



Is Your Retirement Plan "Catchy?"



By offering — and encouraging — catch-up contributions, plan sponsors can demonstrate a heightened commitment to employee retirement readiness. Over a five-year period ending in 2020, nearly 15% of participants utilized catch-up contributions when they were offered, according to a report by Vanguard. And those who did were more likely to be higher earners with larger portfolio balances.

Employers can help close the retirement savings gap by deploying several smart strategies aimed at increasing catch-up contributions. Here are a few ideas to consider implementing at your organization.

Match-up the catch-up. Instead of simply allowing participants to make catch-up contributions, employers can consider offering, or ensuring, a company match on those contributions to further incentivize older workers.

Would they rather Roth? With SECURE 2.0 signed into law, employers can consider offering their participants the ability to make matching contributions (including those on the catch-up) in the form of a Roth contribution.

Make a day of it. Create a "Catch-up Contribution Day" (or week) dedicated to educating participants about the important benefits of catch-up contributions for their retirement readiness. Provide additional support to workers age 50 and over, such as special group sessions or one-on-one meetings with plan advisors.

Burst ahead. SECURE 2.0 also allows for a short-term catch-up "burst" from ages 60 to 63, where participants can elevate their catch-up contributions from an indexed \$5,000 (\$7,500 for 2023 plan year) to an indexed \$10,000. This can help workers nearing retirement who may have fallen behind on their savings goals make up lost ground more quickly.

Bring home the benefits. Develop online resources and educational materials geared toward various



levels of financial literacy around the benefit of catch-up contributions. Include easy-to-digest video content and infographics — and provide timely reminders to participants age 50 and over.

Take a multichannel approach. Use all communication channels at your disposal as a plan sponsor, including employee newsletters, email, the company intranet, social media and in-person events. Spread the word in as many ways as you can about the advantages of making catch-up contributions.

The right tool for the job. Give participants access to online retirement planning tools to help them evaluate whether catch-up contributions could help them achieve their savings goals and to adjust their savings targets accordingly.

A Catch-as-catch-can Strategy

The retirement readiness end game has high stakes for workers. That's why it's so important to take a multi-pronged approach to reach as many of your participants as possible and encourage them to make catch-up contributions as necessary to stay on track for retirement. SECURE 2.0 provides sponsors with an even wider array of options to assist workers who've fallen behind in their retirement preparedness — and help catch-up contributions catch on among those they might benefit the most.

Sources:

https://institutional.vanguard.com/content/dam/inst/vanguard-has/insights-pdfs/21_CIR_HAS21_HAS_FSreport.pdf

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