

International Foundation for Retirement Education (InFRE)
2008 Analysis of Practice
Certified Retirement Counselors[®] (CRC[®])

Executive Summary

The International Foundation for Retirement Education (InFRE) contracted with Professional Examination Service (PES) to conduct a practice analysis of Certified Retirement Counselors, in support of the CRC certification examination. The CRC certification examination is designed to ensure that CRCs possess all the knowledge and skills necessary to competently fulfill their responsibilities as retirement counseling professionals serving the public.

The specific objectives of the study were to:

- Assure the validity and defensibility of the CRC examination
- Update the body of knowledge underlying the exam
- Delineate the tasks used by CRC in practice
- Develop profiles of practice
- Develop empirically-derived test specifications
- Provide empirical support for InFRE's accreditation process for the CRC examination
- Provide guidance to InFRE in the development of future training and continuing education initiatives

Literature Review

PES critically examined the CRC program course manuals to identify key areas of knowledge and skills required by retirement planners. In addition, PES searched current business and academic journals and e-magazine databases for articles about current trends in retirement counseling, issues in retirement and life cycle planning, and investment issues. PES organized the results of the literature review into five major categories of retirement planning practice:

- Life Cycle Issues and Retirement Planning
- Investing and Finance
- Regulatory and Legal Framework and Ethics
- Retirement Planning Design and Strategies
- Client Interaction and Counseling

Practice Analysis Task Force

PES worked with a Practice Analysis Task Force comprised of eight subject-matter experts, which convened at a two-day meeting in December 2007, and followed this meeting up with eight extended conference calls. A detailed description of the major domains of practice, the tasks performed, and the knowledge required by CRCs was developed and refined.

Web-Based Survey

Eighteen of 27 experts asked to beta test and pilot test the survey in advance of its wide-scale dissemination provided feedback to further refine the survey instrument. This final description of practice was used in a web-based survey of CRC certificants. The survey consisted of four major sections:

- **Tasks:** Respondent rated 45 tasks on two scales, the *Frequency* with which they performed the task, and the *Importance* of the task to optimizing outcomes to clients and employees. They were also able to add additional tasks they performed which were not included in the survey.
- **Domains:** Respondents rated the *Percent of Time* spent in and *Importance* of the five major domains of practice.
- **Knowledge:** Respondents rated 63 knowledge statements on two scales: the *Importance* of the knowledge to optimizing outcomes to clients and employees; and *Acquisition*, the point at which the knowledge should be acquired. They were also able to add additional knowledge they possessed was not included in the survey.
- **Demographic and Professional Questions:** Respondents were asked about experience level, employment, and other demographic and professional questions.

An invitation to participate in the survey was emailed to 1428 CRC certificants; the email invitation contained a password-protected link to the survey. Of those sent invitations, 149 had bad email addresses, for a final survey size of 1279. Two-hundred ninety-two persons responded to the survey, for a response rate of 22.4%.

Highlights Related to Demographic and Professional Background

Approximately 78% of respondents had six or more years of experience as a retirement counselor, and 22% had from 1 to 5 years of experience. Sixty percent of the respondents were certified as CRCs from 2004–2008, and the remaining 40% were certified in 2003 or earlier. Respondents had a variety of occupations, with the most frequently cited being registered representative, employee retirement counselor, investment advisor, and independent financial planner. Almost 30% worked in the public sector, 18% worked independently, 17% worked in a brokerage firm, and 14% were employed by an insurance company; the remainder worked in a

variety of other settings. Most respondents (87%) worked in the public market sector, 39% worked in the corporate sector, 30% worked in the non-profit sector, and 11% worked in the union sector (respondents could indicate that they worked in more than one market sector). Twenty percent of respondents had less than a college degree, while 55% had a bachelors degree and 22% had a masters degree or higher. Sixty-one percent were male, and 87% were Caucasian. Respondents came from 25 states, with one practicing outside the United States.

