
The Staying Power of 401(k)s: How Employers Can Maximize the Core Benefit to Attract and Retain Top Talent





Retirement has long been thought of as the time to kick back, relax, and enjoy the benefits of post-working life. **And in the modern working era, people have turned to their employers to help enable that lifestyle.**

This first occurred through defined benefit plans like pensions, which rewarded the long-term relationships many workers often had with their jobs, and, more recently, it comes in the form of defined contribution plans, where employers offer tax-advantaged savings vehicles. Providing a vehicle for employees to save up to fully enjoy their post-work lives has become a go-to way for employers to demonstrate their commitment to financial wellness in the workplace and increase worker satisfaction.

But in the race to provide the best benefits to recruit and retain the best and brightest, companies are diversifying where they're allocating their budgetary spend when it comes to benefits offerings. While more and more companies have increased their matching programs in the last two years¹,

they are also introducing what could be perceived as more exciting benefits that (on paper) would appeal to younger employees—for example, unlimited PTO, tuition reimbursement, and professional development opportunities.

But are employees also shifting their focus to more trendy benefits? And how can employers design a 401(k) that better serves its intended purposes of ensuring a comfortable life for employees while helping companies find and keep top talent?

Based on a survey of 845 employees who work for employers that provide Betterment for Business 401(k)s, the answer to that question is rooted in employees' own desire to set themselves up for success—and the things that employers can do to help them.

¹Washington Post, https://www.washingtonpost.com/news/get-there/wp/2017/07/18/the-401k-match-is-back-and-its-getting-bigger/?utm_term=.99a734ce86ee

