

# 401(k) strategies to increase your employee's success

HELP YOUR EMPLOYEES SAVE FOR RETIREMENT  
AND BENEFIT YOUR COMPANY

Research shows that employees have better retirement outcomes when plan sponsors provide greater support. Your company will benefit in several significant ways, too.

Synergy Financial Management developed this special guide to help you improve your employees' engagement and savings behavior, which in turn will create important benefits for your company.

Introduction	1
Encourage More Saving Among Plan Participants	2
Provide Financial Education and Guidance	3
Promote Risk Awareness	4
Engage Participants Through Multiple Channels	5
Focus on Simple Steps	6
How Synergy Financial Management Can Help	7



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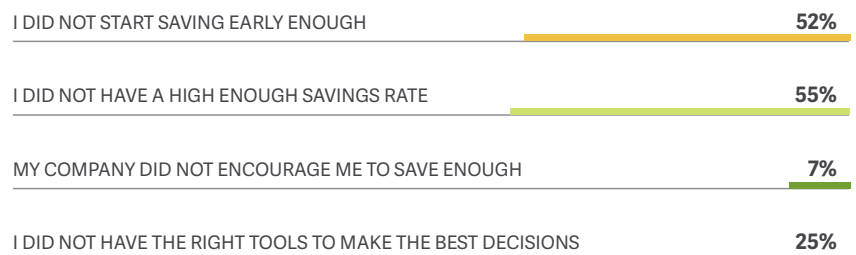
# Introduction

Employers who take an active role with helping their employees plan for retirement typically have happier, more productive, and more loyal employees. The retirement landscape has changed, and participants in defined contribution plans need more guidance, support, and education to navigate volatile markets and improve their financial behaviors and results. Today's employees face many challenges with funding their retirement, and are simply not doing enough to prepare for their financial future. Synergy Financial Management can help you improve employee participation, which will benefit your employees and your company.

Recent studies show a significant number of baby boomer employees are behind in saving for retirement. Many plan participants do not understand how much they need to live comfortably in retirement, and have not done the calculations to find out. Retirement could occupy as much as a third of their lifespan, so early planning and saving is a necessity for avoiding a difficult and painful financial experience for themselves and their families.

As an increasing number of retirement-age workers postpone retirement for financial reasons, plan sponsors such as you need to think about the negative impact insufficient employee savings can have on your company's bottom line. Delayed retirement can drastically increase your company's healthcare costs, and you could be in the difficult position of facing salary inflation and diminished workforce productivity. One report estimates that workers cost their employers between \$10,000 and \$50,000 every year an employee works past normal retirement age. This can become exorbitantly expensive!

## WHY AREN'T YOU CONFIDENT? [ABOUT RETIREMENT]



*Source: Prudential 2012 Study of Employee Benefits & Beyond*

Providing guidance, support, and financial education for your employees is a low-cost way to help satisfy your fiduciary obligations, increase employee participation, and improve retirement outcomes for your employees. This whitepaper was designed to provide 401(k) plan sponsors with strategies for helping their employees improve their long-term retirement prospects...for their best interests, and for yours.

**PLAN SPONSORS  
CAN INCREASE 401(K)  
PARTICIPATION BY:**



Shortening or eliminating waiting periods for new employees and enrolling them during orientation



Providing loans or hardship withdrawal provisions



Increasing employer matches



Considering auto-features for enrollment and contribution escalation

# Encourage More Saving Among Plan Participants

An important way you can help your workers with retirement is by encouraging better savings behaviors. Research indicates the average baby boomer is about \$500,000 short in retirement savings, and many workers cannot retire on time because they lack adequate savings. Most plan participants need to boost their savings rates by at least 5-10 percent to meet their future retirement goals. As mentioned, encouraging more retirement savings can protect your company from the additional costs of healthcare, inflated salaries, and decreased productivity.

Research shows that one of the best ways to get participants to save more is to incorporate and leverage automatic features. A 2010 study by the Employee Benefits Research Institute (EBRI) found that plan options like increasing the contribution limit, auto-escalation of contributions, and auto-enrollment had dramatic effects on employee retirement savings, particularly among non-highly paid workers. Also, improving savings behavior among lower-paid employees may make it easier for your plan to satisfy non-discrimination testing, which is another benefit for your company.

The Pension Protection Act of 2006 (PPA) introduced several safe harbor provisions for implementing auto-enrollment and auto-escalation of contributions. Plan sponsors who wish to seek protection under ERISA 404(c), QDIA, or QACA safe harbor provisions are free to implement auto-enrollment and auto-escalation features, subject to certain limits. Synergy Financial Management can provide experienced guidance with designing enrollment features that help meet your employees' needs and the needs of your company.