Key Findings Relating to Tasks and Knowledge

On average, 75% of the tasks were rated as being performed at least *weekly/almost weekly* and of the remaining tasks, all but one are performed at least *monthly* and more generally *weekly/almost weekly*; only one task was performed as infrequently as *monthly or less*. All but seven tasks were rated at least “*important*” for optimizing outcomes for employees/clients. The tasks presented in the survey accurately portray the activities necessary for practice as a CRC.

Knowledge acquisition ratings indicated that a majority of the respondents believe three fourths of the knowledge statements are necessary primarily *before* a retirement counselor could be certified as a CRC; that is, this knowledge is a relevant target for the CRC examination. Respondents rated about one fourth of the knowledge statements as targets for acquisition primarily *after* CRC certification. This knowledge may serve as a useful basis for directing professional development activities for CRCs, although specific aspects might also be useful as targets for the CRC examination.

Respondents suggested additional knowledge that were not included on the survey, and after careful review, members of the PATF added three new knowledge statements, clarified another, and added an example to one.

Development of Profiles of Practice for the Profession and Test Specifications for CRC Examination

Profiles of Practice were developed by weighting each respondent’s domain ratings by multiplying the *Percent of Time* spent in each domain by the *Importance* of the domain, to produce individual weighted values for each domain of practice. Individual’s weighted results were then averaged to develop Profiles of Practice.

Test specification were developed using the profiles of practice to test specifications in order to ensure that the examination focused on (a) the domains which make the greatest contribution to the profile of practice, and (b) the knowledge needed to perform tasks in those domains. Upon review of the quantitative and qualitative results, the PATF determined that all tasks and knowledge statements in the revised delineation were valid; that is, they reflected essential elements of professional practice. The *Importance* rating for each domain was uniform and high,

while the *Percentage of time* estimates for each domain varied. The PATF reviewed the profiles of practice and recommended a slightly modified set of test specifications which took into account a number of discrete factors, namely (a) possible redundancies between test questions that might be focused on Domain 1 and the test questions that might be focused on Domains 2 and 3, and (b) the potential difficulty in translating Domain 1 tasks into valid test questions.

The PATF recommended that the hypothetical test specifications for Domain 1 be reduced slightly and proportionally distributed across Domains 2 and 3 wherein tasks similar in nature to Domain 1 tasks were located. The PATF recommended that the proportional distribution be based on the actual ratings of the respondents in regard to the five (5) specific tasks in Domain 1 identified as similar in content to tasks in Domains 2 and 3. The final test specifications at the domain level follow.

CRC Test Specifications

Domain	% of Exam
Domain 1: Provide Retirement Education	8–10%
Domain 2: Identify Needs, Concerns and Goals in Terms of Quantitative and Qualitative Factors by Career Stage/Phase of Retirement	30–34%
Domain 3: Design Retirement-readiness and Post-retirement Strategies within the Context of the Regulatory, Legal, Operational and Structural Environment	24–28%
Domain 4: Facilitate the Implementation of the Retirement-readiness and Post-retirement Strategies	18–20%
Domain 5: Evaluate, Adjust, and Document Retirement Strategies Across Career Stages/Retirement Phases	12–16%
TOTAL	100%

Domain 1: Provide Retirement Education **8 – 10%**

- Develop/provide targeted educational materials (for example, by career stage, gender, age, life style, jurisdiction, language and educational background/level of understanding) using a variety of media (for example, seminars, web sites, print materials)
- Identify a variety of courses of follow-up/action items to increase the probability of favorable behavior towards retirement (for example, increase savings rate, development social network outside of work)
- Monitor outcomes of educational programs (for example, plan participation, follow-up appointments, workshop participation) and use metrics to measure the effectiveness of those programs

Domain 2: Identify Needs, Concerns and Goals in Terms of Quantitative and Qualitative Factors by Career Stage/Phase of Retirement **30 – 34%**

