

## Helping Employees Reach a Higher Level of Preparedness

There are a variety of goals for any retirement plan. Surely one of the most important is to help employees reach a state of retirement readiness. This is no small task, considering that retirement may last 30 years or even longer for many people working today. The industry and employers continue to learn how best to accomplish this daunting goal. After all, in most cases employees cannot count on a pension. Yet they are often resistant to save. Accumulating enough on their own is a challenge for them and for their employers.

Recognizing this dilemma and seeking to help employers pave a smoother road for their employees, Fidelity identified a four-pronged strategy it calls “Retirement Vision 2020.” This strategy was designed to ensure that as many American workers as possible can achieve a secure retirement.

One of the chief recommendations of the strategy is that companies view retirement in a holistic way. It is the end goal, and should be informed and built in a way that considers both attitudes and other benefit programs.

According to Fidelity’s roadmap, a successful retirement program should:

- **Design for income.** Traditionally, employers and advisors recommend that employees strive to contribute a particular percentage of pay. Rather than focusing on contributions, the report suggests that employees should be encouraged to aim for an income replacement level in retirement, and measure their contributions and balances against that goal. The 2020 report suggests a reasonable starting point of 50% of final net pay, but acknowledges that some employers may set different goals depending upon other factors, such as an existing pension plan.
- **Account for health care.** When designing or making changes to the retirement plan, the retirement committee should not operate in a vacuum. Rather, the design group should include representatives from the employer’s health care team and other pertinent areas. All parties (including plan participants) need to understand the increasingly



significant role health care costs are playing for retirees. In fact, Fidelity’s 2014 Retiree Health Care Cost Estimate shows that the average 65-year-old couple may need more than \$220,000 to pay for health care expenses in retirement.

- **Engage and empower.** Employees in general need more than a handout and a link to a website in order to engage with the plan. The right combination of guidance and easy access to resources can make a big difference in employee engagement—and engaged employees tend to save more. Fidelity’s own research shows that employees using their Web-based tools raised their average deferral percentages by 4.3%. Of course, some employees don’t engage at all. For those, aggressive automatic features can help. Setting the bar high in terms of enrollment percentage and contribution increases, and automatically investing them in age-appropriate funds, may make a real difference.
- **Transition with confidence.** Retirement dreams differ from person to person, but one thing is constant: the need for an income to support them. Fidelity’s research shows that 31% of Americans are unsure whether they can meet their retirement income requirements, and 11% are sure they can’t. Employers can help them gain confidence to take on the future by providing needed tools and support, and helping them engage.

Fidelity’s Retirement Vision 2020 is available online at <http://tinyurl.com/Fidelity2020>.

