FORDHAM

Business

FOR ALUMNI, PARENTS AND FRIENDS OF THE FORDHAM BUSINESS SCHOOLS

The Roadmap to Retirement

SPRING 2013

RETIREMENT REDEFINED PAGE 8
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Robert Walsh (FCRH ’81, GSAS ’83), commissioner of New York City’s Department of Small Business Services, welcomed the university and Bronx communities to the Fordham Foundry at its March 20 open house. Read about this business incubator, a partnership between Fordham and the city, on page 2.

photo by Dana Maxson

What does "retirement" mean to you?

More important from a national and global perspective, what does "retirement" mean for our economy?

Eight thousand Americans turn 65 every day. What they make of that landmark might surprise you. Retirement in 2013 looks different from a decade or two ago, and it is challenging investors, marketers, entrepreneurs and others in the business world to keep up.

In this issue of *Fordham Business*, faculty and alumni explore how the "new" retirement is affecting commerce across the board.

Some examples: The workforce is changing as many choose not to stop working at 65. More disposable income in the hands of middle-aged and older Americans is creating a new market for goods and services. The health care industry must keep a much larger older populace healthy—a prospect that requires innovation.

The stories that follow explore these and other ways that commerce will meet the needs of the 76 million baby boomers born between 1945 and 1964. These people are more active than their predecessors, living longer and on a new kind of post-career trajectory.

No matter where you are on the path toward retirement, our Fordham contributors can offer insight into a stage of life whose story is being rewritten.

We welcome your comments and feedback.

Donna Rapaccioli, Ph.D.
Dean, Fordham Business Faculty
Dean, Gabelli School of Business

David Gautschi, Ph.D.
Dean, Graduate School of Business Administration

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News

Research team creates new risk-management model

The massive financial crisis triggered by the 2008 collapse of Lehman Brothers was inevitable, but it is possible to prevent such an event in the future, according to research done by Fordham Schools of Business faculty in partnership with students and alumni of the Graduate School of Business Administration.

The study, "Valuing Assets with Liquidity Discount: An Implication to Basel III," was published in the prestigious *Journal of Fixed Income* and will be presented at two global symposia: the Institute Louis Bachelier in Paris and the Second International Conference on Credit Analysis and Risk Management in Basel, Switzerland.

"Our study closely examined the liquidity impact of the largest financial institutions during the crisis period, giving us greater insights into how increased pressure on an institution to repay its short-term liabilities correlates with its potential to fail," explained William Filonuk (FCRH '77, GBA '82), a managing director at BNY Mellon, which sponsored the research.

The resulting model provides a useful tool that individual banks and regulators can use to monitor an institution's liquidity health and ensure it complies with debt ratios that regulators put into place via the Basel Accord that followed the crisis, Filonuk said. The analysis was conducted by students in Fordham GBA's master's in quantitative finance program, which Filonuk, who also serves as first vice chairman on the GBA Board of Overseers Association, advises.

The students presented their findings to their mentors and collaborators: Fordham professors Ren-Raw Chen, Ph.D., and An Yan, Ph.D.; the study's lead expert, Dilip K. Patro of the Office of the Comptroller of the Currency; and subject experts from BNY Mellon.

"This collaboration between one of the premier academic programs with the world of practice is just the kind of example we are trying to set as a characteristic of the academic programs of GBA," said David Gautschi, Ph.D., the graduate school's dean. "I am particularly grateful to the initiative that our alumnus, Bill Filonuk, has demonstrated in bringing this joint research project with Professor Ren-Raw Chen to a constructive conclusion."

This is the third research program sponsored by BNY Mellon, which provides both facilities and subject experts for the studies. Such hands-on experience helps to make the master's in quantitative finance an in-demand program, Filonuk noted. It only accepts about 50 students per semester but receives about 1,000 applications.

GBA students to compete in CFA Research Challenge global finals

Four GBA students are headed to London to compete in the global finals of the CFA Research Challenge, sponsored by the Chartered Financial Analyst Institute. They qualified by beating 21 other university teams in the New York regional finals in March.

In this next and last round, Ken Boswell (GBA '14), Paul Kearney (GBA '13), Jonathan LaSala (GBA '14) and Elaine Lou (GBA '14) will face teams from Asia, Europe and North America.

The Fordham team surpassed their regional competitors from Montclair State, Pace and Seton Hall with a complex research brief on the Microsoft Corporation and an accompanying buy/sell/hold recommendation.

Since August, the students had devoted hundreds of hours to examining the corporation, conducting rigorous interviews, evaluating surveys and digesting their findings into a detailed report. They then prepared a thorough 10-minute slide presentation, informed by an intensive study of several past CFA research competitions.

"It was a daunting process for our dedicated students; their social life has been pretty much nil," said Robert J. Fuest (GBA '08), an adjunct professor of finance in the Fordham Schools of Business and the team's faculty advisor.

Team mentor Mike Kiernan (GBA '93) coached the students along with Fuest and several other faculty and professionals.

Business incubator supports entrepreneurship

She's not just the caterer. She's also an applicant.

Her name is Rhona Silver, and she is the Bronx-based caterer

Can you advance a student's career search?
Make a connection between your company and Fordham—for guidance, mentoring, internships and more. E-mail Nancy McCarthy in the Personal and Professional Development Center at namccarthy@fordham.edu.

Photo courtesy © 2012, The NASDAQ OMX Group, Inc.

Photo by Dana Maxson

Top: GBA team members join NYSSA board vice chairman Mark Ukrainskyj, CFA, and Robert Fuest (GBA '08), team advisor, at the NASDAQ MarketSite in Times Square on March 27 to ring the closing bell. Bottom: Sam Hysell (GSB '14) and Matt Novick (GSB '13) settle into the workspace at the Fordham Foundry, a small-business incubator.

who provided the fare for the March 20 open-house event that took place at the Fordham Foundry, the university's new small-business incubator across the street from the Rose Hill campus.

Silver also could be one of the first entrepreneurs to make the Foundry home to her new business venture.

She has applied for membership in the incubator to develop CaterBid, a company that will use social media to pair caterers with potential clients.

This is precisely the kind of effort that the Fordham Foundry is designed to support. The incubator, established to help develop Bronx-based businesses, spark economic growth and create new jobs, is a collaboration between New York City's Department of Small Business Services and Fordham's Center for Entrepreneurship.

University President Joseph M. McShane, S.J., has called the Foundry a great example of how the university is recommitting itself to the Bronx community.

