

**2006 RCS FACT SHEET**

**ENHANCING EMPLOYER-  
 PROVIDED RETIREMENT PLANS**

*Employer plans play a key role in retirement savings. Enhancements that encourage participation and provide retirement planning education and advice can further strengthen these plans.*

**Importance of Employer-Provided Plans**

- Workers are more likely to save in a retirement plan at work than they are to save on their own through an IRA. More than 8 in 10 eligible workers report participating in their employer’s retirement savings plan (82 percent, 45 percent of all workers), compared with 36 percent of workers who say they have an IRA with money saved outside of work.
- Employer-sponsored plans also represent a significant portion of workers’ retirement savings. Six in 10 plan participants say half or more of the money that they and their spouse saved in the past 12 months for retirement was put into their employer’s plan and 7 in 10 state that half or more of their household’s *total* retirement savings are in this plan (Figure 1).

Figure 1

**Proportion of Retirement Savings in Employer’s Plan, Among Plan Participants**

	Retirement Savings of Past 12 Months	Total Retirement Savings
All or almost all	25%	28%
About three-fourths	15	15
About half	21	28
About one-fourth	30	21
Almost none	7	5
Don’t know	3	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

**Adding Automatic Options to Retirement Plans**

- Automatically enrolling workers in a work-place retirement savings plan is a way of assigning workers, by default, into the savings option.
- Many workers favor the introduction of automatic options into their retirement plan at work (Figure 2). Specifically, 7 in 10 employed workers say they favor an employer automatically enrolling workers into a plan and setting up contributions through payroll deduction and two-thirds favor automatically increasing the percentage of salary contributed when they receive a raise. Six in 10 employed workers say they favor automatic investment of contributions.

Figure 2  
**Favorability Toward Automatic Features of Employer-Sponsored Plans, Among Employed Workers**

	Strongly Favorable	Somewhat Favorable	Neutral	Somewhat Oppose	Strongly Oppose
Your employer would enroll you in the plan and set up your contribution through payroll deduction, unless you choose not to participate.	34%	35%	2%	13%	15%
The percentage of your salary contributed to the plan would automatically increase when you get a raise, unless you choose for this not to happen.	32	33	1	16	17
Your contributions would automatically be invested for you unless you choose investments on your own.	23	36	2	19	19

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Plan participants and nonparticipants are equally likely to favor each of these automatic options, suggesting that most nonparticipants would not object to the introduction of these features into their employer's plan.
- Employers choosing funds for the automatic investment feature of a plan may want to consider lifecycle funds (which become more conservative as retirement nears), professionally managed accounts (where an independent manager makes investment decisions based on their specific circumstances), and balanced funds. Approximately 7 in 10 employed workers say they are interested in investing in these types of funds, compared with 6 in 10 who indicate they are interested in investing in a money market-type fund. They are *most* likely to be *very* interested in a lifecycle fund (Figure 3).<sup>1</sup>

Figure 3  
**Interest in Automatic Investment Options, Among Employed Workers**

	Very Interested	Somewhat Interested	Not Too Interested	Not at All Interested
A lifecycle fund	34%	39%	11%	15%
A professionally managed account	26	44	15	14
A balanced fund	22	51	10	16
A money market fund	11	50	18	20

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Despite strong interest in these funds, many workers are convinced that they can make the best investment decisions (Figure 4). Almost half of employed workers think that they, making their own investment decisions, can do the best job of achieving their retirement savings objectives.

<sup>1</sup> Respondents were not informed of the relative cost differences among these options.

Figure 4  
**Investment Option Most Likely to Achieve Retirement Savings Objectives, Among Employed Workers**

You make your own investment decisions	47%
All contributions automatically go into the professionally managed account	25
All contributions automatically go into the lifecycle fund	13
All contributions automatically go into the balanced fund	11
Don't know	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Employer matches appear to be effective in boosting participation, but are not successful with all workers. Eighty-seven percent of employees offered a plan with a match report participating, compared with 70 percent without a match.

**Education and Investment Advice**

- Almost half of workers report having received retirement planning information through their employer in the past 12 months (48 percent). In fact, approximately 3 in 10 workers using a financial professional for help with decisions about retirement saving and investing indicate they obtained access to their advisor through work (28 percent, 12 percent of all workers).
- Three in 10 say they made changes in their retirement planning as a result of the information they received (29 percent). Of these, half state they began to save more money (48 percent), and one-third say they changed their investment mix (33 percent).
- More than one-quarter of workers say an employer provided them with access to professional investment advice for retirement purposes in the past 12 months (27 percent). The majority who were offered this type of advice report access was provided in person (69 percent). Far fewer say they were offered this advice online (23 percent) or by telephone (13 percent).
- More than half of those with access to employer-provided investment advice received specific recommendations on how they should invest their money (53 percent). Of these workers, 7 in 10 say they implemented some (57 percent) or all (13 percent) of the advice.
- Workers who do not currently have access to employer-provided investment advice would be most likely to take advantage of this service if it were offered in person. These workers are much less likely to indicate they would be likely to use the advice if it were offered online or by telephone (Figure 5).

Figure 5  
**Likelihood of Using Employer-Provided Retirement Investment Advice, Among Workers Without Access**

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely
In person	30%	42%	12%	16%
Online	14	36	19	29
By telephone	9	25	28	38

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.