

# RETIREMENT PLAN PERSPECTIVES

## Insights for Your Plan and Employees

Q1 2017



### Featured Attraction: Retirement Plans Go Beyond Savings

Business owners, CEOs, and sales managers don't need to be reminded that human capital is their most valuable asset. And although factors such as competitive compensation packages, a dynamic culture, and career advancement may be more top of mind, retirement plan sponsors can't afford to overlook the critical role that a workplace retirement plan can play in acquiring and retaining employees.

Competition for talented workers is fierce, and employers have taken notice. Recent data suggests that employers are becoming increasingly aware of a retirement plan's potential to serve as more than just an important savings vehicle for their employees. According to [research](#) conducted by the Society for Human Resource Management (SHRM), more than half of employers leverage retirement savings and planning benefits to either retain or recruit employees. In the same survey, HR professionals said that the importance of retirement plans in recruiting and retention will increase significantly in the next three to five years.

#### Why is employee retention so important for businesses?

In short, it's because replacing a valuable employee comes with significant economic and productivity costs. SHRM's [Human Capital Benchmarking Report](#) for 2016 indicates that the average cost per hire is \$4,129, and the average time it takes to fill an open position is 42 days. Add in the cost of other employees picking up the slack until a replacement is found, and it becomes abundantly clear that employee turnover can have an adverse impact on a company's bottom line.

On the plus side, an employee's satisfaction can be directly correlated to his or her retirement plan. In fact, according to a [2016 SHRM study](#), 89 percent of employees rated their retirement plan, such as a 401(k) or 403(b), as either "very important" or "important" to job satisfaction. Research has affirmed that satisfied workers positively impact organizational performance.

#### Tips for amping up your plan

Given that the retirement plan is a crucial talent acquisition and retention tool—not to mention a key factor in employee satisfaction—how can employers enhance their plans to capture the attention of potential and current employees?

- **Take a fresh look at your company match.** Does the match amount serve as an attractive incentive for employees? Do you offer a profit-sharing allocation, giving key talent the chance to receive a bigger slice of the pie?
- **Go beyond the 401(k).** When it comes to attracting executive-level talent, offerings such as cash balance plans or deferred compensation plans could make the difference between a top candidate joining your firm or a competitor.

## Featured Attraction: Retirement Plans Go Beyond Savings *(continued)*

- **Offer a more generous vesting schedule.** When comparing two job offers, employees may consider how long they have to wait to access 100 percent of their employer's matching contributions. Adjusting the vesting schedule (for example, changing a five-year schedule to a three-year schedule) may turn the tide in your favor.
- **Focus on financial wellness.** Employees appreciate it when their employer is looking out for them. Stepping outside the traditional retirement box and delivering guidance on other financial topics, such as saving for college and managing debt, can help strengthen bonds and foster employee loyalty.



### Plan Sponsors Ask ...

---

**Q:** We're worried about our employees' financial well-being and how it affects their retirement readiness, or lack thereof. Should we be more proactive in ensuring that they're able to retire when and how they want?

**A:** As a recent [survey from Willis Towers Watson](#) shows, you're not alone in your concerns. The survey found that 39 percent of employers who offer a defined benefit or defined contribution (DC) plan believe their employees' retirement readiness is at risk today, and 44 percent see it as a risk two years from now. With more employers offering DC plans as their only retirement benefit, many are seeking ways to improve retirement readiness. In fact, employees' inability to retire in a timely manner is the top risk for 6 out of 10 plan sponsors.

Although most employers are currently focusing their efforts on plan governance issues like investment fee monitoring (74 percent) and manager performance (61 percent), many are also looking to foster retirement readiness in the next two years. Indeed, the number of plan sponsors working to prioritize offering quality benefits and monitoring participant behaviors is expected to more than double, from 18 percent to 38 percent, by 2018. It's clear that DC plan governance is becoming more holistic, encompassing not only investments and fees but participant behaviors and how plan design influences retirement readiness. It's a necessary shift, and a good move for plan sponsors and participants alike.



### We Can Help

---

Please contact us if you'd like ideas for improving participants' financial well-being, or to discuss ways you can leverage your retirement plan to attract and retain top employees.

Commonwealth Financial Network® does not provide legal or tax advice. Please contact your legal or tax advisor for advice on your specific situation.

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser.

Authored by The Standard and the Retirement Consulting Services team at Commonwealth Financial Network.

© 2017 Commonwealth Financial Network®