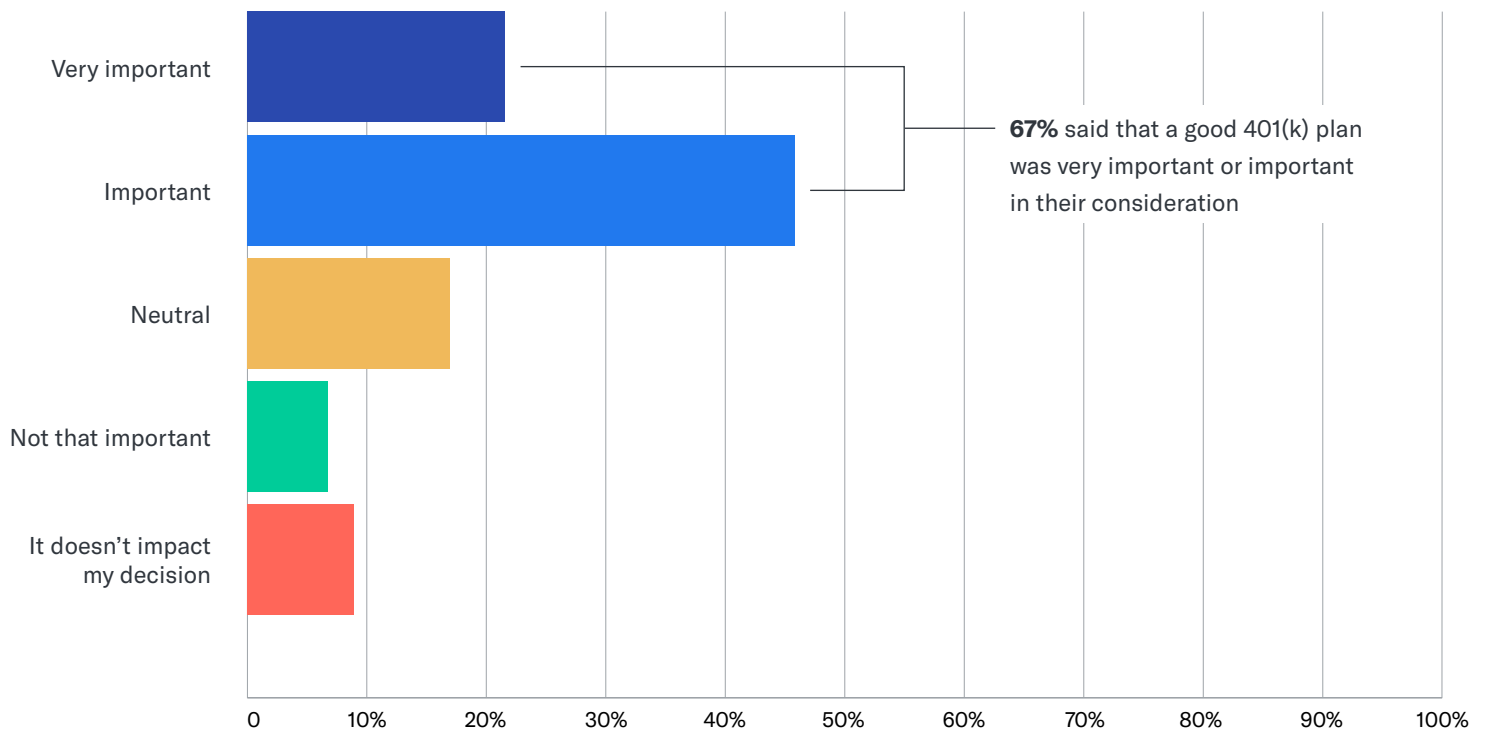
401(k) Remains a Key Benefit

In an increasingly competitive job market—especially in industries like technology, finance, and medical practices, where the majority (73%) of survey respondents work—the 401(k) is a tool that has earned its place in the human resources recruitment arsenal.

When evaluating a job offer, 67% said that a good 401(k) plan was very important or important in their consideration; only 9% said that it had no impact at all on their decision to take a job. But 30% of respondents said details of the 401(k) never came up during the job search at all, implying that some employers are missing an opportunity to promote their benefits to their full advantage.

The goal in offering a 401(k) match is to both help employees achieve their goals, and to add value to the 401(k) offering—and it's working. Matches are valuable: 78% of people who have a match contribute enough to take advantage of the maximum allowed, and 46% of all respondents said that a match played a role in whether they took their current jobs. Additionally, 10% of people who do not participate in their company's 401(k) plan report that it is because the company does not match their contributions.

How important is a good 401(k) plan to you when evaluating a job offer?



Employees Seek 401(k) Advice

Successfully saving for retirement often requires expertise and time that many people don't have—making good advice a critical part of a good retirement savings outcome.

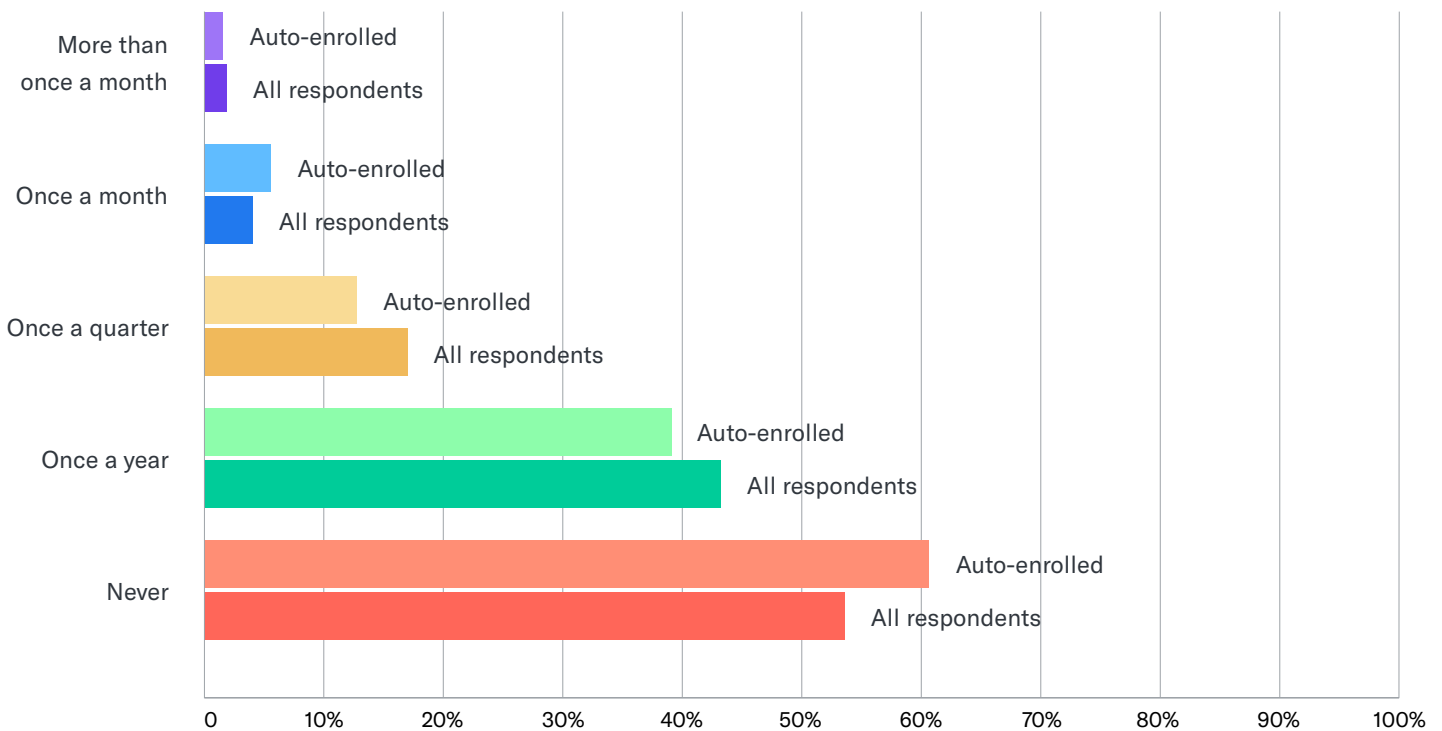
Participants' understanding of their rights in an advice situation has held steady—28% of respondents did not know what a fiduciary is, compared to 27% of consumers with 401(k) accounts as surveyed by Betterment in July and August 2017. But to those who understand, it's an important factor: almost half (49%) said it is important that their 401(k) provider be a fiduciary.

