

Best Practices for 401(k) Participant Education

Thursday, January 11th, 2018

Presented by Erik Fromm, Financial Advisor
CSG Capital Partners of Janney Montgomery Scott

Meet the Speaker...



Erik Fromm, CFP®
Financial Advisor
CSG Capital Partners
Of Janney Montgomery Scott



Erik leads CSG's participant engagement and financial wellness initiatives. The cornerstone of the team's participant service is the idea that if financial stress can be reduced and investment knowledge can be increased, employees are empowered to set a course for retirement on time and on their terms. Through regular communication and education, Erik and the team strive to provide relevant information and guidance to employees on topics that impact their lives and financial plans.

Poll Question #1

Do you feel that your employees are adequately equipped to set a proper savings rate and investment allocation while balancing other benefit decisions?

- A. YES
- B. NO

Employees Need Help

How confident are you in your knowledge of each of the following aspects of 401(k) retirement planning?
(% responding “very” or “extremely” confident)

2016 Total

Point (%)
change vs. 2012

How much to put in your 401(k) each year to be on track to reach your retirement goals



How to estimate how much you will have in your 401(k) plan by your retirement age if you continue saving at the same level



How much monthly income your savings will provide in retirement



N/A

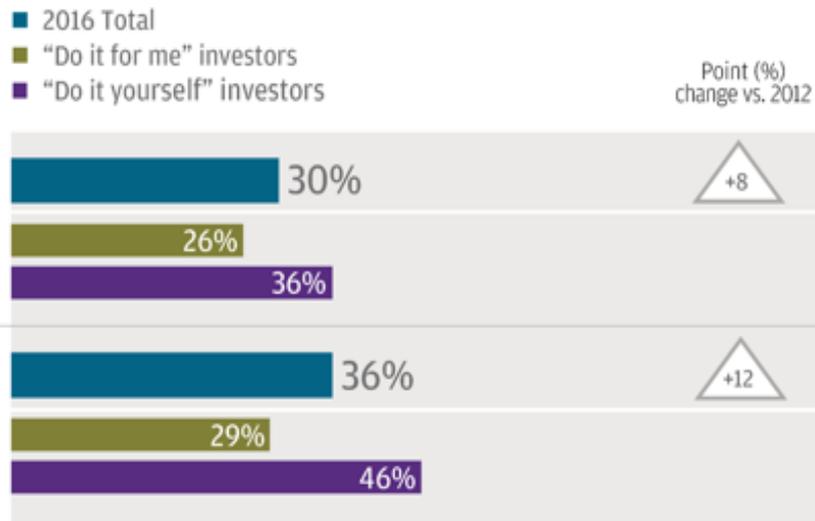
PLAN SPONSOR VIEWPOINT

53% of plan sponsors say that they evaluate the success of their 401(k) plan by the number of participants who are on track to reach a financially secure retirement¹

Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016
Defined Contribution Plan Participant Survey Findings, 2016

Employees Need Help

How confident are you in your knowledge of each of the following aspects of 401(k) investing?
(% responding “very” or “extremely” confident)



