



THE WHITE PAPER

An In-depth Look at Investment Opportunities

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Six Ways to Increase Plan Participation, Engagement

Many Americans are still not capitalizing on the advantages made available by participating in their employer-sponsored retirement plan. As a plan sponsor, you have access to a number of strategies that can help participants within your organization escalate their level of retirement readiness. Here are some that could help you better engage your participants.

Make Participation for All Automatic

Automatic enrollment continues to gain traction in many 401(k) plans, but still under half of all plans (42%) have adopted the feature.¹ In addition, in many of those plans the auto enrollment feature is extended only to new hires. Auto enrollment does have its benefits: Average participation rates at companies that offer the feature is 81%, compared with 64% at those that do not.² Consider expanding your auto enrollment feature to include existing non-participants.

Increase Your Match Threshold and Default Contribution Rates

If increasing the dollar amount of participant contributions your company matches is not feasible, consider increasing the percentage threshold to a higher rate. For example, if you currently match 100% of the first 3% contributed, change the match formula to 50% of the first 6%. You're still awarding 100% of the first 3%, but it may encourage participants to defer more. Then raise the automatic deferral rate to 6%, making it simpler for your employees to take full advantage of the match.

Making this change can pay dividends. Plans that made the jump to a 6% default contribution produced significant improvements in retirement success rates for employees across the income spectrum, according to research from the Employee Benefit Research Institute.³ With the higher default contribution, 75% of employees in the lowest income quartile would be on the path to a secure retirement, compared with just 62% under current default contribution rates.

Add an Auto Escalation Feature

The majority of plans that do not offer auto escalation see their participants' deferral rates remain constant, usually at 3%.⁴ A 3% lifetime contribution rate will not help most participants reach their retirement goals. If you already have auto enrollment, consider implementing an auto escalation feature, of 1% to 2% annually.

Add Investment Advice and/or Managed Accounts

More than half of all plans offer investment advice, while a much smaller amount (14%) offer managed accounts.⁴ Both are helpful tools that can help your employees save and invest more successfully. If you have partnered with a financial professional, ask him/her to hold regular seminars and meetings. Participants will be more willing to listen if the advice is given face to face.

Shift Communication Toward Planning Issues

If automatic features are part of your plan, there may be less of a need for messaging about how to enroll or how to increase a contribution. Instead prompt participants to review their saving behavior, to calculate how much retirement income they are likely to need, and to plan for their desired retirement lifestyle.

Review Retirement Income Options

Sponsors of defined contribution plans with a significant participant population aged 50 and older should be reviewing options that permit employees to convert all or a portion of their balance to an ongoing income stream upon retirement. This scenario may be especially important for plan participants who do not have the luxury of a defined benefit plan.

These tactics may help you increase participation within your employer-sponsored plan and better engage your employees in retirement planning.

¹Source: *Profit Sharing and 401(k) Council of America, 56th Annual Survey of Profit-Sharing and 401(k) Plans, October 2013.*

²Source: AON Hewitt, *2013 Universe Benchmarks*, June 2013.

³Source: Employee Benefit Research Institute, March 2013.

⁴Source: WorldatWork and American Benefits Institute, *Trends in 401(k) Plans*, October 2013.

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