

# Making Retirement Benefits Appealing

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Just because your company offers a retirement plan doesn't mean your employees will flock to it. According to the Bureau of Labor Statistics, just 54% of civilian workers and 50% of private industry workers participated in their company's retirement plan. Unlike government workers, 81% of whom participate, public and private sector employees simply aren't participating.

The news is particularly troubling when looking at the average retirement savings figures by wage. Families between the ages of 32 to 61 that earn just over \$62,000 annually have just \$5,000 set aside for retirement. While that number increases with wages – families making just over \$150,000 per year average \$274,000 in retirement savings – U.S. workers are simply not saving enough.

In a Federal Reserve survey of workers across all age groups, people were asked what they thought their primary source of retirement income would be. For people aged 60 and older, nearly 91% said that Social Security benefits would be that source.

That thinking is shared by people aged 45-59, among whom almost 81% say they'll be looking to Social Security for their main source of income. Among people aged 30-44 years, there is less emphasis on Social Security, but just under 59% still list it as their primary source of retirement funds.

The only age group not relying on Social Security are the 18-29 year-old millennials. While 42% still believe Social Security will be their main source of retirement income, nearly 45% say they will rely on savings outside a retirement account to fund their retirement.

As if retirement weren't enough of a change, there's another coming

– the National Retirement Risk Index reveals that almost half of today's workforce won't be able to maintain their pre-retirement standard of living.

Plan sponsors are tasked with helping their plan participants understand these challenges in the larger context – how do they measure up against these numbers, and how can they translate that knowledge into action? For the plan sponsor, there are a number of ways to make retirement planning more appealing.

## Add Automatic Enrollment

The best way to increase participation is to make it automatic. New hires are automatically enrolled with an opt-out option offered. Automatic enrollment coupled with automatic payroll deductions means your new participants see no change in their take-home pay. Likewise for existing employees, automatic enrollment can establish an easy method by which employees can "invest without thinking."

## Include Automatic Increases

The easiest way to ensure your plan participants are saving all they should for retirement is to offer automatic annual increases. Many auto escalation plans increase participant contributions 1% annually that takes advantage of any cost of living salary increase or raise.

## Reduce Waiting Period for Participation

In order to help all employees, including new hires, make the most of retirement saving, consider reducing enrollment waiting periods. By not requiring a year of service before employees can join the plan,

*"Just half of today's workforce participate in company-sponsored retirement plans. How can plan sponsors create more interesting retirement plans?"*

continued ...

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plan sponsors can gain more participation for those employees who are new to the company.

## Create Financial Wellness Exercises

Part of keeping plan participants interested and engaged is communicating the importance of their financial wellness. Plan sponsors can implement financial wellness exercises, either in workshops or in emailed polls and quizzes, that can illustrate a participant's financial readiness and the health of their overall financial situation.

## Communicate Often

As with any benefit plan, plan sponsors can improve employee participation simply by communicating benefits and plan features. Plan sponsors can send targeted messaging to those employees who are not enrolled in the company retirement plan – messaging that details smarter ways to afford retirement.

Plan sponsors have plenty of tools available that can improve the participation rate of company-sponsored retirement plans. The goal is to convey the value that employees will receive – company match, easy contributions, and a much more secure retirement.

**BCG is here to help.** If you would like to further discuss how to make your retirement planning more appealing, don't hesitate to contact us at **1-800-524-401K**. ■