Participants seek advice from a variety of sources, the most preferred of which is online research (53%), followed by friends and family (40%). Additionally, a nearly equal amount of participants turn to digital advice vs. a human advisor—24%, compared to 21%, respectively.

19% report never seeking advice on their 401(k), as compared to 53% of consumers with 401(k)s as surveyed by Betterment in July and August 2017, implying that Betterment customers are more likely to look for ways to improve their outcomes than the general public.

Interestingly, those who are set up to automatically enroll in their 401(k) seek advice less frequently than all other respondents—suggesting that those participants may consider a set rate and a managed account as replacing the need for advice. Across the board, trust remains high: only 3% report that they rarely or never trust the advice they receive.

Those who are auto-enrolled seek added guidance less frequently.





Participation = Engagement

While it can sometimes seem difficult to get full participation in a 401(k) plan, those who are registered tend to be engaged.

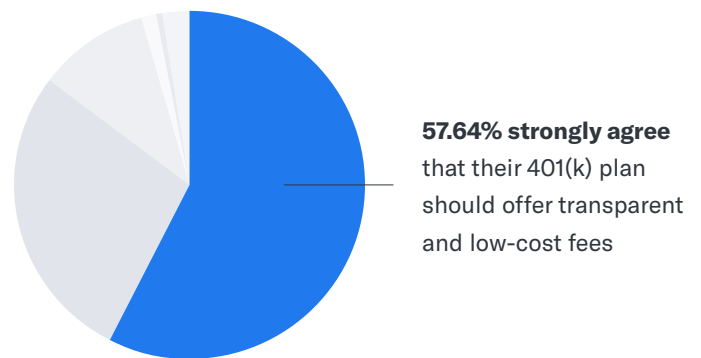
Only 18% of people who signed up for a 401(k) did so because someone at a benefits session told them they should, as compared to 75% who were motivated because they are concerned about and focused on their retirement readiness.

That concern is also evident in how frequently people check their accounts: 64% check their accounts a minimum of once every pay period, if not more often.

Where plan sponsors can boost enrollment is among new hires—24% of those who had not opened an account said it was because they'd recently started their current job and just hadn't set it up yet.

Fees are also an important factor in how engaged participants are in the system sponsors provide for them: 85% strongly agree or agree that it is important that their 401(k) offer transparent and low-cost fees.

How important is it that 401(k) plan offers transparent and low-cost fees?



The Bottom Line

In today's competitive job market, company benefits are more important than ever. A company's success is, in many cases, dependent on its ability to draw in and then keep top talent with attractive benefits packages.

With more than two-thirds of employees evaluating retirement benefits during employment consideration, it is clear the 401(k) has the staying power that will resonate longer and with more employees than trendy benefits like nap rooms and paternity leave.

Employers must not only offer a 401(k) and ensure that the benefit is communicated to potential and current employees, but also that the provider they select to deliver can meet the key criteria the modern employee demands: trusted advice, easy access to account status, and transparent, low fees.



Methodology

845 current employees of plan sponsors who provide Betterment for Business 401(k)s were surveyed via SurveyMonkey distributed by email in June and July 2018. The margin of error for this survey is 3%.

It is unknown whether the survey respondents approve of advisory services provided.