Donna Rapaccioli, Ph.D., dean of the business faculty and of the Gabelli School of Business, said there is a great need in the borough for the kinds of training, mentoring and support Fordham can offer business professionals.

"Our focus is on creating and growing small businesses in the Bronx, and on helping entrepreneurs who live here and are dedicated to the Bronx," she said during a fall Foundry launch event attended by many New York City dignitaries, including Mayor Michael R. Bloomberg.

The incubator will operate under the capable direction of Christine Janssen-Selvadurai, Ph.D., director of the entrepreneurship program at the Gabelli School, and Mitchell Fillet, a lecturer in finance in the Fordham Schools of Business.

Robert Walsh (FCRH '81, GSAS '83), the city's Small Business Services commissioner, recalled first sitting down with Mayor Bloomberg to talk about the partnership.

"We are a college town," Walsh said at the Foundry's fall event. "How can colleges and universities open their doors to make our city a better place? As he always does, Father McShane said it's a shared value—not only what we need from the community, but what the community needs from us."

"We're all in here together, and we could end up building something powerful."

News

Scholar named Toppeta Chair in Global Financial Markets

Researching international finance, monetary economics and financial history are among the charges of James R. Lothian, Ph.D., the inaugural holder of the Toppeta Family Chair in Global Financial Markets at the Fordham Schools of Business.

Lothian, who joined the Fordham faculty in 1990 and was named a distinguished professor of finance seven years later, gave a lecture on financial globalization at his Toppeta Chair appointment ceremony, held in November.

Bill Toppeta (FCRH '70), a member of Fordham's Board of Trustees who, along with his wife Debra, generously funded the chair, looks forward to the ways in which Lothian and his students will contribute to a worldwide understanding of financial issues—and understanding among human beings.

"It's very hard to hate people you know, and it's very hard to fight with people you trade with," Toppeta pointed out. "We think that understanding what we can do for each other across international boundaries is ultimately the way to peace."

Lothian received his doctorate and master's degrees in economics from the University of Chicago and his bachelor's degree magna cum laude from the Catholic University of America.

He teaches courses on managerial economics, contemporary issues in global finance and macroeconomics, as well as a seminar for Gabelli honors students. The editor of the *Journal of International Money and Finance* since 1986, he has been a research associate of the National Bureau of Economic Research and a visiting scholar at the International Monetary Fund, the Federal Reserve Bank of Atlanta and Maastricht University in the Netherlands.

Lothian recently was named a visiting professor at Tilburg University in the Netherlands. He serves in an advisory capacity to research centers at Brunel University, London, and the Smurfit School of Business of University College, Dublin, and to the Limerick University School of Business.

Prior to becoming a full-time academic, he was vice president in charge of financial research at Citibank/Citicorp.

Business professors win best-paper award

The National Communication Association has recognized Fordham Schools of Business professors Meghann Drury-Grogan, Ph.D., and Travis Russ, Ph.D., with a best-paper award for research on business communication.

Using Gabelli School students as their subjects, Drury and Russ examined whether the business communication simulation they developed—which includes timed exercises that mimic the communications and PR challenges that real business leaders face—had an effect on students' perceptions of how they communicate.

The verdict? Yes, the simulations made students more aware of their communication behaviors. Having completed the simulation, students also felt more comfortable with their abilities in message construction, presentation, collaboration skills and analysis.

"We wanted students to apply the theoretical concepts they learned to real-world situations because business communication has such a practical, applied focus by nature," Drury said. "We designed a contemporary application of business-communication concepts for students to experience rather than just write about."

Drury and Russ's work demonstrates that measuring student ability goes beyond pen-and-paper examinations and shows that realistic simulations do prepare students for the business world.

"Simply put, our study validates the use of non-traditional methods to measure student learning," Russ said.

Business schools rise in rankings

Fordham's two business schools rose in the national rankings compiled by *Bloomberg Businessweek* and *U.S. News and World Report.*

The Gabelli School of Business rose nine places to No. 40 in *Bloomberg Businessweek*'s annual ranking of U.S. undergraduate business schools. The Graduate School of Business Administration rose 10

New academic arenas

New specializations in alternative investments and sports business launched at the Gabelli School in spring 2013.
For more information, visit the Academics menu at http://www.gabelliconnect.com.

Photo by Chris Taggart

Photo by Spencer Lum

Photo by Bud Glick

Left: James R. Lothian, Ph.D., was named the inaugural holder of the Toppeta Family Chair in Global Financial Markets at the Fordham Schools of Business. Right: Travis Russ, Ph.D., and Meghann Drury-Grogan, Ph.D., won a best-paper award from the National Communication Association.

spots to No. 79 in the *U.S. News and World Report* list of graduate schools and maintained its top-25 subject-area rankings in finance and marketing.

The Gabelli School placed 20th nationally in academic quality and ranked highly in the starting salaries of graduates. Donna Rapaccioli, Ph.D., dean of the Gabelli School and of the business faculty, said the ranking is a welcome recognition of the school's strengths. "This is an acknowledgement of the quality of our program and our people," she said, adding that "no one number can capture all the ways we educate our students."

The graduate school, which placed 15th in finance and 21st in marketing, has seen an overall gain of 18 places in *U.S. News* over two years. The magazine's rankings are based on program excellence and the quality of students, faculty and research.

David Gautschi, Ph.D., dean of the graduate school, attributes this, and a steady increase in applications, to a redirection of the MBA program. "We had to make the MBA program smaller to make it more selective, plus we rolled out several new master's programs that provide career pathways for students," he said.

Contributing reporters: Barbara Esposito, Gabrielle Simonson, Tom Stoelker, Patrick Verel.

An urban laboratory emerges after Superstorm Sandy

By Sarah Trefethen

Superstorm Sandy took lives, destroyed hundreds of homes and did billions of dollars in damage to the New York City economy when it rolled into town last October.

Businesses and government alike were affected by the winds and waves, and this impact formed the topic for the first installment of the "Business in the City" symposium series at Fordham's Graduate School of Business Administration. Experts, faculty, students and community leaders gathered for a day-long exploration of how public and private enterprise intersect in the urban laboratory of New York.

The event, in the words of University President Joseph M. McShane, S.J., was an opportunity "to dig in and reflect upon what the city can and should have learned as a result of the shared experience that we all had in Sandy—an experience which should be not only a case study, but an invitation to greater effort on the part of all of us to build a city which is more livable, more humane and more able to deal with whatever crisis, whatever challenge comes our way."