- Identify clients’/employees’ basic retirement-readiness elements, including psycho-social, bio-medical, and geo-financial elements (for example, SS eligibility, life span, employer benefits, tax deferred vehicles) by career stage or retirement phase
- Develop self awareness of retirement-readiness needs in your clients/employees
- Communicate the areas wherein the client/employee needs to assume personal responsibility
- Establish an open climate for in-depth discussion of need and goals focusing on retirement
- Solicit and explore information about client’s/employee’s desires, habits, perceived challenges to retirement planning, and level of financial awareness
- Identify obstacles, challenges, and role of personal responsibility in the attainment of retirement goals
- Gather personal information and financial data necessary for retirement planning process
- Clarify client’s/employee’s needs, concerns, financial habits, and goals
- Identify legacy/wealth transfers intentions

- Assess the client's/employee's personal and financial retirement readiness to identify gaps in preparedness (for example, health status, social network, income gaps)
- Facilitate the development of a prioritized set of goals

**Domain 3: Design Retirement-readiness and Post-retirement Strategies 24 – 28%
within the Context of the Regulatory, Legal, Operational
and Structural Environment**

- Make clients/employees aware of the risks of retirement and life-stage challenges to help them form realistic retirement expectations
- Provide overview of retirement landscape to raise awareness of effective retirement planning strategies and methods
- Conduct analysis of geographical and financial retirement readiness in light of needs, concerns, and goals (for example, estimate duration of current assets, housing options)
- Conduct analysis of psychological and social retirement readiness in light of needs, concerns, and goals (for example, purpose in life, creating and maintaining social networks)
- Conduct analysis of biological and medical retirement readiness in light of needs, concerns, and goals (for example, changing healthcare needs, healthy life-style choices)
- Identify investment assets and liabilities as well as additional assets that could be included in planning
- Identify initial target asset allocation
- Identify and evaluate insurance coverages (for example, medical, disability, long-term care, life) given client's/employee's stage of retirement/retirement planning
- Identify various sources of income (for example, lifetime, employment, personal savings, property)
- Identify taxation and fee implications of various accumulation strategies
- Identify taxation implications of various distribution strategies
- Create income distribution strategies in light of needs, concerns, goals, and risks based on retirement needs
- Determine discretionary and essential expenses (for example, budget, spending plan, health benefits)
- Discuss potential risks (for example, economic factors, inflation, longevity, market, quality of life issues) and options for mitigating risks (for example, increasing savings, continuing to work, re-arranging asset allocation)
- Evaluate and prioritize options for closing gaps (for example, income, housing, social structure) in light of client's/employee's needs, concerns, goals, and risks
- Determine risk tolerance and time horizon of clients
- Review and select programs and tools consistent with life stage and needs, concerns, goals, and risks
- Modify/refine target asset allocation, as necessary

Domain 4: Facilitate the Implementation of the Retirement-readiness and Post-retirement Strategies	18 – 20%
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- Confirm clients/employees understanding of target dates for life-stage planning
- Recommend review of beneficiary designations for appropriateness and timeliness
- Create a plan to maximize utilization of employer-sponsored benefits and personal plans
- Fund the retirement savings plan
- Select distribution options (for example, systematic withdrawal, immediate annuities, pension-plan options, or combination thereof)
- Confirm that income and asset allocations conform to plan design
- Facilitate the implementation of transition plans to assist clients/employees as they move through life stages/events (for example, from earnings to spending stages, accumulation versus distribution)
- Refer clients/employees to appropriate professionals and/or other resources for implementation of specific plans (for example, estate, tax, insurance, trusts)

Domain 5: Evaluate, Adjust, and Document Retirement Strategies Across Career Stages/Retirement Phases	13 – 15%
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- Analyze plan's results/progress based on psycho-social, bio-medical, and geo-financial benchmarks (perform GAP analysis, review changes in health status)
- Document gaps, progress, and/or achievement of goals for the client/employee.
- Evaluate client's/employee's satisfaction with plan, including risk tolerance and basic understanding of the plan
- Update goals and assumptions based on performance against benchmarks and changes in life stage/events
- Document all discussions, recommendations, and changes

