

Educating Employees about Your 401(k) Plan

In unpredictable economic times when the dollar needs to be stretched even more, workers may need to be reminded that failure to save for retirement through their employer-sponsored plans could lead to greater financial insecurity in the future.

Despite the 401(k) plan's record as a sound retirement saving vehicle, many employees may pass up the opportunity to participate in company plans due to a lack of knowledge about how the plan may help them to save for retirement. To engage the interest of your employees and to educate them about the potential benefits of your plan, prepare the information sessions carefully. With a little effort, you can increase the effectiveness of these presentations and boost participation in your company's 401(k) plan. Here are some steps to help improve employee engagement:

Prepare employees *before* the presentation. Assuming that some of your employees may lack in money management experience, treat them as you would prospective customers. When announcing the information session, explain *what* they will learn and *why* the information is important to them. Emphasize how they will benefit from attending the session.

Keep the tone light. A little humor goes a long way in holding an audience's attention. Encourage presenters to use clear, simple language, avoiding "legalese," jargon, and complicated charts and graphs. Money management tips and worksheets can be helpful. Remember to leave plenty of time for questions and answers.

Sit in on the session. Doing so will allow you to ensure that the information presented is fair, accurate,



and easy to understand. It also demonstrates to your employees the value you place on the retirement plan.

Target the material to the audience. Avoid the "one size fits all" presentation. Gear the material to the audience's level of knowledge. New 401(k) enrollees may be overwhelmed with too much information, while experienced contributors may become bored listening to the basics. If your workforce includes both new *and* experienced participants, consider offering *two* presentations and allowing your employees to choose which is most appropriate for their needs.

Demonstrate how 401(k) plans help save for retirement. Many employees who are strapped financially may think that they are unable to afford contributions to a retirement plan. A skilled presenter can address this concern by emphasizing the potential tax benefits of a 401(k) plan.

Encourage employees to make contributions they are comfortable with. Avoid overemphasizing the need to contribute the *maximum* amount allowable if that exceeds an employee's financial ability. Point out that even a small contribution is better than none, especially if the company is *matching* all, or a portion, of it. Emphasize that it is far better for employees to start small now and increase their contributions later, when they can afford to do so.

A well-crafted 401(k) plan presentation can go a long way toward boosting participation rates in your company's retirement plan. By tailoring the information session to your employees' needs, you can help them make the most of their retirement plan option. Scheduling informational sessions on a regular basis can help make the plan accessible to new employees who join the company, as well as provide an opportunity for current 401(k) participants to raise their contributions. ■

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