Titled "Hurricane Sandy as Inspiration for a 'New' New York," the symposium examined the history of the city's infrastructure, options for financing future improvements, and how the real estate community and the public sector might plan ahead for unpredictable weather patterns.

The message was essentially twofold: Infrastructure in New York City has a long way to go to fully meet the needs of city residents, businesses and visitors. And that was before the storm struck. Sandy complicated an already challenging situation immeasurably.

"Sandy was the greatest public transportation disaster in history," said panelist Pat Foye (FCRH '78, LAW '81), executive director of the Port Authority of New York and New Jersey, who appeared alongside Kevin Burke (LAW '77), the CEO of Consolidated Edison, to discuss ways to protect New York City's most critical infrastructure.

The region continues to grow, Foye said, with millions of people traveling each year on local railways and flying in and out of the region's airports. Those systems all need to be made more robust to prepare for "the next Sandy, whatever that may be," he said.

"It may not be the same as what happened on October 29. It may be dramatically different. But the needs for the infrastructure, the demands on the infrastructure, and our ability to transport people and goods in this region are going to continue to be critically important," Foye said.

Funding to maintain and improve that transportation infrastructure was in short supply even before the storm, according to speakers on another of the symposium's panels, titled "Paying for Infrastructure: Financing New York's Future."

Panelist Elliot "Lee" Sander, former chairman of the Metropolitan Transportation Authority, said he is working with the Regional Planning Association to develop a 20-year plan for infrastructure improvements. On that list: the Second Avenue subway, high-speed rail access to New Jersey, and improved public transportation in the outer boroughs. All of which needs to be done, Sander said, without adding to the MTA's debt.

"We cannot have the disrepair, the disinvestment that we experienced in the 1960s, 70s and 80s," Sander told the audience. But this was all true before Sandy wreaked its havoc and raised questions

"Sandy was the greatest **public transportation disaster** in history."

June 4, 8:30 a.m. – 3:00 p.m.
Fordham Institute for Family and Private Enterprise Conference
Lincoln Center campus, Lowenstein 12th-Floor Lounge
Succession planning and organizational issues for family businesses
For information, e-mail jhoward12@fordham.edu.

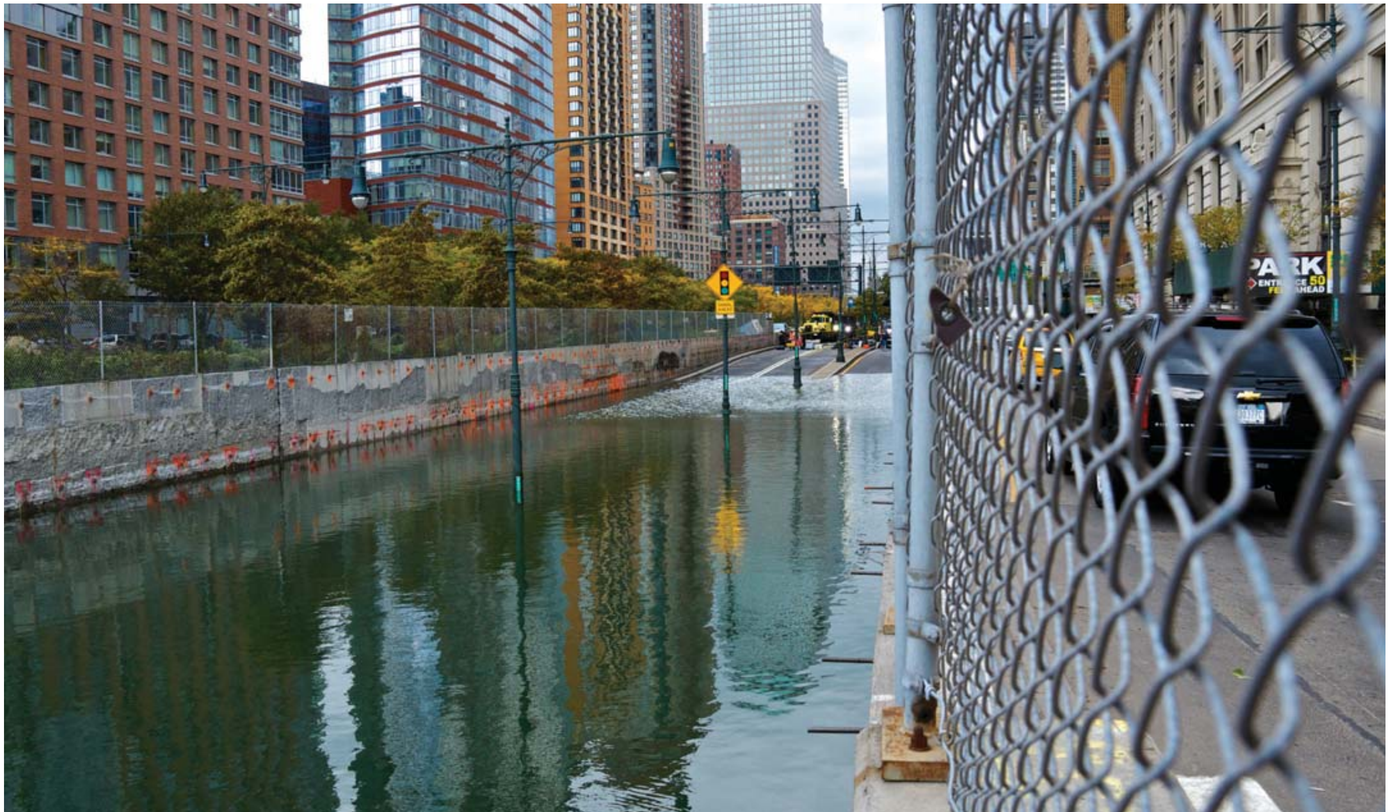

Photo by Jay Lazarin/istockphoto.com

about potential new, expensive protections and fortifications, such as Dutch-style dykes at the mouth of New York Harbor.

If anything, the storm made clear to some government leaders the need to pause, assess the situation thoughtfully, and debate the most effective plans before moving forward.

"We have to figure out what it is we're building before we can figure out how to finance it," said one of them, the president of the Citizens Budget Commission, Carol Kellermann, who was involved in reconstruction in New Orleans after Hurricane Katrina and in Haiti after the 2009 earthquake.
"I see patterns, and I fear we don't learn from these other experiences as much as we should," she said, warning that allowing individual agencies and departments to spend money on pet projects without an overall plan will lead to inefficiency.

The $30 billion in federal aid that the city has received in the wake of Superstorm Sandy will disappear quickly, said Nicole Gelinas, a senior fellow at the Manhattan Institute who has written for years on several New York City development issues.

