



Ways an Employer Can Help Employees Save for Retirement

Employers have a role in shaping their employees for retirement. Their influence, which in our opinion is often underestimated, can be a key factor in helping employees save for their retirement. This responsibility can empower employers to take action and assist their employees with saving for retirement.

As a plan sponsor, you have a fiduciary duty to provide opportunities to employees to invest for their retirement. We believe that as a plan sponsor it may not just be about traditional measures like participation or average contribution rate. You may also consider ensuring that your employees have educational tools and resources to understand available options to optimize their savings in their Company retirement plan. This goal can be a valuable and important part of their lives.

Here are five measures we believe a plan sponsor should consider implementing to assist employees with saving for their retirement within their Company retirement plan:

1. Energize employees to participate and encourage long-term incremental contribution increases. Automatic enrollment can effectively increase participation rates, but the starting default rates are often too low to result in meaningful outcomes. Employers should consider increasing the 3%¹ minimum automatic contribution rate in their Company retirement plan.
2. Encourage employees to take advantage of all the readily available resources that can help evaluate their retirement readiness. Easily accessible resources such as a retirement calculator and other financial planning tools allow employees to simply and conveniently project and modify their savings and investment strategies, which could improve their retirement outcomes.
3. Offer an actively managed balanced fund. A fund that has an allocation between stocks and bonds may be attractive to employees who are intimidated by shifting investment allocations over time and such fund aligns with their risk level. This type of fund can help keep employees' savings on track over the long term.
4. Be proactive in communicating with employees about taking appropriate action. As an employer, you can offer employees classes, training, and other helpful methods of urging more attentiveness to retirement savings.

¹ <https://www.lordabbett.com/en-us/financial-advisor/insights/retirement-planning/key-information-on-mandatory-auto-enrollment-for-new-401-k--and-.html>

5. Elect executives and centers of influence within the company to promote retirement savings. Executives within the organization should personally emphasize the importance of saving for retirement. The company's executives should also select "centers of influence" employees who are natural leaders (team leaders, department heads, or long-tenured employees) among their social circles to encourage others to join the plan and save as much as they can in their retirement plan.

These few steps are guidelines employers can follow to encourage their employees to plan for retirement.



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