Another financial hazard for your employees occurs when plan participants leave a job. Because they are often ignorant of the financial consequences, many plan participants simply cash out their plan instead of transferring or rolling over the money. Research suggests that three in ten retirement-age employees cash out in this manner. These early withdrawals can be very detrimental to your employees' retirement savings; employees frequently regret their decisions in hindsight. Better education and more streamlined rollover options can help your employees avoid critical errors when they exit.

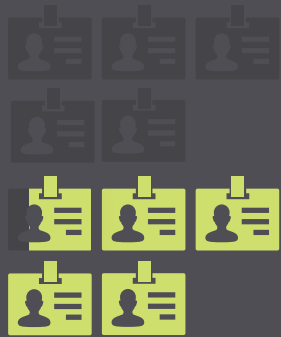
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**FEATURES LIKE AUTO-ENROLLMENT AND AUTO-ESCALATION CAN HELP IMPROVE SAVINGS BEHAVIOR AND RETIREMENT OUTCOMES FOR YOUR EMPLOYEES. IN TURN, THIS BENEFITS YOUR COMPANY, TOO.**

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of employers believe financial stress contributes to employee absenteeism.



## Less than 5 of 10 workers

have estimated how much they need to save for a comfortable retirement.

You can make a HUGE difference in your employee's financial future with a quality education program!

# Provide Financial Education and Guidance

Financial literacy also plays an important role in improving savings behaviors. Many plan participants may not understand the importance of setting aside a significant portion of their income for the future. Along with a well-designed retirement plan, education and guidance can help make a big difference to long-term retirement success.

As a plan sponsor, you are in a great position to educate your employee participants and help them make the wisest financial choices they can make. Research shows that most employees need and want financial education; over 70 percent of respondents to a 2010 survey were not confident in their abilities to make financial decisions. However, and unfortunately, most adults are not proactive with improving their financial knowledge. One of the major reasons cited for this lapse is the perceived complexity of financial issues, and the time involved with becoming educated. As your plan's financial advisor, Synergy Financial Management will conduct a quality employee education program that serves you and your employees' best interests.

As you now know, financial education doesn't just benefit your employees. It also contributes to your company's bottom line by improving morale, reducing financial stress, and increasing employee productivity. A documented education program can also help satisfy your ERISA fiduciary obligations.

In order to help improve your employees' financial literacy, it's important to not just focus on the retirement benefits your firm provides, but also give workers a framework for making better long-term financial decisions. Synergy Financial Management offers the services of our Certified Financial Planners® who will provide expert professional advice on 401(k) plans, and guidance on saving and investing for all your employees.

A comprehensive financial wellness program for your employee participants would cover topics like:

- ✓ Budgeting and basic personal finances
- ✓ Long-term investment strategies
- ✓ Risk management
- ✓ Healthcare planning
- ✓ Taxes
- ✓ Retirement income strategizing
- ✓ Eldercare and issues related to aging parents

When you seek financial advice, select and work with a Certified Financial Planner®.

A Certified Financial Planner® has the training and experience to professionally guide your investment decisions. We recommend you hire a CFP® who is independent and not associated with any investment company so you receive only unbiased recommendations. Your CFP® should also be fee-based, not commission-based, so you know your financial advisor's priority is solely your best interests.

At Synergy Financial Management, our financial advisors are highly experienced with interpreting complex financial topics for all levels of plan participants, from top management to regular investors. We offer seminars and one-on-one education sessions for our clients and can assist with creating a financial wellness program that helps meet your employees' needs and serves your company. We can also provide special investment and other financial services for you and your management team.

## Promote Risk Awareness

Many investors are surprisingly unaware of the importance of balancing risk with potential investment growth. Research into asset allocation choices among plan participants indicates that many investors have an imperfect understanding of portfolio risk and diversification strategies. Even when participants are presented with age-appropriate allocations, many over-concentrate in "trendy" investment options or choose allocations that are potentially too risky for their desired time horizon. It's stunning to learn that the median number of changes to portfolio allocation over participants' lifetimes was zero, meaning that more than half of all investors never change their initial allocations, even as their age and financial goals change over time. This indicates rather clearly that many employees "set and forget" their allocations, which we believe is typically a harmful practice, leaving participants vulnerable to unmanaged risk.

One way sponsors can address this issue is by inviting your financial advisor to review asset allocations among your plan's participants, looking for extreme allocations that suggest a lack of understanding about risk. Synergy Financial Management recommends targeting these investors with communications about investment risk, the importance of diversification, and providing guidance on the steps your employees can take to address these issues effectively. We would be happy to work with your employees on these matters.