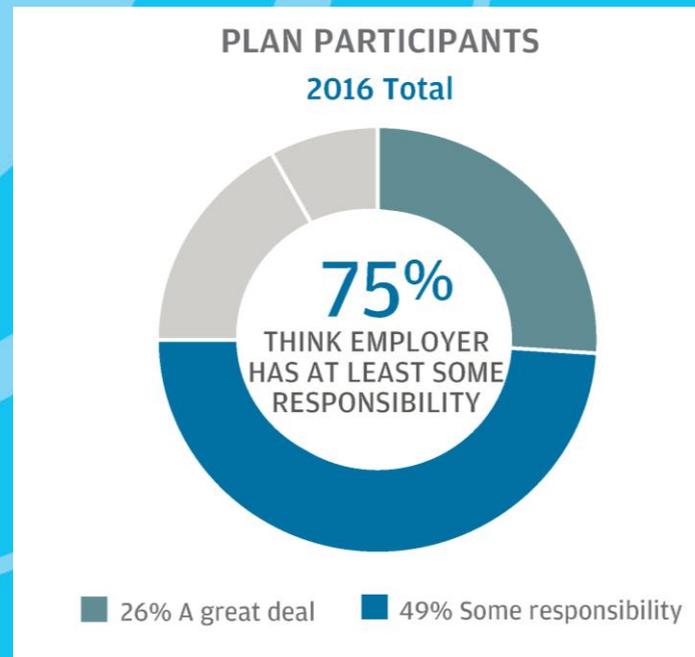
PLAN SPONSOR VIEWPOINT

Less than 1/2 of plan sponsors are confident that their participants have an appropriate asset allocation¹

Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

Employees expect help to come from the organization...

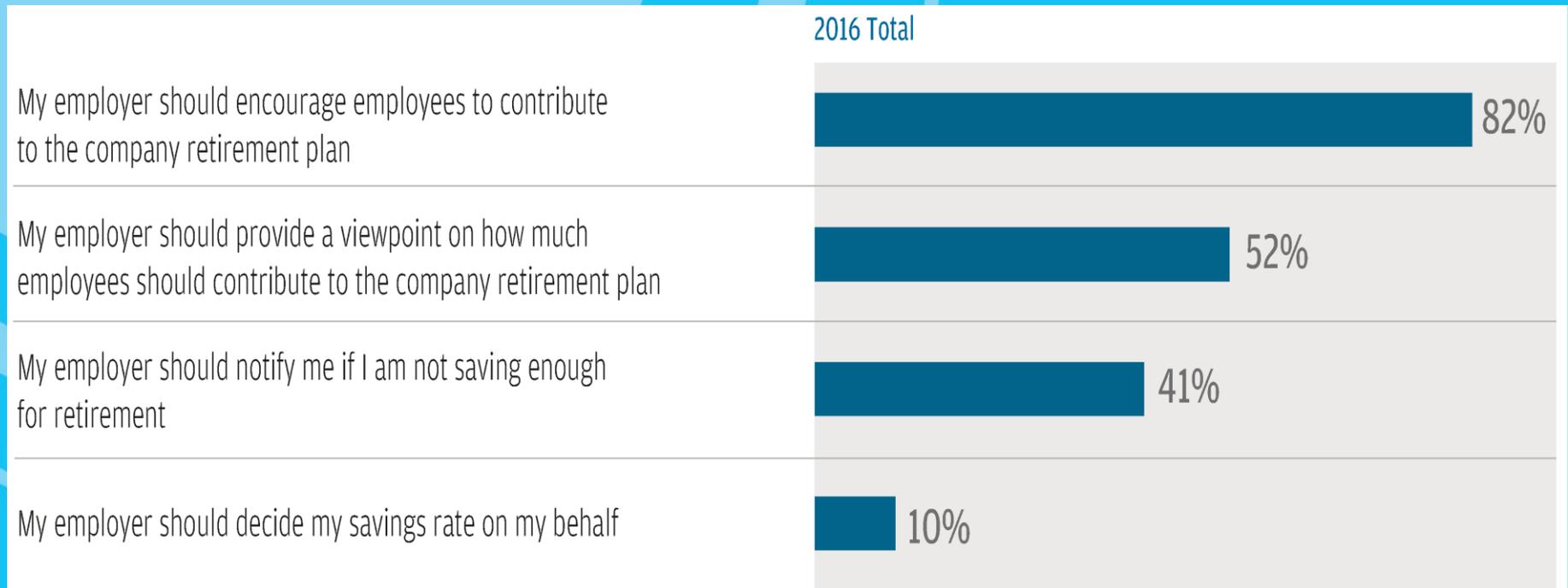
How much responsibility do you believe your employer should have for helping employees save for retirement?



Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

Employees expect help to come from the organization...