"The fact that this money is coming from Washington doesn't relieve us of the duty to spend it wisely, because it is finite," she said.

Burying the city's power lines to protect the electrical system from wind and rain could cost tens of billions alone, for example.

Also, there are so many competing priorities for funding that people disagree on what should take precedence. Gelinas, for instance, criticized Governor Andrew Cuomo's proposal to pay market rate to homeowners for damaged homes in floodplains as "overspending" that would quickly drain the federal allocation.
Kellermann reminded the audience that however the money is initially financed—through government grants, increased taxes or public-private partnerships—it eventually will have to be paid back.

"There is no such thing as a tax on someone else that has no effect on the economy of the area or unintended consequences," she said. "It is all going to come from the public in one way or the other."

Sarah Trefethen is a New York-based writer and reporter at Real Estate Weekly.

Photo by Denis Tabler/Shutterstock.com

Retirement REDEFINED

By Leslie Limon

A partner in a major worldwide accounting and consulting firm, retiring in June, has an African safari planned for July. A 30-year veteran of a prominent bank, retired since 2000, counts a clean-cookstove project in Haiti among her pro bono development projects. A onetime senior advertising executive decided at 58 that he loved teaching; at 63, he's on the Fordham faculty.

Photo by Diego Cervo/Shutterstock.com

In recent conversations, not one of these people mentioned “golf” even once, which suggests that what today’s retirees have lined up for their golden years is “not your father’s retirement.” But how reflective are they of national trends?

The big picture

AARP’s 2011 survey of a broad swath of baby boomers portrays a generation with “a more realistic, subdued, pessimistic outlook” than just five years ago. The main factor is financial anxiety fueled by skimpy savings, Social Security concerns and longer projected life expectancies.

The survey also shows that boomers—the 76 million people born between 1945 and 1964, or about 8,000 people a day turning 65—are not yet reinventing retirement en masse. Of those already retired, many are, in fact, duplicating their father’s retirement.

Photo by Pick/Shutterstock.com

Joy in retirement requires zest, curiosity, a love of learning and restrained optimism.

One notable exception: People are working longer. A 2012 Transamerica Center for Retirement Studies survey reveals that more than 80 percent of 60-year-olds plan to continue working after 65; more than half cite income and benefits as the reason. Nearly a quarter expect never to retire.

Bureau of Labor Statistics data show that the proportion of U.S. workers between ages 65 and 74 nearly doubled from the mid-1980s to 2011. The bureau projects that 43 percent of workers who are currently 55 and older will be working still in 2020, with an upside: Their presence will counterbalance factors driving the labor force down. A 2007 Ernst & Young report, warning that waves of boomer retirements would lead to "the systemic reduction of business wisdom that extends learning curves, slows otherwise smooth processes and causes duplication of efforts," advocates for retaining older workers.

What about the "lump of labor" theory, which claims that the old are crowding out the young? U.S. economists reject it, citing constant shifts in technology, tastes, and supply and demand that affect wages and prices, cause job changes and create new jobs. Boston College's Center for Retirement Research substantiated the economists' view after analyzing Current Population Survey data from 1977 to 2011. Researchers found "no evidence that increasing the employment of older persons reduces the job opportunities or wage rates of younger persons. If anything, employment of the elderly is positively associated with employment of the young and the prime-aged."

Knowing when to fold 'em

While younger workers may be getting in the door, they may not be moving up very quickly. "Embedded" top executives who create a succession bottleneck are holding back those coming up behind them, maintains succession-planning consultant Patricia Nazemetz (TMC '71, GSAS '89). These executives perpetually consider potential successors to be three to five years away from readiness. "When people at the end of the stream are damming it up," she says, "there's no growth or innovation because no fresh blood is coming in." Because broaching the subject with an embedded executive is delicate, she advocates for succession planning while leaders are still at the top of their game.

At the core of both succession and retirement are questions of stewardship and the transfer of leadership to the next generation. Professor Robert Hurley, director of Fordham's Consortium for Trustworthy Organizations, suggests that great institutions and their boards create trust across generations of leaders by answering key questions well. They consider: What is needed to meet future challenges? What is right for stakeholders? How can we make sure those in power don't "hang on," serving themselves at the expense of all?

At some point, says Hurley, this means that boards—using respect and fairness—must make tough calls.

When leaders do move on, their way can be smoothed by leadership agility, resilience and an exploratory mindset toward a new life chapter. Thomas A. Wright, Felix E. Larkin Distinguished Professor in Management, adds to this list perseverance, industry and self-regulation. Joy in retirement, he says, requires zest, curiosity, a love of learning and restrained optimism. Unfortunately, he sees little effort on the part of public or private organizations to promote these attributes, or even to educate employees on smart retirement planning.

Redefining retirement: The imperatives

Many retirees want part-time employment, but landing part-time work commensurate with one's skills is challenging. This is true even for volunteering in charitable organizations. Says retired Citibank senior manager Judy Bowman (GBA '78), who volunteers part-time in international development, "If the work just involved tasks like filing, they'd lose somebody like me in the first day."

With baby boomers increasingly delaying retirement or seeking flexible employment during retirement, companies must keep up. Nazemetz suggests that companies let managers step down from full-time to part-time to retirement over two to four years, coaching a new hire during that time. This strategy gives the manager income, benefits and planning time—while keeping the talent river flowing. Workers support this idea, according to a 2012 AARP/Society of Human Resource Management survey. Half of the 60-to-69 age group considered formal phased retirement important; among those 50 to 59, two out of three did.

And the imperative for aging executives embedded in their positions? To discover their enlightened self-interest. "What do you want your legacy to be?" asks Nazemetz. "You have worked 25 years to build this operation. The goal is to leave it better than you found it—and give the next generation the opportunity to make it even better."

Leslie Limon is a freelance writer based in Salem, Massachusetts.

Photo by Patrizia Tilly/Shutterstock.com

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Exploring Cultures, Classes and Community

For many, retirement offers the freedom to travel, to learn new things and to give back.

Donald Almeida (GSB '73), a Gabelli School of Business advisory board member, will retire in June from Big Four accounting firm PwC as vice chairman of clients and markets—his partnership agreement stipulates retirement by 62. After 40 years with the company, Almeida is taking a similarly long-horizon view of retirement, planning it by decades. The first will feature a 60-40 split between "pre-programmed" activity, such as expanded board memberships and a greater role as a Fordham alumnus, and "unprogrammed" activity, including short stints living abroad. "I feel like a kid in a candy store," he enthuses, ticking off a list of plans starting with an African safari.