Knowledge Required to Perform CRC Tasks

- Basic interpersonal communication styles
- Basic interpersonal communication skills
- Procedures to effectively communicate financial concepts
- Procedures to establish rapport with diverse client groups
- Types of employee benefit plans (for example, flexible benefit plans, corporate benefit plans, executive benefit plans, multiemployer benefit plans, public employee benefit plans-457 plans, 403(b) plans)
- Regulatory changes affecting the retirement planning process
- Fiduciary environment and/or responsibility
- Differences in roles and scope of responsibilities of CRCs in public, private, and Taft-Hartley sectors
- Financial mathematics (for example, time value of money, present/future value of an annuity, compound interest)
- Basic financial principles (inflation, cash management, diversification, allocation, rebalancing, risk-return relationship)
- Portfolio management strategies (for example, strategic, tactical)
- Various budgeting techniques, including cash and debt management (cash flow, static budgeting)
- Adult learning styles and options for presenting information to facilitate transfer of learning
- Basic portfolio terminology (for example, beta, standard deviation, inverse relationship)
- Basic principles of total compensation
- Distribution options and strategies for qualified and non-qualified income
- Beneficiary elections (for example, spousal versus non-spousal)
- Impact of social security, Medicare, and Medicaid on employees in both the public and private sectors
- Retirement plans (for example, DB, DC, hybrid, and IRAs), including scope, limits, major features such as automatic enrollment and default choices
- Health care plans (for examples, HMOs, PPOs, HSAs, HRAs, negotiated health care at retirement, consumer driven health care plans, prescription drug plans), including scope, limits, and major features
- Substantially equal, periodic payments (i.e., annuities), including cost, payout options, and riders
- Retirement timing decisions, including early-, phased-, and forced-retirement
- Retirement income management
- Personal savings options
- Retirement lifestyle and housing options
- Psychological and social challenges of retirement
- Healthy lifestyle choice
- Retirement risk management
- Investment risk management
- Instruments to assess risk
- Instruments to measure goal attainment

- Client's/employee's risk tolerance
- Tools to assess risk tolerance
- Emotional/physical developmental challenges related to aging
- Principles of healthy aging
- The financial/emotional considerations of elder care and the implications to the individual's retirement planning
- Financial considerations related to dependent care
- Principles and techniques of counseling to address clients in various levels of retirement preparedness and at various life stages
- Psycho-social, bio-medical, and geo-financial issues impacting retirement preparation and successful retirement and well being (phases of retirement-early-, mid-, and late retirement)
- Retirement readiness as related to life stages across career stages/retirement phases
- Long-term care-giving options
- Principles of estate planning and wealth transfer, including charitable remainder trusts
- The use of 529 College Savings plan for retirement savings and wealth transfer
- Traditional and alternative investment vehicles
- Reverse mortgages and other methods of utilizing home equity for retirement income
- Insurance products, including life insurance, annuities, survivor benefits, disability, health, property-casualty, long-term health
- The use of life insurance in retirement (for example, pension maximization, coverage of estate tax, funeral expenses)
- Types of fees (for example, plan-related, administrative, investment, insurance, surrender, management, commissions) and their impact on the accumulation of wealth
- Income tax basics (for example, taxable income, deductions, tax credits, penalties, taxation of social security)
- Tax reduction strategies (for example, order of withdrawal, delaying income, tax-free investments)
- Basic economic principles (for example, opportunity costs, business cycles, monetary policies)
- Impact of changes in the current retirement environment (for example, shift from employer to individual responsibility, increased life span, SOX)
- Certification requirements related to provision of retirement-counseling services
- Strengths and weaknesses of available information resources for professionals and clients (Internet, software packages)
- Modeling techniques (for example, Monte Carlo, linear, stochastic)
- Roles and responsibilities and standards to select complementary professionals (for example, attorneys, accountants, financial advisors, health advisors, brokers)
- Techniques to evaluate client satisfaction
- Techniques to evaluate plan progress
- Procedures for making adjustments to the plan
- Requirements for documentation
- Unique retirement needs of diverse population groups
- Wellness programs
- InFRE Code of Ethics