

# 5 WAYS TO BOOST RETIREMENT PLAN PARTICIPATION AT WORK

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**The case for helping employees with financial wellness is compelling. American workers believe that their employers should care about their financial wellness. Creating financial wellness programs can help reduce employee stress and make a difference in a company's bottom line.**

However, when it comes to establishing a financial wellness program that helps workers make better decisions; many companies overlook one of the most basic of financial wellness tools: the employer-sponsored retirement plan.

By educating and encouraging workers to participate in a retirement plan, employers can boost worker satisfaction while helping employees prepare for the future. Here are a few strategies that can improve employee participation in a retirement plan.

## **No.1 | Use Auto-Enrollment for Employees**

There is nothing more effective than auto-enrolling employees. An increasing number of companies are taking this step. A survey from [Alight Solutions](#) found that 68% of large U.S. employers now auto-enroll their employees.

Auto-enrolling workers after 90 days of employment, and requiring them to opt out if they don't want to participate, can be an easy way to ensure that most workers save for retirement. Auto-Enrollment is so effective because it makes enrolling in the plan easy. Studies show that many employees choose not to enroll because they are confused by the process. Most auto-enrollment plans enroll employees at 3% or 4%. The average "opt out" rate for a plan with auto-enrollment at 3% is just 6%. This means that over time, this plan's participation rate will approach 94%!

## **No. 2 | Offer an Employer Match**

In the years following the 2008 financial crisis, [fewer employers offered matching contributions](#) to their workers. Now, though, more employers are boosting their matching contributions.

Companies that offer matches have the chance to provide free money (and get a tax break in the process) to employees. Not only can a match inspire employees to contribute to a retirement plan, but it can also encourage them to be more loyal, reducing inefficiencies due to turnover.

## **No. 3 | Stretch Your Match Dollar**

The most common employer match program, [according to Vanguard](#), is one in which an employer offers 50 cents for each dollar a worker contributes, up to 6% of pay. For a worker earning \$50,000 a year, it results in a \$1,500 free contribution from the employer.

Many companies still use a dollar for dollar match formula however. While they still encourage participation, they aren't the most effective at getting participants to save more. This is because most employees tend to defer the amount they need to in order to get the maximum matching contribution. By understanding this behavior, employers can "trick" participants into saving more.

Consider this example:

**Company A** matches dollar for dollar up to 3% of compensation. This means that employees will, on average, defer about 3% - the amount they need to in order to receive the full match. So in total, the participant is saving 6% of their compensation—their 3% and the employer's 3%.

**Company B** matches 50% on the dollar up to 6% of compensation. This means that the employees will, on average, defer about 6% of pay. They will receive 3% match from their employer, which means they save 9% of their compensation total.

In both scenarios above, the employer only contributed 3% of compensation. By “stretching” the match, and taking advantage of participant behaviors, Company B's employees save 3% more than company A's. If you are skeptical that this will actually work, statistics show it works almost every time.

#### **No. 4 | Automatically Increase Employee Contributions**

Another strategy is to boost employee contributions each year. Auto-Escalation, the cousin to Auto-Enrollment, automatically increases a participant's defer rate 1% every year until they reach a predetermined cap (usually 10%). This helps employees gradually save more. This option can be voluntary on the part of the participant, or it can be mandated by your plan.

Many workers plan to increase their contributions, but never get around to it. By offering this simple perk, it's possible for companies to encourage greater deferral rates.

#### **No. 5 | Offer Employee Retirement Plan Education throughout the Year**

Simply offering a pamphlet or human resources presentation upon hiring isn't enough to adequately educate employees about their retirement options. Companies should incorporate retirement plan education into their [year-round financial wellness program](#).

Provide information about the benefits of the retirement plan, as well as information and help picking funds for the plan. Companies that offer a yearly meeting with a financial planner, or some other access to regular planning help can increase plan participation because better-informed employees are more likely to take steps to secure their retirement.

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