



Five Tactics to Increase Retirement Plan Participation

Employees fail to enroll in their retirement plan for a variety of reasons. They may be intimidated if it's their first time around or they might not fully understand and appreciate the benefits (or the downside of not participating). Some could be concerned about "locking up" their money — and others might worry so much about making the "wrong" investment decision that they procrastinate making any decision at all.

As a plan sponsor, you know the advantages of offering a retirement plan for you, including: employee recruitment, increased retention, reduced worker stress, higher productivity and tax benefits. Higher participation and contribution rates can also reduce the chance the plan will fail discrimination testing and be subject to financial consequences if needed corrections aren't made on time.

But the key to unlocking all the retirement plan benefits for both you and your employees is not simply having a plan, but making sure that enough workers actually use it. Here are 5 things you can do to grow your participant ranks.

1. **Enroll everyone.** A recent Vanguard survey of 8,900 small business retirement plans found a dramatic effect of automatic enrollment on employee participation rates: 83% with automatic enrollment versus 58% without. And if you need more convincing, Vanguard's How America Saves 2019 Report found that contribution rates were also higher in automatic-enrollment plans versus voluntary plans: 7.1% to 6.7%.
2. **Offer a Roth.** For employees who want to enjoy

tax-free income in retirement, providing a Roth option may motivate enrollment. And with no income cap, this move may also be appreciated by highly-compensated employees who earn too much to qualify for a Roth IRA. Additionally, you may tempt younger workers with a longer timeline to retirement who want to take advantage of the lower tax rate they're paying now as opposed to what they believe they might face later on.

3. **Go multimedia.** Offer retirement plan information to participants across a variety of modalities. Some may prefer in-person meetings, while others would rather watch a YouTube-style video at their leisure. And still others might prefer scribbling notes in the margins of a pamphlet. Provide education about retirement plan benefits in a way that's accessible for everyone, no matter their degree of financial sophistication. Answer questions in short- and long-form, at basic and more advanced levels — and in as many media formats as possible.
4. **Simplify. Simplify. Simplify.** It should be easy and straightforward for participants to sign up or make changes to their retirement plan elections or contributions. Changes should only take a few clicks, whether from a laptop, mobile phone or tablet. Optimize a seamless web experience for each platform.
5. **Why wait?** Shorter waiting periods allow new employees to start a saving habit straight out of the gate. It can also be an attractive feature when recruiting seasoned candidates who don't want to interrupt their retirement savings. So, consider shortening — or even eliminating — waiting periods altogether. Want to take the notion of instant gratification one step further? Consider allowing immediate vesting, which can help make your organization more competitive to draw top talent and further encourage participation in the plan. ■