When a longtime employee commented that he could not afford to retire, Heather Masterson wanted to know why. The employee, who was in his 70s, “needed to retire and should have been ready to retire, and he could not retire. He said, ‘I’m in no way ready to retire. I can’t afford to do it,’” said Masterson, who met with the employee shortly after starting her job as human resources director at Hendrick Motorsports in January 2014. Based in the Charlotte, North Carolina area, Hendrick Motorsports operates four NASCAR racing teams and has about 600 employees.

Masterson started looking at the employee’s 401(k) account and his annual salary to figure out why he wasn’t ready to retire. “He was one of those individuals who had everything in bonds in the 401(k). Even though he had amassed a decent nest egg, there was little to no growth in that.”

She went back to talk to the employee and asked questions about the decisions he had made on plan participation and investments. She discovered that he had received only basic financial education.

In looking at the overall health of the plan, she discovered the employee was not alone. “A lot of those people had been through the downturn of the economy when the stock market lost a bunch of money. They moved their investments into safer areas, and they just never moved them back because nobody ever said they might want to,” she said.

Masterson began working with the plan’s broker to dig into how the company could change the plan to improve outcomes. They determined that the plan needed to leverage more behavioral finance concepts, boost education efforts and add new fund options.

Implementing Behavioral Finance Concepts
The company’s 401(k) plan committee has implemented a series of changes since 2015. Employees were already automatically enrolled in the plan after 30 days of employment, but the initial deferral percentage has been increased from 2% to 4% of pay. The plan also increased autoescalation of contributions, from 1% to 2% annually to a maximum of 10% of pay. The limit increased to 15% of pay this month.

Employees must opt out of both. When any changes are made to the plan, employees who are not participating are informed they will be autoenrolled in the plan, or they must opt out.

The company uses the “stretch match” approach to matching contributions. In the past, the company matched 50 cents for each $1 contributed up to 4% of pay, but it now matches 30 cents for every $1 up to 9% of pay.

The committee changed the fund lineup, adding better performing funds, and added target-date funds as the accounts new employees were defaulted into. The plan also added a managed account option and an option similar to an in-plan annuity that provides for an income stream after employees retire from the company.

Emphasizing Education
A new education approach has gone hand-in-hand with the changes. When the first series of changes was implemented in 2015, the company launched a communications campaign that included face-to-face group presentations, fliers from the plan recordkeeper and information distributed on the company intranet.

Borrowing its theme from the Jimmy Buffett song “Margaritaville,” the campaign emphasized to employees the chance to relax and live life on
their own terms in retirement. “We thought that people could relate to that because we have a lot of people around here who like Jimmy Buffett. Even those people who don’t like Jimmy Buffett can relate to the message of ‘Margaritaville,’” Masterson said.

The education campaign was based on age bands—employees up to the age of 40, those 41-59, and those 60 and over. Different messages were emphasized based on those age bands.

Communication to younger employees focused on messages such as the value of starting to save early and why they should avoid plan loans. For the middle group, education focused on encouraging them to start planning for retirement and the importance of setting goals. Messages to the third group centered on how they would receive income from the plan.

Each group attended its own in-person presentation, which included an open forum that allowed participants to share personal stories.

A second educational campaign held in 2018 focused on the oldest age group. The month of October was focused on retirement preparedness, and the company hosted representatives from Social Security and Medicare as well as the company’s employee benefit broker. Participants also could meet one on one with financial planners.

“A lot of employees said, ‘This is extremely eye-opening. This is the most anyone has really talked to me about retirement.’ It was a very well-received program, and we’ve actually been asked to do it on a more regular basis,” Masterson commented.

Each year the company plans three lunch-and-learn sessions to focus on financial education.
In June, the company held a panel discussion on retirement that was open to anyone who wanted to participate in order to continue to share employee stories.

Results

Plan participation has increased from nearly 7% in 2014 to more than 93% of employees. The average deferral rate has increased from 7.65% to 10.15% during that time period.

“The conversation with employees here who are nearing or are at that retirement age has shifted quite a bit,” Masterson said. “It’s less about ‘I don’t know how I can make this happen’ to ‘Now I can retire when I know it’s time for me to go.’

“It’s shifted to people not fretting about retiring and feeling as though they can retire on their own terms. They don’t have to worry about figuring it out on their own because we’ve helped them create what that path is going to look like,” she said.

Masterson has noticed that younger employees are already concerned about work-life balance and are more willing to think about retirement and to save. “They seem to understand the importance behind the 401(k) and being prepared for retirement. We have people in the younger group who are making sure they meet that annual maximum contribution. They appreciate that the behavioral finance aspects of the plan are making the decisions for them,” Masterson noted.

Advice

Masterson said the plan committee has noticed that people prefer to receive their plan communications in one dose, so the company tries to announce any changes at open enrollment. “If we’re having to overcommunicate because we’re making changes multiple times a year, they’re not fans of that,” she said.

She urges other plan sponsors not to be afraid of complaints from employees when implementing changes. “Don’t be afraid of change or pushback. I think a lot of people are rightly concerned about how this will be perceived.”

However, she encourages plan sponsors to openly talk about why they are making such changes to get buy-in from employees. “When it comes to the 401(k) and retiring, most people don’t really want to think about it. If the employer can help them, it’s going to benefit the employee and the employer in the long run.”