Employers can help workers be ready for retirement in several ways, such as helping prevent “leakage” from retirement accounts; offering employee benefits that help manage risks and providing financial education.

High on the International Foundation’s priority list in 2015 and the years that follow is an initiative to help plan sponsors help participants and their families achieve a secure retirement. This article is the fifth in a series of six being published in Benefits Magazine during the first half of 2015. It shares what the Foundation has learned from research on this topic. Visit www.ifebp.org/RetirementSecurity for a copy of the full report, as well as other information and resources.
For employers and plan sponsors that want to take a more active role in promoting the retirement security of workers and their families, there are five interrelated goals:

1. Help workers determine their retirement needs and where they stand.
2. Get workers enrolled and saving for retirement.
3. Help workers make prudent investment choices.
4. Help workers stay on track to meet their retirement objectives.
5. Support those near retirement to make the transition.

In the March and April issues of Benefits Magazine, specific strategies were presented for achieving the first three goals. This article discusses what employers and plan sponsors can do to achieve the next goal: helping workers stay on track to meet retirement objectives they have established for themselves.

Curb Loans and Hardship Withdrawals

Though the reasons plan participants take out loans and make hardship withdrawals can be compelling, these actions can have a major impact on retirement savings outcomes. Plan sponsors can reduce the chance of such an impact if they:

- **Limit the number of loans and establish a waiting period between loans.** Restricting the frequency of loans reduces the number of serial borrowers—the group most likely to default on loans.
- **Limit the dollars available via loans and withdrawals.** A sponsor might restrict loans and withdrawals to employee savings—not permitting access to employer contributions. Such a policy limits access to some funds while retaining some flexibility and access for workers. Reducing the maximum allowable dollar amount eliminates some of the largest loans and withdrawals.

Help Workers Stay on Track

During a person’s life, any number of events can result in failing to implement steps in a retirement plan or getting off track. Employers and plan sponsors should review their total benefits package to consider what changes might significantly impact the ability of workers to achieve their retirement objectives. Expanding worker education regarding retirement (as well as other benefit) plan features, assistance with plan roll-overs and instruction on general money management may also have a positive impact.
• Automatically restart contributions after a hardship withdrawal. Plan sponsors often prohibit participants from making contributions to workplace retirement plans for at least six months after a hardship withdrawal. An automatic restart at the end of this period can help participants get back on track saving for retirement as soon as possible.

• Permit the posttermination repayment of loans. Many employers do not accept loan repayments after employment termination because payroll deductions can no longer be made. If an employee does not have the funds to repay the loan in full at termination, the loan becomes a withdrawal with all of the associated taxes and penalties. Allowing individuals to continue making payments through the term of the loan encourages repayment and maintenance of the funds in the retirement account.

**Assist With Rollovers**

Leakage is also a problem when defined contribution (DC) plan participants change jobs. Participants typically have three choices for retirement savings from a former job:

1. **Take a lump sum.** For many, the worst option is taking funds out as a lump sum and spending it or investing it in a nonretirement savings account. With this decision, the participant pays taxes on the funds and, too often, an early withdrawal penalty. The amount set aside for retirement is reduced, and the long-run opportunity for money to compound tax-free is taken away. The ultimate consequence is that the amount the worker needs to save during the remainder of his or her working years increases.

2. **Leave savings in the former employer’s plan.** While this option may make sense for those who have been covered by a plan for many years, there are disadvantages for workers with small account balances and those who have multiple jobs and plans. Leaving the funds with former employers can result in several small retirement accounts to track. Furthermore, since most plans are priced on the average account balance, a collection of small accounts may result in higher management fees than if savings were all in one place.

**Effective Communication: A Key to Success**

A thread that runs through all workplace strategies to promote retirement security is communication. How information and new initiatives are framed and delivered can make or break the most well-intentioned efforts. Effective communication is optimistic and action-oriented—inspiring people to plan and save for their retirement.

Fortunately, plan sponsors don’t have to go it alone in the communication process. Investment fund managers and third-party administrators often have education specialists and financial advisors on staff who can offer services for little or no charge. They may also have content that can be used as is or with minor modifications. Other potential sources of help include benefit and communication consultants, public relations and advertising people, audiovisual producers, editors, tech personnel, those who directly supervise workers and even some participants.

A good starting point for communication endeavors is analyzing data concerning plan participation and the current retirement savings of workers. Ideally, data should be broken down by gender, age, income, education, language, ethnic background, etc., so messages can be targeted as appropriate. Questions that might be asked when looking at data are:

- Who is eligible but not enrolled in the retirement plan?
- Who is participating, and how much are they saving?
3. **Move to a new plan.** The third option is to roll funds into a new employer’s retirement plan or an individual tax-advantaged account. Wide variations in plan rules and policies governing how rollovers are handled can make the transfer of funds complex and frustrating for workers (and sponsors).

Plan sponsors can help workers use the third choice by making it easier to transfer retirement savings to another tax-advantaged retirement account. Similarly, sponsors can simplify the process for new workers who wish to transfer funds from accounts established by previous employers. Plan sponsors as well as current and former employees can benefit when help is provided with rollovers. Sponsors reduce the number of plan statements they must disseminate and the chance they are going to have difficulty keeping track of former employees.

