

Low-Cost Ways To Improve 401(k) Participation

There are many ways you can encourage employees to open 401(k) plans. You can also help them grow their plans. Try one or two of these Low-Cost ways to grow 401(k) participation, and then a few more. It's to your benefit as well as theirs.

Schedule Reminders

Use payroll stuffers, emails, texts, and other "marketing" to encourage participation. It's not corny when the goal is to be helpful.

Meet With The Influencers

Every employee group has leaders. Identify them, and give them enough information so that they become retirement savings champions.

Schedule Enrollment Meetings In Paid Time

Show your employees that you are committed to the plan by scheduling enrollment meetings either during regular paid hours or by scheduling an hour of overtime to attend the meeting. Don't interrupt lunch unless you are bringing in pizza and drinks.

Allow/Require One-On-One Time With The Investment Advisor

Not every employee gets the complete message in an enrollment meeting. Some are reluctant to ask questions or just need to know how the savings plan will fit with their personal finances. Some employees may want to bring their spouse in on the discussion. Show your employees that not only do you care about the plan, but also you care about them—individually. Avoid the out-of-sight-out-of-mind syndrome. Again, this should be during paid time.

Promote Financial Education Seminars

Retirement savings is not the only issue that employees need help with. Talk to the plan's financial advisor or

other advisors to schedule financial literacy seminars on: Insurance, Buying A Home, Mortgages, Long Term Care, Wills And Trusts. Confidence will be reflected in plan participation.

Add An Employer Match – Okay Bribe Them!

The match does not have to be costly—in fact stretching out the match is the best use of the employer dollar. For example, a 25% match on every dollar, deferred up to a maximum deferral of 12% of pay, is the same employer contribution commitment as a 100% match up to 3% of pay deferral.

You can also limit the employer contribution commitment by imposing an annual dollar cap on the match. For example, 25% on every dollar deferred up to a maximum deferral of \$4,000, is a maximum employer commitment of \$1,000 per year per employee. You can further stretch this by matching 10% of every dollar deferred up to \$10,000 per year, for the same \$1,000 per year annual employer commitment. **Whatever your matching formula, publicize it.**

Use An appropriate Vesting Schedule

A match can have a vesting schedule. However, if the match formula is low (25% or less), don't reduce its effect by being too stringent on the vesting. Vesting schedules can also be confusing—all those numbers. Consider as few steps as possible, a cliff-one step schedule (100% after three years), or 100% immediate vesting.

Check out "No-Cost Ways To Improve 401(k) Participation" for additional ways to encourage employees to open 401(k) plans.

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- ◆ **EXPERIENCE:** We've been in business since 1971
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