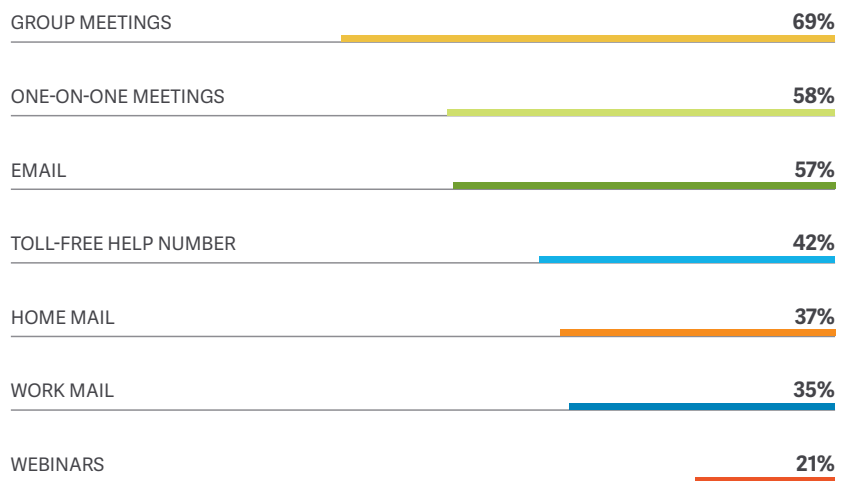




# Engage Participants Through Multiple Channels

As a plan sponsor, you face many challenges when attempting to change your employees' behavior. Inertia, procrastination, and distrust of markets can all make change difficult. However, better marketing of your plan's enrollment details, improving the adult financial education program, and regular communications can stimulate and help increase employee engagement.

## SUCCESSFUL COMMUNICAITON CHANNELS [REPORTED BY EMPLOYERS]



**Source:** Prudential 2012 Study of Employee Benefits & Beyond

Research shows that group meetings, one-on-one sessions, and emails are all successful ways to reach employees. Group meetings give your employees the opportunity to hear from financial experts as well as learn from their peers' experiences, questions and solutions. Personal sessions allow your plan participants to dig deeper into their personal finances with an advisor. Some participants prefer communications they can review on their own time, such as emails, and online presentations. By engaging your employees through a variety of channels, you and they are likely to see better results.



As your plan advisor, we would recommend increasing employee awareness of financial matters through such activities as:

- ✔ Using company-wide events like open enrollment, all-hands meetings, and company social events to discuss benefits and specific financial topics
- ✔ Employing simple examples and illustrations to explain topics like compound interest, tax-deferred growth, and the potential effects of increased contributions on savings
- ✔ Leveraging relationships with financial representative partners to develop creative content, host seminars, and offer one-on-one sessions
- ✔ Reaching employees through multiple channels such as printed material, social media campaigns, and internal communications to increase engagement

## Focus on Simple Steps

Irrational human behaviors have a major impact on the financial decisions plan participants make. By understanding and confronting these behaviors, plan sponsors can create programs that help workers overcome their natural inertia and biases. To increase the probability of long-term retirement success, sponsors should focus on breaking processes down into small, concrete steps that are easy to implement.

- ✔ Make it easy for employees to **enroll and increase their deferrals**
- ✔ Consider **setting higher default contribution rates**, even as high as 8% or 10%, depending on your plan document
- ✔ Help employees **define their long-term financial goals** with worksheets, one-on-one sessions with a representative, and group meetings
- ✔ Show employees **how to increase their savings rate** through better budgeting and control of their finances
- ✔ **Follow-up with employees at least quarterly** to check on their progress
- ✔ **Offer additional guidance** to those who need it

# How Synergy Financial Management Can Help

We hope you've found this special report interesting and informative, and have some new ideas about how to structure the plan you're creating, or refreshing your existing plan. While defined contribution plans can offer employees valuable advantages in planning for the future, long-term success is heavily influenced by your employees' financial and investment decisions. Employee education is a key component for success.

Many plan sponsors find that partnering with a financial representative can help their employees have better financial outcomes and reduce the stress of administering a plan. Employers who work with an experienced financial advisor to educate plan participants often see improvements in deferral rates and employee satisfaction.

Synergy Financial Management is an independent financial representative. We have no potential conflicts of interest with 401(k) providers and can offer completely objective information and services to your employees. We offer assistance in creating a financial wellness program, customized financial seminars, one-on-one consultations, and free educational materials that cover a range of issues. We can also assist you with compliance reviews, fee analysis, and other aspects of required due diligence.

If you have any questions about the information included in this report, or would like more information about our services and experience, please contact us at [NUMBER]. We would be delighted to meet with you or your employees.

Sincerely,



Joseph M. Maas,  
CFA, CFP®, CLU®, ChFC, MSFS, CCIM™, CVA, ABAR, CM&AA  
Chief Investment Officer

Investment and Financial Planning advice offered through Synergy Financial Management, LLC.