



Speaking of One Percent



Since the contribution limits were recently raised by 10% for 401(k), 403(b) and most 457 plans (to \$22,500), we thought now might be a good time to share creative ways to communicate to your participants the benefits of increasing contributions to their retirement plan. These new, higher limits could strengthen their retirement goal, but participants might not be too keen on squirreling away too much right now, and that's understandable.

As participants consider their elections at open enrollment, they're likely weighing which benefits they'll keep and what they'll drop as they enter 2023 with a market that continues

to fluctuate and grocery prices that remain uncomfortably high. The good news that is inflation seems to be calming down, and some analysts expect it will continue to cool.¹ This means it could be a good time to start contributing to a retirement plan or to increase contributions—even if it's only by 1%.

Communicating the Payoff/Benefit of Just 1%

You can help participants conservatively establish a good habit of regular contribution increases now and down the road by identifying the difference just 1% can make. Here are three talking points:

Some workers may decide to visit their contributions twice per year: they start the New Year off with a win by increasing contributions 1%, and on their birthday, they give themselves an additional gift of contributing another 1%. We've included a 3-slide graphic that really drives home how much 1% can grow over time.

A 35-year-old earning \$60,000 per year could have an additional \$85,500 in their retirement fund at 67 if they increased their contributions by 1%, according to [calculations from Fidelity Investments](#).^{2,3}

That number (\$85,000), by the way, is close to what the average American's total retirement savings is today, which is 11% lower than last year's average of \$98,000, according to a recent survey that Harris Poll took of 2400 adults over the age of 18.⁴ This means that people are dipping into their savings, so promoting the long-term growth potential of retirement account contributions may ease concerns around these dwindling savings numbers.



Translating “Savings Today” into “Comfortable Future”

Finally, you already know how important it is to consider the demographic you’re focusing on regarding retirement account contributions based on which generation they represent. One commonality, however, is that the Boomer and Millennial alike are living in the now—the right now—especially after Covid showed us all that our right now can be reorganized without warning. Schroders’ head of US defined contribution, Deb Boyden, told EBN that we need to rethink how to “reach investors that have the mindset of living in the moment. . . . [We] need help translating their savings today into what that means for the future.”⁵

Sources:

1. https://advisors.voya.com/insights/market-insights/inflation-finally-moves-lower-will-it-last?et_sid=0033100002xJ6DSAA0&et_jid=115215&utm_source=sfmc&utm_term=Inflation+Finally+Moves+Lower+CTA&utm_content=8463&utm_id=5d0fbc2-a054-40ff-91f2-109529096981&sfmc_id=25437759&sfmc_activityid=c10bcc95-d4da-4f21-9d18-e11d718c1bf0&utm_medium=email&utm_campaign=ICP%20Fixed%20Income%20TL%20Inflation%20Whitepaper
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5. <https://www.benefitnews.com/news/millennials-and-baby-boomers-are-not-saving-enough-for-retirement>

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