

RETIREMENT PLAN PERSPECTIVES

Insights for Your Plan and Employees

Q4 2015



Plan Design

3 Tips to Boost Your Plan's Health

Based on the defined contribution investment menu trends we've seen over the past year, we recommend that you consider the following plan design features to help support the goals of both your plan and the plan participants.

- 1) Automate higher contribution levels.** If you don't use auto-enrollment, make implementing it a top priority. In addition, consider setting bolder default contribution rates close to 10 percent for your plan.
- 2) Create a stretch match to encourage higher savings rates.** The employer match can play a huge role in how much employees elect to contribute to their plan. So, rather than matching employee contributions dollar for dollar up to 6 percent, consider matching 50 cents on the dollar up to 12 percent. This will signal to employees that, to help meet their future income replacement needs, the optimum contribution rate is 12 percent.
- 3) Limit the number of plan loans available to one.** To be sure, plan loans are a feature that is appreciated by many plan participants. But keep in mind that they can lead to habitual borrowing from retirement accounts, leading to long-term ramifications for participants' financial security. In addition, plan loans can be very time consuming and complicated to administer. Consider limiting the number of loans available to one per participant; this will help rein in the number of outstanding loans, as well as the time it takes to administer this plan provision.



Getting RetireReady

The [Millennial Retirement Saving and Spending Study](#), recently published by T. Rowe Price, offers insights into the financial mind-sets and behaviors of working millennials who are saving in a 401(k) plan.

ENTHUSIASTIC ADOPTERS OF AUTOMATIC SERVICES



On average, working millennials who were auto-enrolled in their 401(k) plan express a high tolerance for increased auto-service defaults, making them ideal candidates to adopt plan changes.

- **27 percent of respondents** said they would not opt out of auto-enrollment until 10%+.
- **47 percent wish they had been enrolled at a higher rate**; however, those auto-enrolled at rates below 3 percent are very sensitive to increases in the auto-enroll default rate.
- **80 percent believe their employer** should set the auto-enrollment rate to take full advantage of the company match.

About the study: T. Rowe Price initiated the Millennial Retirement Saving and Spending Study, a quantitative study that was conducted independently by Brightwork Partners, LLC. Interviewees included 3,026 workers who were currently contributing to a 401(k) plan or were eligible to contribute, with a balance of at least \$1,000 (composed of 1,505 millennials; 1,007 Gen Xers; and 514 age 50+ workers); 1,027 adults who retired in the past five years and have a rollover IRA or balance remaining in a 401(k) plan; and 255 millennials who were eligible but were not currently saving in a 401(k) plan. Interviewing was conducted in February and March 2015. Findings in the samples are subject to a margin of error of just under 3 percent.



Take Note

Did you know?

- **42 percent** of working Americans don't know if they are on track to retire comfortably.*
- **77 percent** of Americans say that financial professionals can relieve the pressure of trying to plan for their family's financial future by themselves.**

*[2015 MassMutual Employee Benefits Security Study](#)

**[2014 Allianz LoveFamilyMoney™ Study](#)



Maintaining Plan Compliance

Pension Protection Act Restatement Deadline Quickly Approaching

Approximately every six years, the IRS requires retirement plan documents to be restated and resubmitted for approval. Although the deadline to achieve restatements is April 30, 2016, most service providers and third-party administrators (TPAs) are targeting 2015 for the completion of plan document restatements that incorporate language and provisions required by the Pension Protection Act (PPA). Be sure to contact your service provider or TPA to determine its restatement process timeline.

Helpful hint: Coordinate any pending plan document amendments with the mandatory PPA restatement and resubmission.



We Can Help

Our firm is ready to provide the ideas, guidance, and strategies necessary for you to prepare for what lies ahead—and to help your employees get on track for retirement. If you would like to review any aspect of your retirement plan, we're here to assist you.

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

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