Best practices for plan sponsors

Four tips to boost your employees' retirement outlook

As many employees look ahead to retirement, 47% of workers feel somewhat confident that they'll have enough money saved to retire on time and then live comfortably.[1] However, forward-thinking employers have the ability to help their employees work toward a confident and happy retirement. According to the 2018 Retirement Confidence Survey from the Employee Benefit Research Institute (EBRI), only 17% of American workers feel very confident in their ability to live comfortably in retirement. Additionally, their 28th annual survey found that another 47% of workers feel somewhat confident about living comfortably in retirement.[1] That means that over 64% of Americans (or 2/3 of your workforce) feel prepared for their retirement future.

To help boost confidence, here are 4 forward-thinking tips proactive employers can do to help improve your employees' retirement outlook:

Amp Up Auto Features: The majority of plans, nearly 6 out of 10, have already adopted auto-enrollment.[2] A lot of plans started years ago; but back when many employers implemented automatic enrollment, it was at a 3% default deferral, with no auto-escalation feature.

If you're auto-enrolling employees at a low rate like 3% and leaving the deferral rate there, consider that many retirement-savings experts believe that Americans need to save 12% to 15% every year. Relying on a 3% deferral, even with a match, may limit your employees' chances of reaching their goals upon retirement.

We can help you figure out whether a higher initial deferral rate makes sense for your participants and for your organization's budget constraints on match spending. Auto-escalation has become the new norm: 73.4% of auto-enrolling plans now have this feature.[2]

Strengthen the Match: Many employees take their cue on how much they should save for retirement from the message you send with the employer match you offer. Match 100% of the first 3% of pay that an employee defers, for example, and employees may think they need to save 3% a year to have enough for retirement. In reality, they most likely will need to save more.

We can work with you to analyze your options for a match formula that can help your employees save more for retirement. For some sponsors, this means implementing a "stretch" match that requires employees to contribute more to get the full employer match:

Instead of a 100% match on a 3% deferral, for instance, a plan could match 50% up to 6%.

Other employers, realizing the long-term costs to the company if employees do not retire on time, have decided that it makes business sense to offer a more-generous match to employees. According to the 60th Annual Survey of Profit Sharing and 401(k) Plans by the Plan Sponsor Council of America, it was found that employer contributions have increased to an average of 4.8% of payroll, up from 3.8% in 2007.[2]

Move Forward on Re-enrollment: Even if you auto-enroll, all your eligible employees may not experience the benefits. Many employers implement automatic enrollment only for new hires, not employees already working at the company when auto-enroll started. And some new hires likely opted out of enrollment when they joined the organization, or later reduced their deferral because they faced a budget crunch at the time. They may be in better financial shape now, but most won't take the initiative to sign up on their own for participation in the plan.

Think about re-enrolling all eligible employees currently not participating in the plan and eligible employees currently contributing less than the initial default deferral rate. So, if you use 6% as your initial default deferral rate, for example, the re-enrollment could include non-participating employees and active participants saving less than 6%. Some employers do a re-enrollment as a one-time event, while others do it every year. We can help you evaluate whether re-enrollment makes sense for your plan.

Send Targeted Messages to Low Savers: Research has shown that people respond more to communications that have been tailored to them individually. Fortunately, recordkeepers have made big strides in their data-crunching and customization capabilities in the past few years. Now they can more easily drill down and identify particular groups of participants in a plan–such as those saving below a particular percentage of their pay—and then do an education campaign targeted to that group, personalizing the communication for each participant. Consider moving ahead with a customized communication campaign to low savers in your plan, such as those participants not currently contributing enough to maximize the match. We can serve as a liaison between you and your recordkeeper to coordinate a targeted campaign to a particular group of participants.

[1] Employee Benefit Research Institute. "2018 Retirement Confidence Survey." April 2018.

[2] Plan Sponsor Council of America. "PSCA's 60th Annual Survey." Feb. 2018.