. insurance agent
   c. accountant
   d. financial planner

5. Which one of the following is the best compensation arrangement for a retiree working with an advisor?
   a. fee only
   b. fee and commissions
   c. commission only
   d. none of the above

6. As a general rule, lower costs mean more retirement wealth for a customer.
   a. true
   b. false
Answer Key

1. b
2. b
3. a
4. d
5. d Each client’s situation is unique, and therefore one compensation approach is not going to be right for everyone.
6. a In general, lower costs mean clients keep more of their wealth.
References

Basic Principles of Counseling


Modes of Educating and Advice


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<td><strong>Attending</strong></td>
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<td><strong>Auditory learners</strong></td>
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<td><strong>Baby Boomer Generation</strong></td>
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<td><strong>Body positioning</strong></td>
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<td><strong>Body posture</strong></td>
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<tr>
<td><strong>Breach of fiduciary duty</strong></td>
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<td><strong>Central tendency</strong></td>
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</table>
Closed-ended question
a question designed to get a “yes,” “no,” or simple factual response; used when trying to focus the discussion on a particular point or area of concern.

Common ground
some level of agreement; agreement that will validate the employee’s position and help them assess the counselor’s own level of understanding.

Communication
the act of imparting, conferring, or delivering, from one to another knowledge, opinions, or facts.

Communication paper trail
the process of keeping updated and detailed records of counselor/client interactions to protect counselors from ethical and legal claims that question professional conduct.

Communication styles
four specific and observable behavioral patterns that result from two primary ways that describe how we interact (behave) with others. The first is how direct we are (or the directness we have) when we communicate. The second is how open we are (or the openness we have) when we communicate.

Crisis communication
communication that occurs at a turning point.

Department of Labor (DOL)
Department of Labor, United States. The DOL fosters, promotes, and develops the welfare of the wage earners, job seekers, and retirees of the United States; improves working conditions; advances opportunities for profitable employment; and assures work-related benefits and rights.

Duty of loyalty
the duty of loyalty imposes a number of additional responsibilities upon fiduciaries and retirement counselors. They are required to keep confidential, and not disclose or use, any information that they come across in their capacity as a fiduciary. They also have to report all conflicts of interest, whether actual or potential, real or perceived, and obtain legal advice in cases where it is unclear whether or not a conflict exists. In cases where a conflict does exist, the fiduciary should be fully transparent about it and disclose all relevant information.
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<tr>
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<tr>
<td>Duty of prudence</td>
<td>traditionally includes the duty of a trustee, fiduciary or counselor to administer their position with a degree of care, skill and caution. The degree of care required depends both on the jurisdiction on their actual or purported skill, for example if they have are a retirement counselor, they must exercise professional care. At a minimum, a trustee, fiduciary or counselor is required to act with the care a &quot;prudent person&quot; would in dealing with the assets of another, given the purposes, terms, and other circumstances of the relationship.</td>
</tr>
<tr>
<td>Education</td>
<td>the process of training and developing knowledge, skill, mind, and character of, especially by formal schooling or study.</td>
</tr>
<tr>
<td>Electronic disclosure safe harbor</td>
<td>the DOL states that as long as a plan administrator takes the steps required in the Safe Harbor, a notice or other electronic means will be considered to have been delivered, as if the information was sent by first class mail. Plan administrators may rely on the Electronic Disclosure Safe Harbor for delivering plan information that is required to be delivered to participants.</td>
</tr>
<tr>
<td>Employee Retirement Income Security Act (ERISA) of 1974</td>
<td>a federal law that sets the rules employer-based plans must meet to qualify for tax advantages.</td>
</tr>
<tr>
<td>Emotional message</td>
<td>the underlying feeling or emotional aspect of the employee’s response. In many cases, the emotional message of the employee is as, or more, important than the verbal one.</td>
</tr>
<tr>
<td>ERISA 404(c)</td>
<td>Section 404(c) provides Safe Harbor rules for providing financial education, guidance and advice.</td>
</tr>
<tr>
<td>Ethical</td>
<td>pertaining to or dealing with morals or the principles or morality; pertaining to right and wrong conduct. Being in accord with rules or standards for right conduct or practice, especially the standards of a profession.</td>
</tr>
<tr>
<td>Ethical behavior</td>
<td>how a person behaves when he is absolutely guaranteed that no one will find out what he has done.</td>
</tr>
<tr>
<td>Ethics</td>
<td>system of moral principles; the rules of conduct recognized in respect to a particular class of human actions.</td>
</tr>
<tr>
<td>Eye contact</td>
<td>usually a sign of involvement whereas looking around or away often signals a lack of involvement.</td>
</tr>
</tbody>
</table>
Fiduciary relationship

a fiduciary relationship with a client is viewed as the highest standard of customer care available under law. It requires both a duty of care and a duty of loyalty, which means the fiduciary is to act in the best interest of the customer, and to provide full and fair disclosure of material facts and conflicts of interest.