To what extent do you agree or disagree with the following statements?
(% responding “somewhat agree” or “strongly agree”)

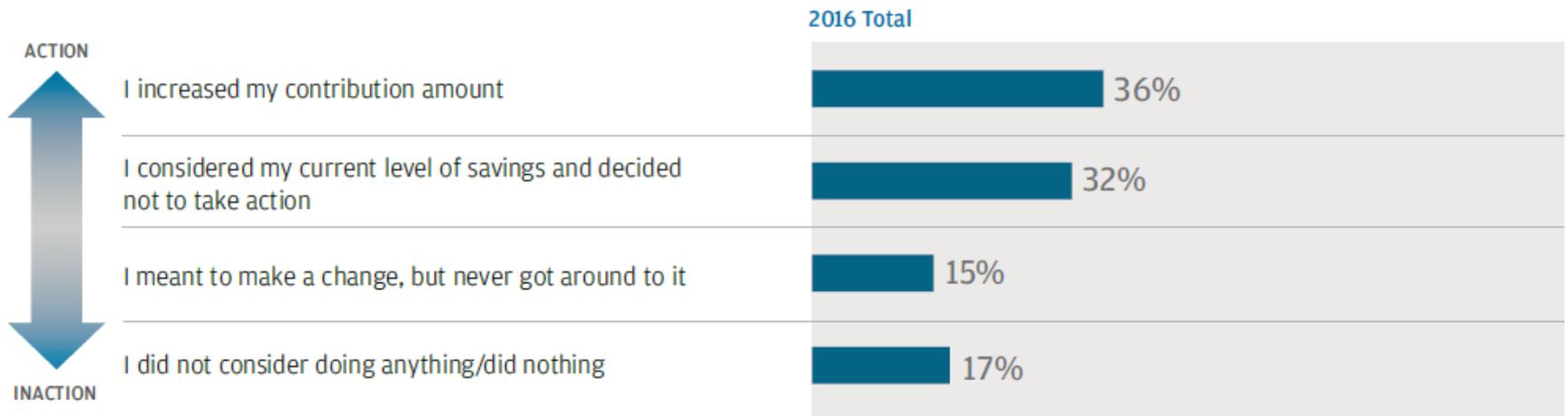


Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

...and they need encouragement and communication to follow through on intended actions.

Some participants are motivated by progress reports on savings; others ignore them or fail to act on intentions to increase their savings rate

EXHIBIT 9: WHEN YOU RECEIVED A NOTIFICATION FROM YOUR EMPLOYER INDICATING THAT YOU WERE NOT ON TRACK TO REACH AN APPROPRIATE LEVEL OF RETIREMENT SAVINGS IN YOUR 401(K) PLAN, WHICH OF THE FOLLOWING ACTIONS DID YOU TAKE?



Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

Poll Question #2

How do you feel about using automatic features in your retirement plan such as auto-enrollment, auto-re-enrollment, auto-increase, and default investment options?

- A. Currently using them and considering expanding
- B. Currently using some of them but will not add new features or increase amounts
- C. Not currently using them but would feel comfortable implementing
- D. Not currently using them and would not want to make these decisions for my employees

What can you do to set the proper foundation proactively?

1

Improve savings behavior

**ADOPT
AUTOMATIC FEATURES**

2

Simplify investment decisions

**SELECT
AN APPROPRIATE QDIA,
SUCH AS A TDF**

3

Allow inertia to work for, not against, participants

**CONDUCT
A RE-ENROLLMENT**

Plans that participate in auto-enrollment move the needle to an average participation rate of 87%



96% of those automatically enrolled in their 401(k) plans are satisfied

Source: Trowe Price Perspectives – Retirement and Financial Education, June 2017.

Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

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97.3% of participants who were auto-enrolled in their plan remained in the default investment.



99% of those who have gone through a re-enrollment and allowed funds to be moved to a TDF are satisfied

Source: Trowe Price Perspectives – Retirement and Financial Education, June 2017.

Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

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Auto-increase, along with robust participant education, has improved participant savings levels to an average deferral rate of 7.9% (pretax) in full-service defined contribution plans that utilize auto-increase.



97% of those whose contributions are/were automatically increased on an annual basis are satisfied

Source: Trowe Price Perspectives – Retirement and Financial Education, June 2017.

Source: J.P. Morgan Plan Sponsor Research – Guiding Participants from Intent to Action: 2016 Defined Contribution Plan Participant Survey Findings, 2016

Poll Question #3

How do you currently measure if your 401k is 'working'?

