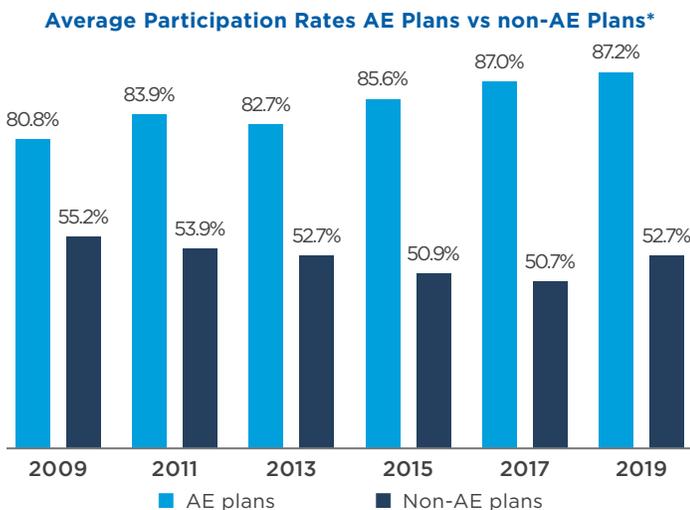


AUTO-ENROLLMENT BUMPS 401(k) PLAN PARTICIPATION

How you design your 401(k) plan can increase participation while helping employees with retirement readiness. One of the tools you can use is auto-enrollment to automatically enroll employees in your 401(k), often at 3%.

While there's some debate about whether that's enough and what the number should be, as the Fidelity chart below demonstrates, auto-enrollment consistently increases plan participation. If you aren't already doing so, consider auto-enrolling employees at your company's match rate to help them maximize savings.



Employees Like Auto-Enrollment

According to the Fidelity study, 90% of employees that employers auto-enrolled did not opt out. Further, in a recent American Century survey to plan participants, 70% of respondents said they believe auto enrollment should start at 6%. In addition, two out of three employees said employers should auto-enroll employees at a set percent and then increase it automatically each year. Target date funds are also popular as the default investment for auto enrollment. These funds automatically rebalance as the target date approaches, which helps ensure an employee's 401(k) balance is diversified.

Congress Supports Auto-Enrollment

The House Ways and Means Committee recently proposed a "SECURE Act 2" bill, and the Senate introduced similar legislation earlier this year. With automatic enrollment in the proposed bill, it confirms that Congress is refocusing on retirement plan initiatives in 2021. The bill also features a "savers credit" in which certain lower income individuals would receive additional tax breaks when they save for retirement. And it includes a provision that would create a national database to make it easier for employees to find their lost retirement accounts.

Next Steps

If you don't yet have auto-enrollment in place, consider adding it to boost retirement plan participation and to encourage employees to save for retirement. It's also important to educate employees on the benefits of saving for their future through the convenience of an employer-sponsored plan. If you do have auto-enrollment, is it at an appropriate percentage to make a difference for plan participants?

Consider Consulting With the Retirement Plan Solutions Team

Please feel free to reach out to the Mariner Wealth Advisors' Retirement Plan Solutions team. We can help with plan design, review your auto-enrollment option and default investment, as well as provide educational resources, including webinars and online tools, for plan participants.

Sources

*Participation data as of Q4 in all years. Updated annually by Fidelity.

["Building Financial Futures,"](#) 3rd Quarter 2020, Fidelity.

["8th Annual Survey of Retirement Plan Participants,"](#) 2020, American Century.

["SECURE Act 2.0 Legislation Introduced—And Wow!"](#) 401kspecialistmag.com.

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