

The Tree of Retirement Plans

Managing a retirement plan and managing a grand magnolia tree are similar feats. In our blog posts, we are going to symbolize how the preparation and education required for growing a neighborhood beauty, and the dedication and responsibility required to affect participant outcomes are alike.

The retirement plan system is in trouble. Just like the trees of our Earth are dwindling, so are the number of Americans prepared for retirement. According to a recent 2014 Fidelity survey, over 50% of Americans feel unprepared for retirement.

Let's step back and take a moment to image your retirement plan as a tree.

Yes, a tree.

In our blog posts, we are going to focus on the major necessities of tree maintenance and retirement plan management. We have created these posts for you to symbolize the retirement plan challenges. Our first post is about the importance of watering trees – or helping employees contribute a meaningful amount to their retirement savings accounts.

Should you water your retirement account?

What happens if a tree does not receive enough water?



As a plan sponsor, trustee, plan fiduciary, and decision maker at your company, you hold a very special position. You are the Master Gardener. Three of the four gardener (retirement plan) tips are in your hands. So to speak, you control the hose.

We could plant the most beautiful tree in the world, and provide the best soil on earth, along with the perfect amount of sunshine, but without water – the tree will not grow.

For your plan participants, contributing enough to their retirement account is one of the most important actions they can do to accumulate for retirement. You need your employees to contribute a meaningful amount into their retirement savings plans. Whether your company's retirement plan is a 401(k), 403(b), a TSA, 403(b), or a different type, the

importance of saving is the same. The vehicle that your company selected will offer different savings options, but the most important takeaway is – employees must save.

How can you increase plan participation and deferral percentages while managing your fiduciary risk?

In the 2014 PLANSPPONSOR DC Survey, 40% of plans offered auto-enrollment and the most popular auto-enrollment percentage was 3%. Interestingly, in a Fidelity study, when plans adopted auto-enrollment, the participation rates increased from 53% to 84%, respectively.

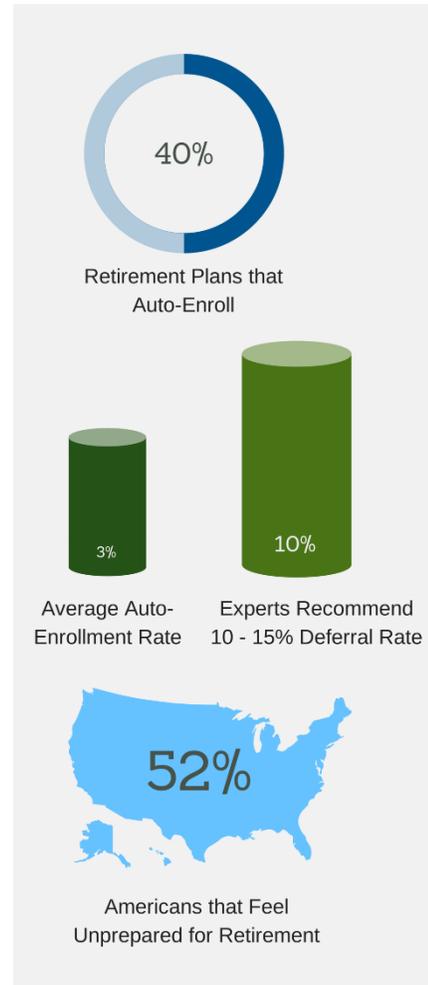
Now industry experts recommend participants save 10 – 15% for retirement.¹ So as the Master Gardner who controls the watering hose – let’s hypothetically say you add auto-enrollment to your company’s retirement plan and increase the typical auto-enrollment percentage from 3% to 6%, what would happen next?

According to Principal, 8 out of 10 of your employees will stay in the plan and auto-increase to 6%! By adding these two plan provisions, you could both increase plan participation and double the average employee’s deferral percentage! In a sense, you added 100% more water to your company’s retirement plan tree.

Another benefit of auto-enrollment and auto-escalation is their contribution to Safe Harbor protections. As a plan fiduciary, you have the responsibility to act in the best interest of the participants. One way to accomplish that is by annually re-auto-enrolling each participant within the plan. Fred Reish, a leading ERISA attorney, recently wrote a White Paper about the fiduciary protections aligned to compliant auto-enrollment plans. This provision is worth double water points – #1. It is beneficial for your employees to save for retirement and #2. The re-auto-enrollment helps support a fiduciary Safe Harbor provision helping to contribute to plan protection.

Water Early and Often

In summary, young trees and retirement plans are similar. They take time, care, a watchful eye, and most importantly, water. It is essential that your employees understand the importance of saving for retirement. And as the Master Gardener, you control the hose to help them!



¹ http://money.cnn.com/retirement/guide/basics_basics.money.com/index7.htm

We hope you enjoyed the post and check back next time as we explore how sunlight, fertilizer, and trimming the retirement plan can increase participant outcomes!

This information is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.

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2014 PLANSPONSOR Survey, All Industries