



SCHNEIDER DOWNS

Wealth Management

# Have You Met Your Match?

Just how important is a 401(k) match to your employees? It appears to be top of mind, according to Principal's 2021 Retirement Security Survey. The study's results show that the match matters most, as the top retirement plan considerations of survey participants when considering a new job are as follows: employer match (91%), eligibility requirements (80%), vesting requirements (74%), investment options (73%) and withdrawal options at job change or retirement (70%).

Moreover, one in four respondents indicated that they were considering retiring from their job or looking for a new one over the next 12 to 18 months. In an especially tight labor market, this means employers need to do all they can to attract top talent to their organizations.

## How Do You Stack Up?

With employer match on the minds of workers, and many considering making a career move in the near future, it makes the following question all the more important: "What are your competitors doing to assist their workers in planning for retirement?" Here's a roundup of some recent data on employer trends.

**Employer contributions.** According to U.S. News & World Report, the average 401(k) employee contributions for Vanguard retirement plans in 2020 was 7%, with employers contributing an additional 4% to their accounts. Still, total contributions continue to fall short of the goal of 15% of annual income frequently recommended by many financial advisors.

**Match formulas.** T. Rowe Price's Reference Point benchmarking report of 674 retirement plans, published in June 2021 details the top five employer-match formulas for their defined contribution plans in 2020:

- 50% up to 5% (20%)
- 100% up to 3% + 50% up to the next 2% (19%)
- 100% up to 4% (12%)
- 100% up to 6% (11%)
- 100% up to 5% (9%)

**Vesting schedules.** XpertHr's 2021 Employee Benefit Survey, as reported by CNBC, asked 452 U.S. employers how long their matches take to vest. Results were as follows: immediate (28%), one year (13%), two years (7%), three years (14%), four years (6%), five years (17%), six years (10%) and unknown (5%).

## Show Them the Money

According to CNBC, more than 40% of workers say it would take "a miracle" for them to be financially prepared for retirement. At this time, it's advisable to look at your retention numbers and peruse your exit interviews. Are many human resource losses likely related to a perceived weakness in your retirement plan? Compare your defined contribution offering, especially in the above spheres, to what other organizations in your industry and area are doing. Because it's more than likely that, if you don't, at least some of your current employees will be in the near future. ■

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Sources:

<https://www.troweprice.com/content/dam/ide/articles/pdfs/2021/q2/reference-point.pdf>

<https://www.cnn.com/2021/09/14/36percent-of-americans-say-they-wont-have-enough-to-retire-report-finds.html>