Judy Bowman (GBA '78) was a senior manager when she took early retirement from Citibank in 2000 after a 30-year tenure. Retirement brought opportunities to indulge her pre-existing love of travel—113 countries and counting—and her passion for learning. She took nearly every history course offered by Fordham's College at Sixty, then moved on to other subjects. And with persistence, she identified flexible and personally meaningful ways to give back to society. Bowman counseled entrepreneurs at the Small Business Administration's Service Corps of Retired Executives and serves pro bono as a senior fellow at the Public/Private Alliance Foundation for international development. She now is exploring ways to expand financial literacy through new distance-learning technologies.

For more information on Fordham's College at Sixty program, contact the School of Professional and Continuing Studies at 212-636-6372 or visit www.fordham.edu.

Encore Careers

Former ad-agency executive Peter Johnson returned to college to pursue his doctorate and now shares a career's worth of experience with Fordham students.

Photo by Kathryn Gamble

Patricia Nazemetz and Peter Johnson are among the more than 8 million people between the ages of 44 and 75 who are pursuing "encore careers," defined by the AARP as combining "personal meaning, social impact and a paycheck."

Patricia Nazemetz (TMC '71, GSAS '89) retired two years ago as chief human relations and ethics officer at Xerox, capping a 30-year career in industry. She founded her own consulting firm, NAZ DEC LLC, and became sought-after for seminars and lectures. Nazemetz uses her expertise to help organizations, particularly nonprofits, groom the next generation of employees for leadership roles. She also shared in the authorship of a book, *HR and Marketing: Power Partners*, with Versant CEO Will Ruch.

Peter Johnson, 63, has reinvented himself several times. When he left his career as an ad-agency executive in the 1990s, he landed at the leading edge of e-commerce. After the 2001 technology bust, he teamed with a colleague to help others raise capital. Then an ex-coworker-turned-professor invited Johnson to deliver a guest lecture at Pace University. That led Johnson to a full course of his own and an epiphany: He really enjoyed teaching. At 58, he went back to school for his doctorate and is a lecturer at the Fordham Schools of Business.

Extended work lives are possible today because, says Johnson, unlike our industrial-age forebears who pursued careers of physical labor, "we sit at desks and interact with people—activities that can continue well into our 60s and 70s."

Live Long and Prosper

Investment strategies for a new age

By Barbara Esposito

The retirement landscape has changed.

With people living longer, defined-benefit plans all but a distant memory for most in the private sector, and a still-weak economy, Americans find that their future financial security rests squarely in their hands.

For many, that's an uncomfortable place for it to be.

An April 2012 Gallup survey found that not only does the average American expect to retire seven years later than those polled in the mid-1990s—at age 67—but also that only 38 percent believe they will have enough money to retire comfortably. That's a more than 20-percent drop from a decade earlier, when Gallup first asked this question.

"Today's longer life spans mean that people need to increase their retirement savings, particularly since the majority of private companies have replaced their pension plans with 401(k)s, which put the onus for saving on the employee," said Dawn Donato (GBA '02), a certified financial planner with Cambridge Investment Research in Scarsdale, New York.

Only one in five employees was offered a traditional pension plan in 2011, according to the Bureau of Labor Statistics—about half the number offered that option in the 1980s. While the corporate move away from traditional pensions initially was heralded as a chance for people to take control of their retirement, by the early 2000s, it became clear that most were struggling to make sense of their 401(k) plans. Researchers found that many investors were practicing "naïve diversification": simply spreading their money across all the options available to them and leaving it there, so that they, in essence, might retain the same risky portfolio at age 60 as they had at 45.

In stepped the U.S. Congress. In 2006, it passed a law that not only encouraged employers to automatically sign up workers to a 401(k) plan, but also allowed employers to pick the investments if the employee did not. This legislation addressed experts' three biggest fears: that employees weren't signing up, saving enough or choosing the right investment mix.

So began the demand for target-date mutual funds.

Set it and forget it?

Though target-date mutual funds were introduced much earlier, in 1996, they took off when they made Congress's short list of approved default investments under the new law. This, some financial industry watchers say, reshaped the American 401(k).

Named "target-date" because they're based on the year the investors expect to retire, these funds typically

Photo by Angela Waye/Shutterstock.com

offer a pre-mixed portfolio of stock and bond mutual funds that becomes more conservative as employees age. But unfortunately for some, the funds were initially, perhaps, not conservative enough. When the market crashed in 2008, investors who were only a few years away from retirement saw the value of some of the largest target-date funds fall from 26 percent to almost 45 percent. Imagine being ready to retire and seeing your $1-million portfolio drop 30 percent. It would all but shatter your retirement dreams as your annual income, if you'd been putting that money into an annuity, declines from $69,000 a year to $49,000.

The news media has warned of these new "risky" retirement funds, yet people—or their employers—continue to invest in them. Since 2008, target-date mutual funds have added more than $177 billion in net new cash, for a total of $380 billion in assets.

While proponents of target-date funds tout them as an easy, safe approach to asset allocation, others are not so sure.

"Target-date funds have grown increasingly popular in recent years, but no one has studied their performance in terms of cost, risk and return," said Christopher Blake, Fordham's Joseph Keating, S.J., Distinguished Professor of Finance, who is about to conduct such a study with New York University scholar-in-residence Edwin Elton and professor emeritus Martin Gruber. Blake and his colleagues will construct a database of funds to examine their relative performance, both gross and net of expenses and in terms of raw and risk-adjusted returns.

"We're taking empirical financial research and applying it to the real world," Blake said. "We'll determine whether or not target-date funds truly outperform other options over time."

Knowing how well a specific fund performs is one thing. Knowing if it's right for you is another. Critics contend that target-date funds are flawed by design, basing investment modifications solely on the individual's age and ignoring factors such as other debts and income sources, as well as someone's personal risk tolerance.

"Each person needs to understand whether or not they are suitable to take on more risk in their portfolio to possibly achieve greater returns," said Donato, who sees clients who are diversifying their portfolios by adding alternatives such as real estate, commodities and hedged mutual funds to the more traditional stocks, bonds and cash.

"There's also a lot of interest in exchange-traded funds, or ETFs, for retirement investing," she added. An ETF combines the valuation feature of mutual funds with the tradability of individual securities. First introduced in 1993, there are now some 700 different ETFs available to investors. They are typically low-cost, and they may track specific indexes or be actively managed.

