



4 tips for successful retirement enrollment

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Thirty years after the birth of the 401(k) plan, the retirement planning landscape continues to evolve. Employees now have more say in how they manage their retirement savings than ever before. Individuals are directly responsible for securing a comfortable retirement—or not. However, various studies show employee participation in company-defined contribution plans remains low despite employer attempts to change this behavior.

Part of the problem is plan participants are not always armed with the tools or education they need to succeed. Insight from behavioral finance research shows there are three main roadblocks preventing individuals from making critical decisions about retirement plans during the time of enrollment:

- They are overwhelmed with the complexities of enrolling
- They don't know how much they should save
- They are confused as to how and where they should properly invest those savings

Each of these saving and investing decisions involves individualized assumptions based on life expectancy, health status, income flows and asset returns, to name a few. It's these intricacies that force plan participants to make less-than-optimal decisions. Additionally, plan sponsors often mistakenly add to these existing challenges by hosting long and confusing enrollment meetings. The hefty literature handed out in the meetings only intimidates people further.

That's where brokers can help. These four tips will enable brokers to help their clients overcome these roadblocks and plan for a successful enrollment. In turn, deploying these strategies will help put participants on the path to meet their retirement savings goals and properly plan for their future.

1) Simplify the enrollment meeting

Enrolling in a plan should be as headache-free as possible for everyone involved. For many companies, the enrollment meeting is an afterthought. Planning and preparing in advance can make the enrollment process much smoother in the long run.

One way brokers can help plan sponsors look ahead is by developing an entire campaign around enrollment. This might include sending messages via email, through a company's intranet or through any other channel the company uses, such as posters, payroll stuffers and social media. This ongoing communication will keep retirement planning top-of-mind for individuals and will help them better prepare for it.

Brokers also may suggest coupling enrollment meetings with other benefits meetings, such as new health care plans or a wellness program announcement. Having everything in front of employees at once allows them to process the information and decide more quickly how they want to proceed.

Lastly, brokers can offer new- and -improved means of enrolling. Instead of giving employees content-heavy brochures and forms, brokers can look for opportunities to integrate interactive technologies to simplify the process and better engage employees. Instead of hoping individuals will enroll after the meeting, brokers can distribute iPads toward the end of the meeting so employees can enroll securely and on the spot. Plus, the broker is right there to answer any questions. On-the-spot interaction and involvement with employees is crucial for defeating enrollment obstacles.

2) Educate employees about saving and investment options

Choosing investment options is another roadblock for employees. Presenting a menu of investment options is daunting, especially during enrollment. It requires further education because there are too many options to choose from (equity funds, money market funds, bond funds, etc.). The way these funds are presented can cause confusion, complicate investment decisions and could delay or prevent enrollment altogether.

Participants require further education on all of the investment options available to them to make a sound decision—particularly the options that will meet specific saving goals and objectives best. Offering employees regular educational sessions on retirement-related topics via face-to-face meetings, such as brown bag lunches and presentations, or supplying participants with flyers and tailored emails, will help build employees’ retirement knowledge and get them on the right track to making the best investment choices. Consider some basic and in-depth topic choices:

- Basics of the financial markets
- Tips for saving money
- Using everyday strategies to build financial strength: Making small changes in your daily spending to better save for your future
- How to overcome investing fears: Learn simple techniques to manage risk and develop a step-by-step investing plan for tomorrow
- Helping retirement money last: How to make sure you are doing all you can to ensure your savings will last, and how long-term plans with sound investment strategies and disciplined spending habits will help you smoothly move toward retirement and financial independence
- Building your knowledge of investment options: stocks, bonds and stable asset funds. How do you choose the right fit for you?

It’s important to remember retirement education doesn’t end at the enrollment meeting. It’s equally critical to provide employees with consistent education on the best practices and “how-to’s” of retirement planning, while also enhancing their knowledge of the various types of investment options—particularly those that have resulted in improved portfolio allocations during enrollment. The better sponsors can educate employees on the right choices for their retirement plan, the closer individuals get to achieving their savings goals, and the closer employers get to increasing participation.

3) Personalize the plan

Employees are more likely to feel ownership of a plan if it is customized just for them. Brokers can offer plan sponsors the option of providing managed accounts: personalized, flexible investment portfolios tailored to the specific needs of each individual. As opposed to one-size-fits-all investment options such as target-date funds (which only take into account a person’s estimated retirement age), managed accounts take into account factors such as an individual’s personal financial situation, risk tolerance, potential inheritance, benefits of home ownership and life expectancy.

Also, this personalized snapshot, or gap analysis, shows individuals their projected retirement savings based on various factors such as age, savings, salary and current contribution rates. The analysis then compares this projected retirement savings to the amount of savings the individual will actually need for retirement. Presenting these snapshots in the enrollment meeting often is an eye-opening experience for individuals, particularly what they need to do in order to take charge and make their savings goals happen.

Another way to personalize a plan for individuals is by creating tailored messages specific to each generation. Each individual has particular needs, and those needs vary, especially depending on what stage each employee is at in his or her life. Retirement messages for the fresh-out-of-college employee, for instance, would be much different than messages geared toward an employee who is only five years away from retirement.

3) Try automatic enrollment

Studies show increasing the number of options in a retirement plan can actually be detrimental and discourage any action. Offering too many options often does more harm than good; it can lead to choice avoidance and prevent employees from enrolling.

Automatic enrollment, on the other hand, helps reduce the number of active decisions an employee has to make, including percentage of salary to contribute and investment options to select. It changes the enrollment default from opt-in to opt-out—so employees are enrolled in a plan unless they choose not to participate. It helps participants overcome any hesitation as well as decision avoidance caused by complexity and procrastination.

Offering automatic escalation of contributions also will help address many employees' existing failures to increase default contribution rates as time goes on. Employees always can override the escalation of contributions, but using this feature removes the burden to periodically increase their contribution levels.

Additionally, brokers can help plan sponsors further educate employees about the investment options available to them and how to determine which particular option will meet specific savings goals and objectives. For instance, the use of defaults has proven successful in nudging participants toward better choices, such as joining a plan and even saving more money.

To simplify investment decisions, it's important to educate employees about the various options, particularly those options that have improved portfolio allocations during enrollment. Qualified default investment alternatives—known as lifecycle funds or pre-mixed funds—are a positive way to simplify portfolio allocation decisions. Participants who select lifecycle funds enhance their portfolio efficiency, reduce extreme asset allocations and minimize inappropriate risk exposure. The results are the same for individuals who choose pre-mixed funds. Additionally, lifecycle funds help participants avoid the “temptation” of chasing stock returns based on recent trends.

4.) Put the strategies into practice

One of the biggest mistakes brokers can make is assuming all of their clients—small- or large-case—are the same. Every company and every employee is different, so it's important to have a plan that is tailored to suit both the individual's and the plan sponsor's needs. Saving for retirement is a very personal endeavor; the plans should reflect a personalized approach.

Developing strategies based on these behavioral finance insights and putting them into practice can allow brokers to help their clients plan for a successful open enrollment. These tips will strengthen relationships with customers because you'll be viewed as a true and valuable partner to them. Making a sale is important, but guiding and supporting sponsors and participants after the sale is just as crucial.

Simple things like guiding clients to a helpful website or even bigger things, like hosting an enrollment meeting or walking someone through their personalized gap analysis, can help companies boost employee engagement and likely enrollment. When all is said and done, if a company has great open enrollment success, they may just have a broker to thank.