- A. Participation rate
- B. Average Account Balance
- C. Investment Performance
- D. Retirement Readiness
- E. Employee Surveys

What works?

One-to-One Appointments with Plan Advisor

- Communicate that this service is available at no additional cost and that it is a benefit being provided by the employer for employees.
- Keep it consistent – Maintain a regular quarterly, semi-annual, or annual rotation of on-site visits as logistically possible.
- Consider an advisor that serves as a fiduciary and can provide more robust advice across plan features, investment decisions, and broader financial planning topics.

What works?

Targeted Seminars & Webinars Addressing Financial Wellness

Managing Day to Day Finances

- Budgeting
- Debt Management
- Coordination of Benefits

Help Achieve Long-Term Goals

- Proper Savings Rate
- College Planning
- Retirement Income

Address Key Benefit Programs

- Social Security
- Medicare

Prepare For the Unexpected

- Insurance Reviews
- Protecting Investment Balances
- Helping Aging Parents

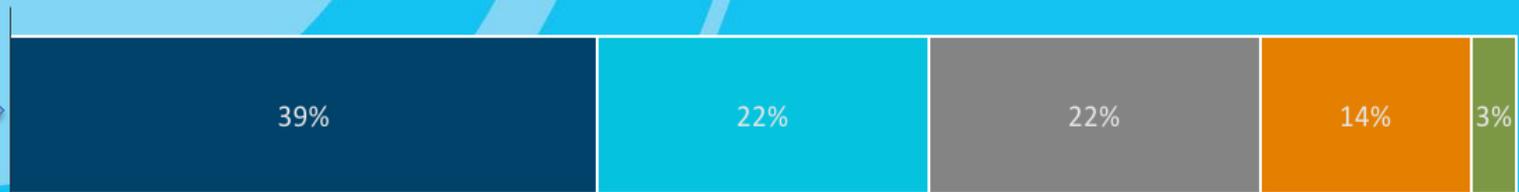
What works?

Employee Surveys – Are Your Efforts Impacting Financial Wellness

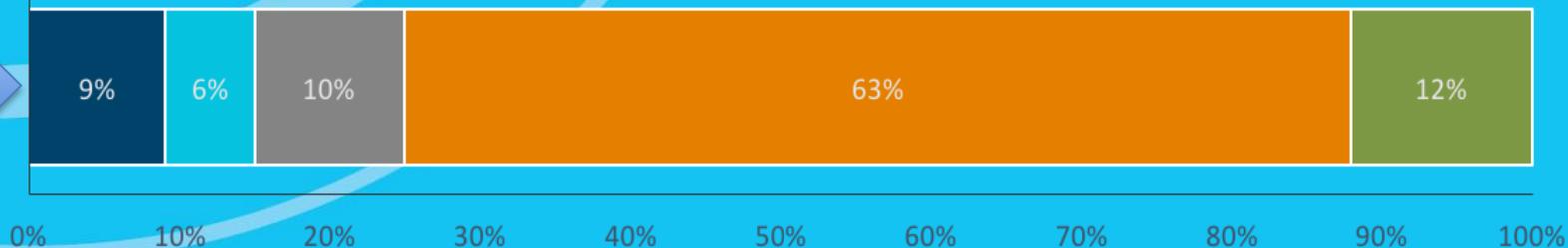
How do you feel about your retirement readiness?