Financial Industry Regulatory Authority (FINRA)

FINRA is an independent, not-for-profit organization authorized by Congress to protect America’s investors by making sure the securities industry operates fairly and honestly. It is dedicated to investor protection and market integrity through effective and efficient regulation of the securities industry.

Five stages in the model for dealing with crises

(1) relationship building, (2) crisis defining, (3) strengths and resources mobilization, (4) positive plan of action development, (5) implementation and evaluation.

Four common categories of crises

(1) out of the blue crises, (2) developmental crises, (3) caretaker crises, and (4) structural crises.

Four stages of learning

which provides a model for learning. It suggests that individuals are initially unaware of how little they know, or unconscious of their incompetence. As they recognize their incompetence, they consciously acquire a skill, then consciously use it. Eventually, the skill can be utilized without it being consciously thought through: the individual is said to have then acquired unconscious competence.

Generation X

born 1965 – 1978; was affected by the historically high divorce rates and mass downsizing by companies, which large numbers of women (their mothers) to enter the workforce; savvy, task-driven and self-reliant; risk takers; skeptical.

Generation Y (Millennials)

born 1979 – 1997; high sense of immediacy, confidence; purposeful, sense of civic duty; value social connections, sharing homes, food, rides; more ethically and racially diverse; embrace a multi-tasking work and life style, and spends over 7 hours a day online (texting, surfing web, etc.)

Gestures

body movements that can be very precise indicators of what the person is feeling and/or thinking.

Golden rule

“do unto others as you would have them do unto you.”
<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Hearing</td>
<td>the physiological component of listening. Results when sound waves strike a person’s ear. These sound waves arrive in differing frequencies and loudness. Hearing messages is at times difficult due to the distortions of external, physiological, and psychological noise or “static.”</td>
</tr>
<tr>
<td>Herd mentality</td>
<td>characterized by individuals who are seduced into subordinating their own personal value systems in an effort to tow the company line; often referred to as being a “team player.”</td>
</tr>
<tr>
<td>Informational listening process</td>
<td>good listening is essential to the counseling process. There are five important elements in this informational listening process: hearing, attending, understanding, responding, and remembering.</td>
</tr>
<tr>
<td>Kinesthetic learners</td>
<td>people who primarily process information using feelings and actions and represent this by using words like sensing, feeling, exciting and words like forcing, being, doing, and acting.</td>
</tr>
<tr>
<td>Learning</td>
<td>change in knowledge, behavior, attitudes/values/priorities, or creativity that can result when learners interact with information.</td>
</tr>
<tr>
<td>Learning styles</td>
<td>the way in which individuals begin to concentrate on, process, internalize, and retain new and difficult information. Learning styles are a biological and developmental set of personal characteristics that make identical instructional environments, methods, and resources effective for some learners and ineffective for others.</td>
</tr>
<tr>
<td>Level I probes</td>
<td>used to gather factual information that is verifiable in some way, for example, demographic data such as name, address, telephone number, and place of work. Level I probes usually follow the normal interrogative of who, what, when, where, how, and sometimes why.</td>
</tr>
<tr>
<td>Level II probes</td>
<td>very similar in form to level I probes; that is, they usually use the interrogative who, what, how, when, where, and sometimes why. The difference lies in the kind of information that is being acquired; level II probes usually attempt to get the employee’s deeper response or feelings about the information being discussed.</td>
</tr>
<tr>
<td>Mixed messages</td>
<td>communications that give conflicting messages between the verbal and the nonverbal components.</td>
</tr>
<tr>
<td>Term</td>
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<tr>
<td><strong>Modeling</strong></td>
<td>the process of observing and then imitating another person’s behavior; considered by social learning theorists to be one of the strongest forms of learning.</td>
</tr>
<tr>
<td><strong>Nonverbal communication</strong></td>
<td>represented in what is done, not in what is said; communication that occurs in the absence of words, and in addition to words.</td>
</tr>
<tr>
<td><strong>One-down</strong></td>
<td>a process of listening and learning where the person takes a non-expert position in the interaction for purposes of developing a relationship that isn’t threatening to the other.</td>
</tr>
<tr>
<td><strong>Open-ended question</strong></td>
<td>– a question that requires more information than a simple “yes” or “no” or brief factual response.</td>
</tr>
<tr>
<td><strong>Paraphrasing</strong></td>
<td>a slightly better and more natural approach than parroting where the counselor uses his/her own words to tell the employee what he/she heard them say. Paraphrasing is more than just repeating the content, it allows for a degree of interpretation and clarification.</td>
</tr>
<tr>
<td><strong>Parroting</strong></td>
<td>repeating important messages word-for-word.</td>
</tr>
<tr>
<td><strong>Partial consensus</strong></td>
<td>level where some common ground has been reached; such agreement will establish a more lasting foundation of trust and confidence.</td>
</tr>
<tr>
<td><strong>Platinum rule</strong></td>
<td>“Do unto others as they would have you do unto them.”</td>
</tr>
<tr>
<td><strong>Professional self-care</strong></td>
<td>is defined as daily efforts to enhance the quality of one’s professional life. A portion of these daily efforts should be committed to maintaining a quality paper trail in relation to client/counselor interactions.</td>
</tr>
<tr>
<td><strong>Promptive listening</strong></td>
<td>used to obtain “hard to get” information, it encourages the employee to offer more information that they might otherwise skip or forget.</td>
</tr>
<tr>
<td><strong>Proximity</strong></td>
<td>the distance an individual puts between himself and others provides important nonverbal cues as to how he feels about the relationship.</td>
</tr>
<tr>
<td><strong>Reflective listening</strong></td>
<td>requires the counselor to send back the message to the employee by repeating important messages word-for-word; this is called parroting.</td>
</tr>
<tr>
<td><strong>Remembering</strong></td>
<td>the chore of recalling information previously attended to.</td>
</tr>
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</table>
Responding consists of giving observable feedback to the speaker. This process of giving observable feedback is often referred to as reflective listening.

