



Steps To Increase 401k Plan Employee Engagement

As a [business owner](#), there are 3-steps to increase 401k plan employee engagement. I get it! The last thing that most employees want to do is talk about retirement. It seems so far into the future that it does not connect with their current priorities. It is also frustrating that you spend so much time managing something not taken advantage of by the people it means to serve. **Again? I get it!** Here are three simple steps to increase engagement amongst your staff:

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Connect to Their Current Situation:

Retirement is such an exoteric concept, and most people underestimate what their needs will be in the future. \$500,000 sounds like a lot of money. But what if I told you that a \$500,000 account balance would safely support a \$25,000 per year income replacement? Holy cow! It changes people's perceptions. An alternative approach to increase employee engagement is to show them what their current 401(k) balance means in terms of a bi-weekly or monthly paycheck. That is how most people think of their current income anyway. We all get the notification from our bank that a deposit of \$XX has hit our bank account. What if we did the same on our monthly or quarterly 401(k) statements as well as action steps to get them back on the right track? Such can get done with different service providers in the industry. Therefore, we will see more and more of this type of communication with participants in the future.

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Unlocking the productivity of your workforce is an art. That is why we spend money on human resources and develop strategies that evolve around performance, workplace culture, and overall wellness. By having healthy employees, both mentally & physically, you can increase their productivity by increasing their focus on their jobs. **One solution is devoting a day to speaking to the needs of your workforce outside of their day-to-day duties.** Not only will it show you as being a dedicated employer that cares about the well-being of their employees, but it will also build camaraderie amongst your leadership and those they are supposed to lead to move your company's mission forward. Making it a part of your culture will make it become a habit for your employees. Such can include healthy activities like exercise, stress management, team building, and financial fitness. In addition, many different specialists can come in and address the needs of your workforce.

Revisit Your Company's 401(k) Plan Design

Successful employee participation is a delicate balance between incentivizing and *nudging*, a term popular by University of Chicago behavioral economist Richard Thaler. The best incentive employers have to increase participation is to offer a company match. Industry-standard is a matching between 4-6% of employee compensation. When you are in the middle of budget planning, you can incorporate the matching contribution as part of labor. The good news is that you can also attach a vesting schedule out to 6 years on all matching contributions, which can help you save money over time. You can also look into *automatic features* like automatic enrollment and automatic escalation. Such is the *nudge* I was referring to earlier. By building enrollment into your employee onboarding process, your workforce can start saving immediately and set the expectation that financial wellness and retirement planning are a priority of your company. The only caveat I will mention with *automatic features* is that it IS NOT as automatic as it gets pitched. Certain service providers do a better job at helping the plan administrator at the employer manage the automatic enrollment and escalation process, but most will not. That means that you must have great internal controls in place to make sure you are managing, tracking, and enrolling participants on time. In addition, there could be penalties associated with having certain participants fall through the cracks, so make sure you know how your service provider can assist and what processes you need to have in place.



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Need Assistance?

If you seek assistance from an independent fiduciary plan advisor, you can always schedule a free consultation by calling 855-RIA-PLAN. We are more than happy to discuss options to help get you and your plan on the right track. If you are interested in a no-obligation assessment of your company's 401(k) plan and how RIA Advisors can help you level up, [feel free to contact me directly.](#)