■ Scared ■ Confused ■ Indifferent ■ Confident ■ Secure

Before Wellness Program



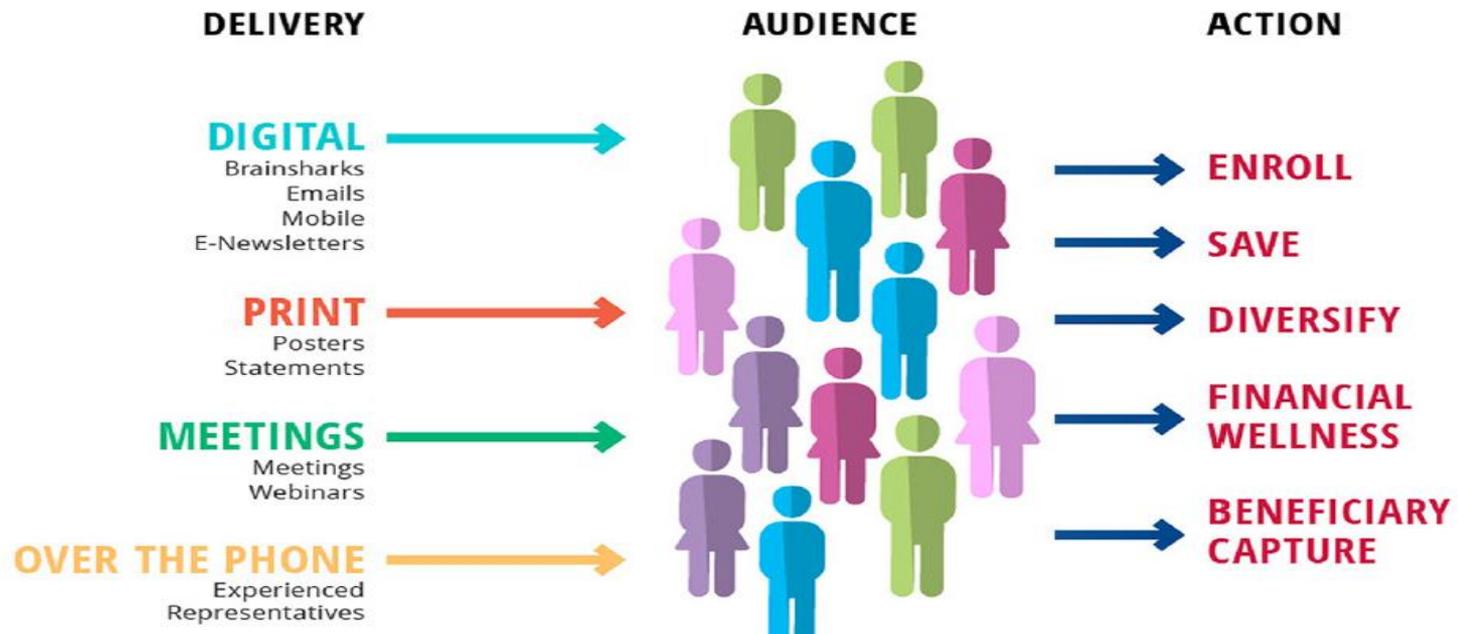
After Wellness Program



Source: Data from SmartDollar participant survey data over two year period ending 2015

Leverage Record Keeper Resources

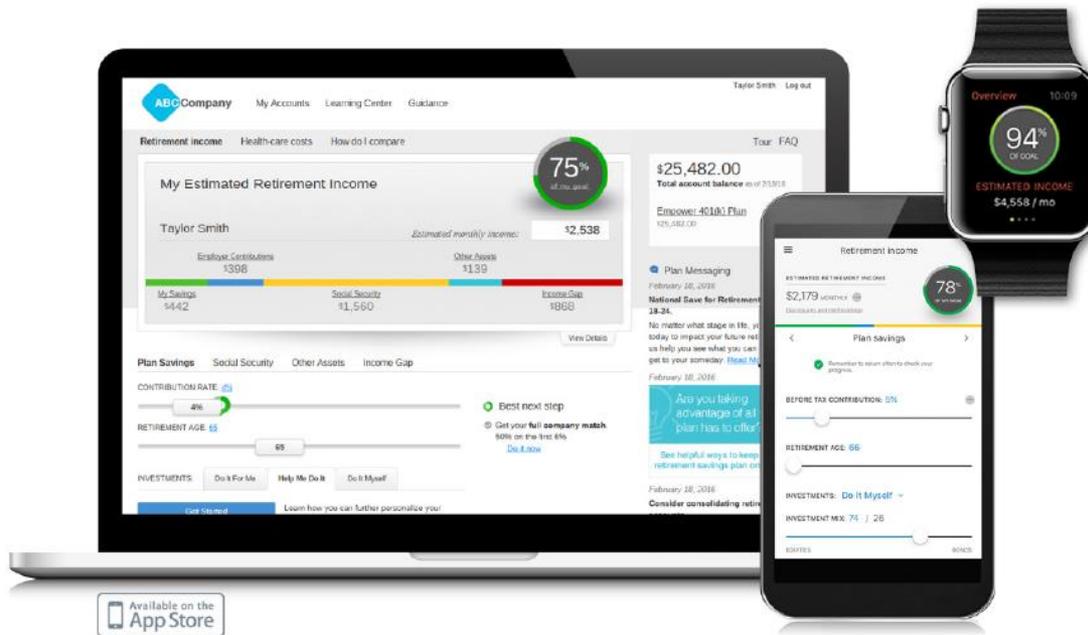
Our multichannel approach
engages each of your employees