Robo-advisors are online wealth management services that provide automated, algorithm-based portfolio management advice without the use of human financial planners. These specialty firms are also Registered Investment Advisors.

Safe harbors is a provision of a statute or a regulation that specifies that certain conduct will be deemed not to violate a given rule, and provides plan sponsors, retirement counselors, and advisors with protection from liability.

Securities and Exchange Commission (SEC) is an agency of the United States federal government that holds primary responsibility for enforcing the federal securities laws, proposing securities rules, and regulating the securities industry, the nation's stock and options exchanges, and other activities and organizations, including the electronic securities markets in the United States.

Silent generation is born before 1946; resistant to financial help; believe in working hard and getting ahead; expect leisure but have limited experience with leisure; believe in marriage; don’t particularly embrace “personal growth” concepts; driven by duty and concept of obligation to others.

Silent listening is a non-verbal form of communication, a silent response that lets the employee know that the counselor is listening and elicits further information from them. By using facial expressions and gestures, we respond silently to enhance the process of information gathering.

Supportive listening is a method that not only lets the employee know the counselor is listening, but like silent listening can stimulate additional information exchange between the employee and counselor. Supportive listening says in WORDS what silent listening says with gestures and body language.

Total consensus is a high level of common ground; such agreement will establish a more lasting foundation of trust and confidence.
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Touch</td>
<td>though usually reserved for greetings and good-byes, touch can play a powerful role in shaping how an individual responds to others and how they respond in return to the individual.</td>
</tr>
<tr>
<td>Transfer of learning</td>
<td>refers to learning in one context and applying it to another, i.e. the capacity to apply acquired knowledge and skills to new situations.</td>
</tr>
<tr>
<td>Understanding</td>
<td>occurs when sense is made of the primary message and the counselor is able to inform the employee that they have found common ground or some level of agreement – agreement that will validate the employee’s position and help them assess the counselor’s own level of understanding.</td>
</tr>
<tr>
<td>Values</td>
<td>deeply held, relatively unchanging beliefs about what is important and good in life.</td>
</tr>
<tr>
<td>Virtual meetings</td>
<td>online meeting and video technology that facilitates one-to-one meetings or large group.</td>
</tr>
<tr>
<td>Visual learners</td>
<td>individuals who primarily process information using pictorial representations of events and characterize this by words that embody vision, for example, seeing, picturing, reflecting, and mirroring.</td>
</tr>
<tr>
<td>Wealth maximization perspective</td>
<td>suggests that if we engage in ethical behavior we will ultimately profit.</td>
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