Alternative investments attract mainstream America

One of the biggest shifts in retirement investing is the increasing use of alternative vehicles, said Fordham business professor Kevin Mirabile, who teaches financial management and a specialty course in hedge-fund investing at the Gabelli School of Business and developed an undergraduate specialization in alternative investments.

"For more than 30 years, high-net-worth individuals have invested in alternatives—such as private equities, hedge

Photo by Robert S./Shutterstock.com

funds, real estate, collectibles and commodities—to diversify their portfolios," he said. "Within the past five to 10 years, we're seeing them being used by individuals from all walks of life." These investors typically are in the 35- to 50-year-old range and have accumulated some retirement savings.

The reason for the shift, Mirabile said, is simple: the potential for returns that beat the market.

"Many people mistakenly believe that alternative investments add greater risk to a retirement portfolio, but that simply isn't the case," he explained. "Because alternatives do not correlate with stocks or bonds, they reduce a portfolio's volatility, resulting in higher absolute returns over a long period of time." Moreover, most of us probably have some alternative investments in our retirement portfolios without even realizing it, because most defined-benefit plans include hedge funds and private equities.

Individuals also can invest directly in alternatives through their 401(k)s or a self-directed IRA. Though the self-directed IRA is not a new investment product, it remained relatively unknown until the stock-market decline of 2000. As people began looking to move some assets out of stocks, the popularity of self-directed IRAs grew. All told, some $94 billion—2 percent of the $4.6 trillion invested in all types of IRAs—is in the self-directed variety, according to the Retirement Industry Trust Association, a trade group. One note of caution: Self-directed IRAs are not for the unsophisticated investor and, like many traditional investments, should be purchased with assistance from a financial advisor.

A wide-ranging portfolio of traditional and alternative investments, one that runs on auto-pilot and everything in between: While the changing retirement landscape has sparked no shortage of angst for some Americans, it also has produced a wealth of investment options for the individual who's ready to take the reins.

Barbara Esposito is a freelance writer based in New York.

Traditional or alternative investing?

Today's retirement investment products offer something for just about everyone.

- Target-date mutual funds automatically select a mix of stock and bond funds based on the year you plan to retire.
- Exchange-traded funds combine the simplicity of mutual funds with the flexibility of individual stocks.
- Alternative investments—such private equities, hedge funds, real estate, collectibles and commodities—combine with traditional retirement vehicles to potentially offer above-market returns.

GIVING BACK

For many retirees, managing money during life after work isn't all about them. It's about giving back to others, too. Modern planned-giving vehicles often allow donors to provide for their own financial security—or that of family members—while supporting a worthy cause.

"I've worked with many donors who choose to make a mutually beneficial gift to their favorite charity," said the chief development officer of the Long Island-based Viscardi Center, Lauren Slegona Marzo (FCRH '98, GBA '02), whose nonprofit group educates and employs people with disabilities. "Once they realize the tax implications of their gift and how it can make a difference to the organization, it is an easy decision."

Federal tax changes in 2013 made charitable giving a bit more financially attractive to people 65 and older, said Ronald Brown, Fordham University's senior director of gift planning. To give just one example, a charitable trust or annuity allows someone to transfer cash or stocks to a charity, while continuing to receive lifetime payments from the trust or annuity's dividends.

"The resulting payments to the donor, in many cases, are more than they would earn in a traditional savings account," Brown said.

To most donors, however, charitable gifts are about more than financial or tax benefits, Brown has observed. "They receive great joy from helping a cause that is close to their heart."

A newer,

Illustration by Aleksandar Velasevic/istockphoto

older market

Companies can mine gold in the golden years

By Stevenson Swanson

For as long as Nielsen has been counting viewers, the ones who have mattered most to advertisers are those supposedly free-spending and persuadable consumers between ages 18 and 49.

It's as if a person ceased to exist on his or her 50th birthday. By that time, advertisers long believed, brand preferences are practically chiseled in stone. Retirement was said to compound the problem: People's wallets snap shut, never to reopen again.

Case closed. Or maybe not. Several faculty members in the Fordham Schools of Business think the older market—retirees and near-retirees—represent a potentially lucrative and largely overlooked demographic group that not only has money to spend, but also may be easier to reach than those prized younger adults.

John Carey, Ph.D., a Fordham professor of communication and media management and co-director of the Center for Communications, recently completed a client's research project that involved, among other things, intensive interviews with 25 retirees.

He found that there is a large middle class among seniors with the means and the willingness to spend money on cars, travel, restaurants

and clothing. Typically, they are no longer supporting their children, so they have more discretionary income. And, contrary to the stereotype, they are open to new brands, Carey found.

An aging but growing force

In one measure of the growing purchasing power of older Americans, the U.S. Census has documented a steady decline in the proportion of people 65 and older who fall below the poverty line. In 1959, 35 percent of this age group was living in poverty; by 2001, that had fallen to 10.1 percent, the same as Americans aged 18 to 64. Since then, the rate has continued to decline for older Americans—it was 8.7 percent in 2011—while it has risen to 13.7 percent for working-age adults.

While it's true that the 65-and-over set has a lower median household income—$33,118 in 2011, compared with $55,640 for their younger counterparts—trends fall in their favor. Their median household incomes rose by 2 percent from 2010 to 2011, while younger households saw a 2.1-percent drop.

Not only are older Americans gaining in purchasing power, but there are more of them. Last year, about 10,000 people turned 60 every day. By 2030, there will be twice as many people over 65 as there are now.

Companies whose products aim at an older market, such as drug manufacturers, have not been ignoring these consumers. They pay attention to what retirees and near-retirees are watching on TV and build ad campaigns aimed at them. Some health and beauty products companies have started to take note, too. But Carey said that most high-tech companies, car manufacturers, the entertainment industry and many others essentially ignore the 77.5 million Americans who are 55 and older.

"This is a huge mistake," said Carey, who has more than 25 years of experience in media-industry research. "Retirees are a missed opportunity for most advertisers."

Who's watching?

Mature consumers are easy to reach—a trait that describes their younger counterparts less every year. George Bernard Shaw famously said that youth is wasted on the young. He might have added that advertising is wasted on them, too.

While "waste" may be too strong a term, the young are a difficult demographic group to reach consistently through traditional TV, which remains the gold standard for advertisers. According to Nielsen figures, 18- to 49-year-olds watched on average about 28.5 hours of television a week in 2011—half as much as people 50 and up, who averaged 43.6 hours.