Source: The Participant Experience – Now is a Good Time to Empower Your Employees, November 2017. Illustrating Empower’s resources as they serve as the recordkeeper for the ASAE Retirement Trust – your vendor resources may vary.

Leverage Record Keeper Resources

We can help you get better results
for your employees with a fresh approach



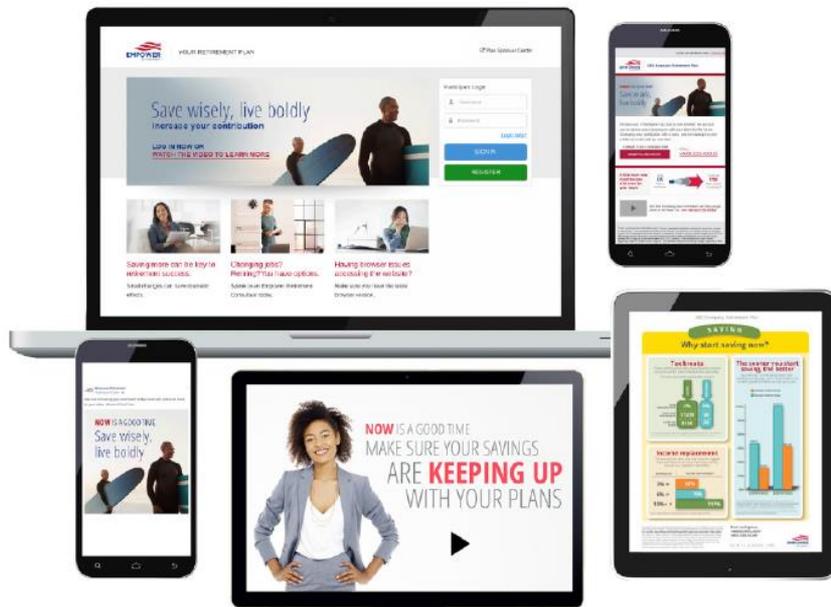
Most people now realize that a monthly income perspective is more understandable, more immediate, and more actionable.

Savings rates are the key to getting results — and building toward monthly income.

Source: The Participant Experience – Now is a Good Time to Empower Your Employees, November 2017. Illustrating Empower’s resources as they serve as the recordkeeper for the ASAE Retirement Trust – your vendor resources may vary.

Leverage Record Keeper Resources

Targeted campaigns designed to engage and drive action



Reach your employees the way they choose

Give them the information they need to take the next step

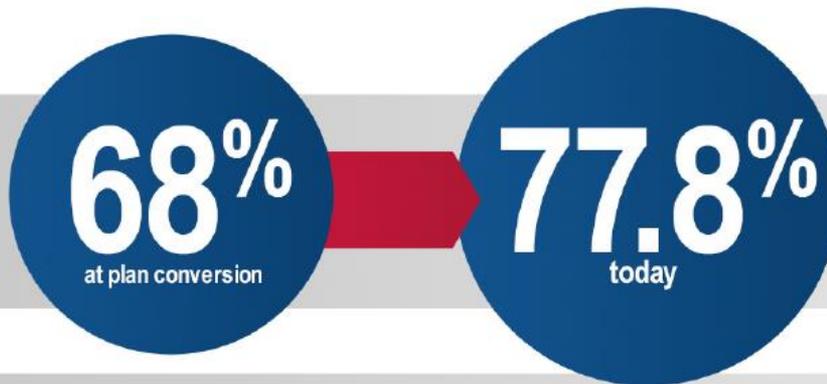
Make it simple for them to take action

Source: The Participant Experience – Now is a Good Time to Empower Your Employees, November 2017. Illustrating Empower’s resources as they serve as the recordkeeper for the ASAE Retirement Trust – your vendor resources may vary.