**Offer Other Benefits That Help Workers Manage Risk and Increase Savings**

It is easy to overlook the substantial impact that elements of a worker’s benefit package other than a retirement plan can have on the ability to save for a secure retirement. Such benefits typically support retirement planning in two ways: (1) helping workers cope with life’s surprises that can wreak havoc on their personal finances and (2) providing funds for other financial goals that often compete with workers achieving their retirement goals.

- **Life insurance** or another type of death benefit is a relatively low-cost way to help a surviving spouse stay on track saving for retirement if a worker dies before retirement. Many workers are provided basic life insurance in the workplace at no or a limited cost. Workers may be given the option to purchase additional coverage for themselves and their spouses at group rates lower than what would be available if they tried to purchase protection on their own.

- **Disability protection** provides periodic payments to workers who are unable to perform the regular duties of their jobs. These payments may be paid through a life, disability or workers’ compensation plan. Protection may also be provided as part of a retirement plan if a plan participant is totally and permanently disabled prior to normal retirement age.

- **Medical, vision, dental and hearing benefits** help workers and their dependents deal with unpredictable but inevitable health expenses. Medical coverage is especially important given the catastrophic possibilities that can destroy not only a retirement plan but also one’s general financial security. Employers that offer high-deductible health plans (HDHPs) can set up health savings accounts (HSAs) that offer workers the ability to set aside pretax dollars within federal limits for medical expenses. Money not used at the end of a year can be left in the account for medical costs in future years—offering some workers a means to also save for retiree medical expenses.

- **Long-term care (LTC) insurance** is offered by some large employers that recognize the financial consequences workers and retirees face if they need long-term health care. While some employers pay for the benefit, others give employees the option of purchasing their own coverage through their employer. In the latter case, coverage may be offered not just for the employee but also the employee’s spouse, partner, parents and in-laws. A group policy opens up opportunities for LTC coverage with a lower premium.

- **Emergency loan programs and hardship funds** can help workers in financial crises who have exhausted other...
means of obtaining financial assistance—avoiding loans or hardship withdrawals from their retirement savings.

- **Employee assistance programs** increasingly offer services and resources to help workers deal with financial issues. Assistance ranges from coaching and consultations concerning budgeting, loan repayment and debt consolidation to advice on financial planning and investment options.

- **Education assistance plans** partially or fully reimburse employees for education and training expenses. Given so many young workers are burdened with substantial college debt, an employer might consider an employer match for loan repayments versus a retirement contribution for workers under a specific age—say, 30 or 35. The development of a worker's skills is the foundation for ongoing employment, career advancement and meeting retirement savings goals. Such a program can also help workers garner knowledge and skills that will enhance their chance of employment after retirement. Some plan sponsors also help fund the college education of a worker's dependents. Every dollar given for a child's education represents a dollar a worker can shift to a retirement savings account.

**Provide Personal Financial Information and Education**

Until recently, the focus when educating retirement plan...
participants was limited to introducing plan features and how to get enrolled. Sponsors are starting to realize achieving retirement security cannot be isolated from other parts of a person’s financial life. Workers who are on track for retirement have a much stronger personal financial foundation than those who are not on track. These individuals are able to weather emergencies without tapping their retirement accounts, pay off debt before it affects their ability to save and manage expenses to free up cash for retirement savings. An increasing number of plan sponsors are embracing a more holistic approach to promoting retirement security that includes personal financial education. Areas that often have the greatest impact on retirement savings and for which there is the greatest need for education include:

- Creating and managing a budget
- Managing credit/debt
- Acquiring sufficient insurance coverage
- Saving and borrowing for the purchase of a home
- Saving for a child’s education
- Saving and investing for retirement
- Reducing taxes.

Another potential role of financial education is to help individuals assess their abilities to make personal financial decisions, including those related to retirement preparedness. To help participants maximize the benefits from financial professionals, sponsors can also provide participants with:

- Characteristics of a good financial advisor
- Recommendations about when to seek financial advice
- Common questions they might ask an advisor.

The right time to provide information and education tends to be when individuals are faced with a decision. For example:

- New hires. When new employees are asked to enroll in their workplace retirement plan, they need information on plan features, any employer match and the tax implications of their choices. This is also a good time to encourage workers to save and to provide information on how much financial experts suggest they should save.
- 20- and 30-somethings. Emphasize the importance of saving early (compounding) and continually increasing the amount saved.
- 40-somethings. Four in ten retirees (42%) say they began to plan for retirement 20 years or more before they retired. Almost three in ten more report they started planning one to 19 years before retirement.¹ Target these early planners and encourage them to assess their progress toward retirement. If they haven’t already done so, this is also a time to consider what they want to do in retirement and make adjustments to savings levels and the asset mix in their investment portfolio.
- Aged 50. The federal government permits “catch-up” contributions to DC plans and IRAs. Notify individuals the year they turn 50 that they can increase their retirement savings and encourage them to start making a more detailed retirement plan if they haven’t already done so. Tell them it would be wise to confer with a financial advisor.
- 50-somethings. Given the majority of people look at their future with greater depth and intensity by this age, this is the obvious time to provide information and programs that can help them make the transition into a secure retirement.

Letting workers access information and educational programs at their convenience and/or when they decide they need them is also effective. Delivery methods that do this well include recorded educational programs, employee hotlines and websites.

**Endnote**


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