Linda Luca, a Fordham adjunct instructor of integrated marketing communications, says younger consumers would rather stream a movie on their laptops or watch a TV show on their smartphones. In either case, traditional advertising isn't finding them there. It's hard to say with certainty that any media message is getting through.

"The older market is easier to reach," said Luca, a former executive vice president and group managing director for advertising agency McCann Erickson. "That's been true for

20, 30 years. Younger people are just out and moving around more."

Luca believes the opportunity of an older market can be especially valuable to certain kinds of companies: insurance, financial services, travel, health and fashion.

"You can have products targeted for that group," she said. "The growing number of boomers who are entering retirement age is going to have an impact on a lot of markets. I can see a lot of entrepreneurial opportunity coming out of that."

A question of approach

As Luca points out, one industry that could focus more marketing on older consumers is financial services. Boomers are likely to live even longer than their parents, and they'll want to make their retirement nest eggs go as far as possible.

But people in this age group do not want to be lectured, said Timothy de Waal Malefyt, Ph.D. Now a visiting associate professor of marketing at the Fordham Schools of Business, Malefyt was a vice president at BBDO Worldwide, where he studied this demographic's preferences for AIG, the insurance giant, before the 2008 financial crisis led to its government bailout.

The key to an effective ad, it turned out, was giving this population a sense of agency—a feeling that the retirement saving they'd accomplished could now take them places. "They want to feel good about what they've done," Malefyt said.

It's an insight that advertisers could apply to a host of goods and services as people leave the workplace.

"They don't have to cater to others' needs," Malefyt said of the relative freedom enjoyed by older consumers. "They're trying new cuisines. They're buying fun cars and new clothes again."

They also are roaming farther afield. Carey, who traveled recently through South Asia and the Middle East, saw for himself that his research about the potential of the retiree market was on target.

"The biggest group of tourists was senior citizens," he said. "They have time and money and are trying new things."

Stevenson Swanson is a freelance writer based in the New York City area.

TRENDS

Telehealth: Home monitoring promises earlier detection and improved care

By Leslie Limon

Imagine a heart-disease patient in his 70s, on Medicare, with a total of three emergency-room visits and two hospital stays in the past year. Recently discharged, he's home for now—until his symptoms flare again and his doctor sends him back to the hospital, where he can be monitored more closely.

This is an increasingly common scenario among those who make up our country's aging population. Of the 133 million Americans who suffer from chronic illness, nearly half of whom have more than one ailment, most are 65 or older. During the period from 1980 to 2008, chronic care accounted for about 80 percent of Medicare cost increases.

Cost, however, is only one health care challenge this country faces. Access is another, and not only in historically underserved areas. The United States could have nearly 63,000 fewer doctors than needed by 2015, the Association of American Medical Colleges has projected.

Enter telehealth: remote health monitoring that uses mobile phone and Internet technologies, not unlike a home security system for the body. Using a scale, blood-pressure cuff, pulse oximeter and thermometer, a patient takes his or her own vital signs daily at home and transmits them through a wireless hub to a remote server. The server converts the data into a format enabling comparison and analysis, stores it and transmits it to a nurse's workstation. The nurse monitors the data, sends medication reminders, alerts the patient's doctor about irregularities and submits weekly reports to the doctor for review.

The implications for health care and prevention are enormous. Remote monitoring of people at risk for preventable illness can keep it at bay or detect it early, leading to more effective treatment plans and better outcomes. It can allow practitioners to keep a close eye on patients suffering from a range of chronic conditions and flag problems before they turn into emergencies. A New York City-based nonprofit called Selfhelp Community Services, for example, offers telehealth services to monitor the vital signs and medications of elderly residents in housing complexes, allowing them to continue to live independently. Telehealth lowers hospitalization rates as well. A Massachusetts post-discharge cardiac-care program, for example, cut hospital readmissions in half.

> Remote **health monitoring,** which uses mobile phone and Internet technologies, is not unlike a **home security system** for the body.

Though self-monitoring requires no technical savvy, it can be tricky to convince people to sign up. Patients may lack confidence in using the devices properly, be reluctant to lose face-to-face practitioner relationships, and have concerns about privacy and data security. Telehealth providers use support and coaching to surmount these hurdles.

Meanwhile, pilot studies and programs are converting skeptics among practitioners, who find that telehealth can improve quality of care, minimize errors and save time. "Imagine the data going into a database and, with advanced analytics, showing up on caregivers' dashboards in a format they can monitor," said Wullianallur "RP" Raghupathi, professor of information

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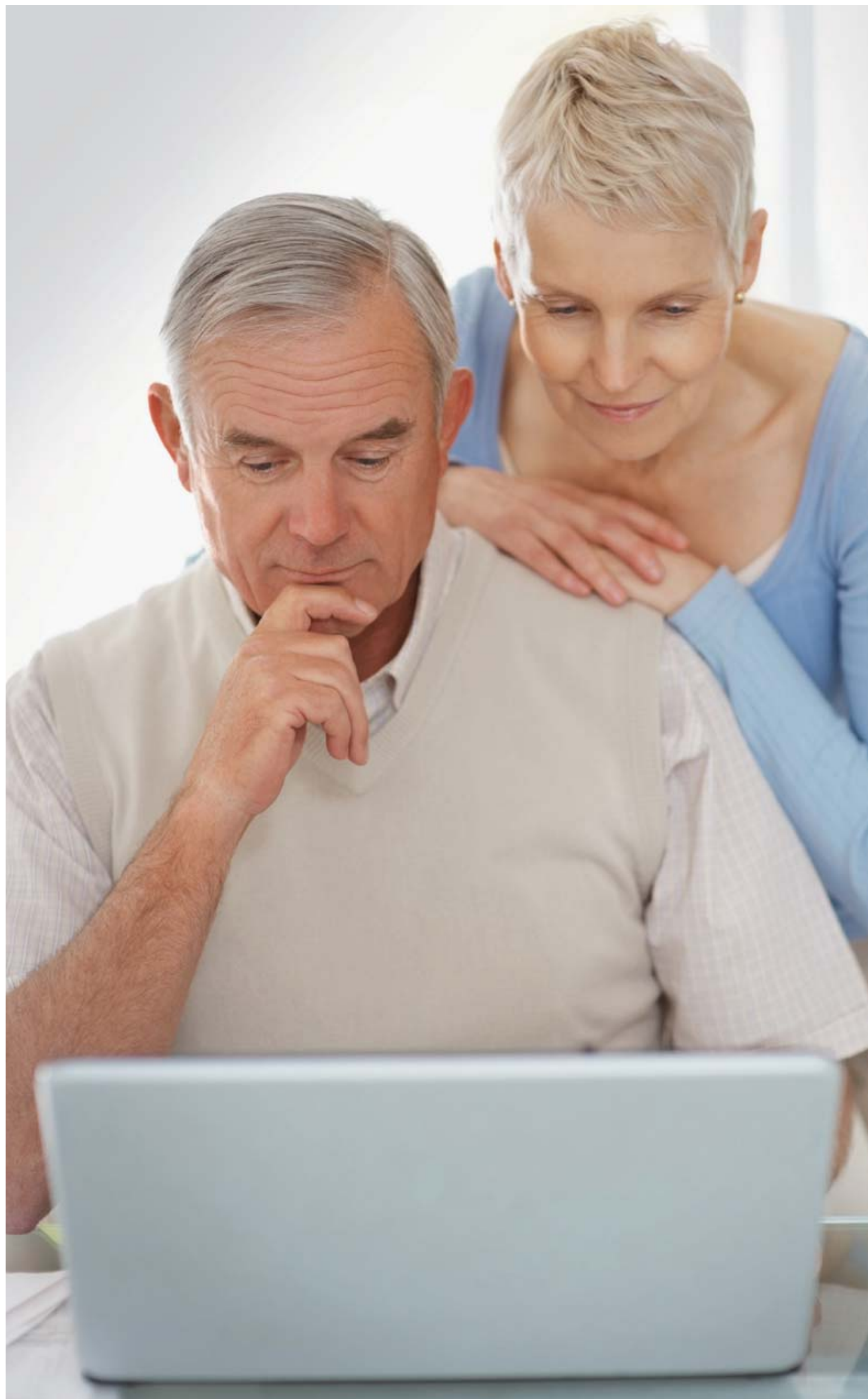
systems at the Fordham Schools of Business.

