

AUTO ENROLLMENT CASE STUDY

How a business can increase 401(k) savings rates with a simple plan feature

Adding auto
enrollment
can result in:

3x Increase in plan
savings
rate¹

AT A GLANCE

Situation

- Technology company with 50 employees and 2 partners
- Employees work remotely
- Low plan participation and savings rates
- Looking to improve plan participation and savings rates to help employees and partners get on track for a comfortable retirement

Benefits

Adding automatic enrollment features to the plan with Fisher's guidance helps the partners:

- Increase plan participation from 30% to 90%¹
- Increase average plan savings rates from 2% to 6%²
- Help put employees on track to retire comfortably
- Maximize their own personal retirement savings

CHALLENGE

Consider a technology company with 50 employees working remotely throughout the country. The business offers a 401(k) plan, but struggles to engage their employees.

Because of this, most of the employees don't participate in the 401(k) plan, and are not on track to retire. The two partners of the company want to prepare for retirement, and would like to maximize their personal 401(k) contributions. However, lack of employee participation keeps them from saving the maximum due to compliance testing. In order to pass compliance testing, and maximize their personal 401(k) contributions, they need to increase employee participation to the plan.

The partners are facing two challenges:

1. Improve plan participation and savings rates to help employees get on track for a comfortable retirement
2. Maximize their personal 401(k) contributions

¹ <https://www.napa-net.org/news-info/daily-news/impacts-automatic-enrollment> ² https://institutional.vanguard.com/iam/pdf/ISGAE_022020.pdf

OBJECTIVE

While the company offers a 401(k) plan, the plan doesn't have an automatic enrollment feature. This means the employees must proactively take action to participate in the plan. It's also difficult for the partners to drive awareness and plan participation due to the employees working remotely. This results in lack of employee participation which prevents the partners from maximizing their own retirement savings.

The objectives for the partners are:

1. Help their employees get on track to retire comfortably
2. Maximize their own retirement savings

SOLUTION

The partners consult with Fisher Investments 401(k) Solutions to understand how they can make their retirement plan a more effective savings vehicle for themselves and their employees.

The Fisher retirement specialist educates the partners about the benefits of automatic enrollment, and how adding this simple plan feature can solve their problems. The partners learn that with automatic enrollment their employees don't have to take any action in order to join the 401(k) plan. They also learn that it's easy for their employees to opt out of the plan, or make changes at any time, if they choose.

The partners hire Fisher as their 401(k) plan advisor, and work with Fisher to implement automatic enrollment in their plan. They also include an optional automatic escalation feature, which allows employees to automatically increase their savings amount every year. These simple plan features make saving for retirement easy for the employees, and can significantly increase participation and savings rates.

Adding automatic enrollment features with Fisher Investments can help improve everyone's retirement readiness by:

- Increasing plan participation from 30% to 90%¹
- Increasing average plan savings rates from 2% to 6%²
- Allowing the partners to maximize their personal 401(k) savings



WHAT IS AUTOMATIC ENROLLMENT?

- **Basic Automatic Contribution Arrangement (ACA):**

When employees become eligible to participate in the 401(k) plan, they will be automatically enrolled at preset contribution rates. Employees can opt out or change their contribution rate at any time.

- **Eligible Automatic Contribution Arrangement (EACA):**

Similar to ACA, but a key difference is that employees may request a refund of their deferral within the first 90 days.

- **Qualified Automatic Contribution Arrangement (QACA):**

QACA has basic auto enrollment features, and requires both an annual employer contribution and an increase in the employee contribution rate for each year the employee participates. A QACA 401(k) plan is exempt from most annual compliance testing.



Let us help you understand if adding an automatic enrollment feature is right for your plan.

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