MORE MONEY IN YOUR POCKET: RETIREMENT PLAN DESIGN ESSENTIALS

BY DEBORAH L. STEVENS

In 1935, the Social Security Act was signed into law by Franklin D. Roosevelt and established a program designed to pay retired workers age 65 or older a continuing income after retirement. The age parameters for the program made a lot of sense to the lawmakers of the day. Since the average life expectancy was 61.7 years they felt the new program would not be a strain on the government.

Fast forward 90 years, and we find that Social Security is in jeopardy. Life expectancy is now 78.7 years, and it's increasingly common for individuals to surpass this mark. Other demographic changes, such as declining fertility rates, are affecting the system as well, all of which puts the sustainability of this system into serious question. According to the annual trustee reports on Social Security and Medicare, Social Security's trust fund is projected to run out of money by 2034. This news, combined with data regarding the dismal savings rates in the U.S., points to a serious challenge. Americans are facing a retirement crisis, and without the guarantee of a Social Security fix, the onus falls on everyone as an individual to plan for and meet their retirement income needs.

Luckily, there is something association retirement plan sponsors can do in the face of this crisis: implement smart, IRS compliant retirement plan design features and engagement tactics. Here are three examples:

1 **Take advantage of technology.** Provide interactive and easy-to-comprehend online tools to keep your plan participants engaged and on track. It's amazing, but true; people love gamification, so seek out a platform that taps into your participants' competitive spirits via a dynamic user interface.

COMPANY BIO

The ASAE Retirement Trust is an innovative 401(k) plan choice created by ASAE specifically to meet the needs of associations. Along with fiduciary protections, it has lower fees and a higher level of service than most plans available today. Through the ASAE Retirement Trust, organizations gain the ability to address two pressing talent management challenges: financial retirement readiness among current staff and attracting and retaining high-quality, skilled employees in an increasingly competitive workforce.

2

Offer an employer match. You may already be doing this, but it's worth a careful look because not all employer matches are created equal. As the following scenarios demonstrate, the way an employer match is constructed can have a huge impact on how much the employee elects to contribute:

Scenario 1: Employer Match = 100% of the first 4% of employee contributions

The employee will receive a maximum employer contribution of 4 percent of salary, as long as the employee contributes at least 4 percent of their pay.

Scenario 2: Employer Match = 50% of the first 8% of employee contributions

The employee would receive a maximum employer contribution of 4% of salary as long as the employee contributes at least 8% of their pay.

As you can see, Scenario 2 accounts for the same amount of employer contribution dollars as Scenario 1, but for the employee to take full advantage of the maximum employer match, they must bump up their contribution to 8 percent of pay. While this may seem like 401(k) trickery, when your employees realize the positive impact this bump in employee contribution makes in their retirement plan accounts, they will thank you.

3

Utilize an automatic enrollment feature. This is where you as the employer automatically deduct employee elective deferrals from an employee's wages unless the employee makes an election not to contribute. Voilà, the issue of inertia is solved!

Help your employees and your organization turn the retirement crisis into a retirement win by taking a thoughtful approach to your retirement plan design. Not only will you engage and incentivize employees to put more money into their pockets, but your organization will also see benefits too as top talent can be recruited and retained by way of meaningful benefits, and workers become positioned to retire on time.

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