Are Efforts Working?

Empower's approach

has helped increase estimated income replacement in retirement by nearly 15%¹



Unique approach and continuous engagement has delivered higher income replacement scores



NATIONAL AVERAGE 2013 - 2016:
Lifetime Income Score replacement ratio²

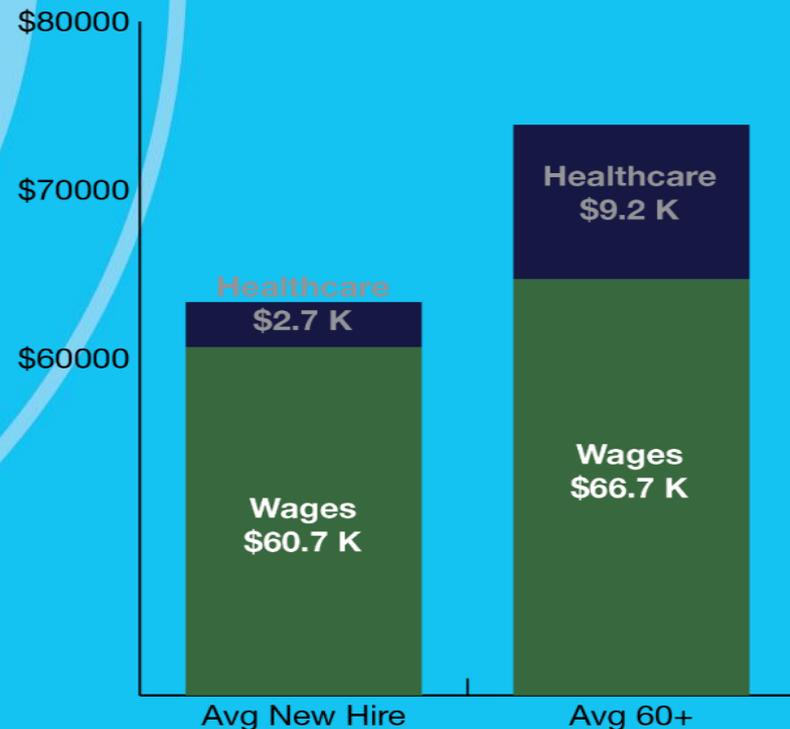
Source: Lifetime Income Survey, 2016 – Includes time period December 2010 to September 2016

Why Does it Matter?

Delayed retirements cost your organization money in the form of higher wages and healthcare costs.

Helping more of your employees retire on time and on their terms is not only great for them, but it improves the organization's bottom line and can positively impact talent management initiatives.

Marginal Impact of an employee delaying retirement (Wages and Healthcare)



Source: Mass Mutual's Viability Advisory Group, 2017 Case Study, Hypothetical Example for illustrative Purposes only.

Common Mistakes and Missed Opportunities

- Taking a ‘hands-off’ approach – There is clear data showing that employees need and want guidance from their employer. The fear of coming across as maternalistic/paternalistic is largely unfounded.
- Relying too heavily on technology – Tools available today are incredible, but one-to-one interaction with the plan’s advisor is what we’ve seen move the needle the most beyond adopting automatic features.
- Relying on participant action to improve plan health – It cannot be stated enough that we feel that your best chance to dramatically improve plan health is with plan design.
- Not including 401(k) education in open enrollment for other benefits – Financial wellness is best achieved when employees feel confident that all of their benefits are operating efficiently. Health, Insurance, Retirement, and Personal Finance are all interconnected. We’ve seen great feedback when organizations increase the holistic education across all of these silos.



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