Advanced analytics also boost the potential of data mining to reveal drug side effects and other health correlations within a broader population. “Before,” said Raghupathi, “data would sit in yellow folders that no one had the time to go through. Now it will go to central computer systems for analysis.”

Raghupathi intends to team up with local community agencies and service organizations to explore the use of mobile and Internet technologies to monitor the vital signs of seniors and others with chronic diseases. Over the next six months, they will assess the capability of the local infrastructure to transmit large data files. Then they will pursue potential collaborations with nearby hospitals and wireless-communications companies.

What does the future hold? From an economic perspective, remote health monitoring could yield this country a net annual benefit of about $12.1 billion, according to a Brookings Institution report. From a health care standpoint, IBM, for example, envisions a “fully integrated system of in-home and in-hospital monitoring, data integration, electronic health records and physician/patient exchanges.” For those needing chronic care, this is a worthy goal.



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Starting Over

Alumnus transforms family sugar business into global leader

photo by Michael Dames

Alfonso Fanjul (GSB ’59), CEO of the Fanjul Corporation, spoke with Hua Jie Wu (GSB ’16) at his lecture in February.

Years before Fidel Castro took power, Alfonso “Alfy” Fanjul’s family was one of the biggest sugar producers in Cuba. In 1960, he watched its fortunes dissolve.

Fanjul (GSB ’59), CEO of the Fanjul Corporation, shared his experiences rebuilding the family business and transforming it into what it is today: the world leader in sugar production. He spoke to an audience of more than 200 students during the Gabelli School’s International Business Week on February 5.

“I had just finished school and had gone back to Cuba,” Fanjul began one anecdote. “I was sitting in the family office, and Fidel Castro’s people came in to discuss what was going to happen. We sat down with lawyers, and they put machine guns on the table. We chatted for a while, and then the leader grabbed the machine gun, pointed to the map on the wall where we had different properties and said, ‘We’re going to take it all away.’”

Fanjul’s family fled the country, relocated to Florida and purchased the 4,000-acre Osceola Sugar Mill. Gradually, they added other plantations and refineries. Among these were Florida Crystals, which enabled them in 1991 to sell directly to consumers for the first time, and Domino Sugar in 2001.

Fifty years after its rebirth in Florida, the Fanjul Corporation operates 350,000 acres of farmland, 10 sugar refineries, five sugar mills, five power plants and two plants that make furfural, an industrial chemical produced from recycled agricultural materials. The company also has expanded into real estate, including a resort, an airport and a deepwater port in the Dominican Republic.

During his talk, Fanjul credited his Fordham education for helping him to build the business despite many obstacles, including learning English when he moved to the United States. Fanjul recalled the first English words he mastered: “push” and “pull.” He needed them to get into his classrooms.

Fanjul also encouraged his audience to never forget the importance of family and home.

“It is great to hear someone so accomplished in their career mention that, generally speaking, you will always have your family at the end of the day,” said Nikki de Castro (GSB ’14). “Regardless of how successful or unsuccessful someone’s career is, family sticks with you to the end.”

Fanjul emphasized the commitment required to run an ethical business. He said he feels an overwhelming sense of accountability to his employees, his property and his consumers. The Fanjul Corporation is funding scholarships and opening new schools in the Dominican Republic, where many employees are based, and is striving to decrease carbon-dioxide emissions in its business operations and reduce its carbon footprint.

“What is remarkable about Alfy is that he remains so approachable and relatable, despite the amazing heights he has reached in business,” said Donna Rapaccioli, dean of the Gabelli School and of the business faculty. “He’s so open about his roots and his career that students get a clear sense of who he is and where he came from.”

To achieve success, Fanjul advised students to be polite, play by the rules, return every phone call and e-mail and, when in meetings, find reasons to justify their attendance. He also said they should also not take their education for granted.

Fanjul said he saw abundant promise in America’s future, and he recognized the potential for Gabelli School students to make their mark. Retain a clear vision, he told them: “Plan a way to justify your presence in the business world. Why are you there? During a deal, what is your contribution? What do you see your company doing? This is the vision you have to sell to the people who are with you.”

Compiled by Gabrielle Simonson; reported by Farzana Ali (GSB ’15) and Patrick Verel, assistant editor of Inside Fordham.

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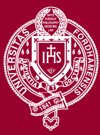

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Several groups of Fordham business students turned their focus to Latin American commerce this semester. Some Gabelli School students spent spring vacation with faculty in Chile, while others traveled to Brazil—visiting leading businesses in both nations. Meanwhile, students in GBA's Understanding Latin American Markets course investigated marketing in Chile, Argentina and Brazil.

photo by Bartosz Hadyniak/istockphoto