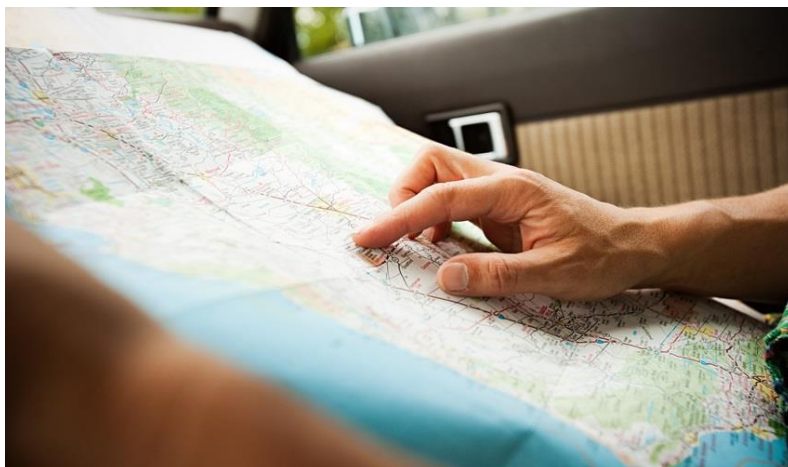




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The Road to 15%: Helping Participants Navigate Toward Retirement Readiness



To prepare for a secure retirement, many advisors recommend that participants in employer-sponsored retirement plans save 15% of their pre-tax earnings, including any employer match. Timing is crucial for reaching this 15% savings goal. According to Forbes¹, to retire comfortably by age 65, savers should begin contributing to their company retirement plan by age 35. For those

aiming to retire by age 62, starting contributions by age 25 is recommended. Examining participant data allows plan sponsors to improve tailored strategies that help participants accelerate their savings goals and avoid financial speed bumps along the way.

Auto Enrollment: Taking the On-ramp

Participation is the first hurdle to reaching the 15% threshold. According to a 2022 Human Interest study², more than 8 in 10 savers would enroll or increase their retirement plan contributions if they knew most of their colleagues were also enrolled. Auto-enrollment can help drive participation by overcoming inertia and providing social proof when employees see that many of their coworkers are already in the company plan.

Moreover, research from T. Rowe Price³ shows that plans with auto-enrollment boast an adoption rate of 86%, compared to just 44% for those without it. In contrast, the study also notes that among participants, those not auto-enrolled “deferred almost 3% more of their salary on average (9.3%) compared with those who were auto-enrolled (6.5%).” The firm suggests this may be due to an endorsement effect, where employees assume the default rate is sufficient, leading them to stall in their journey toward retirement. To keep employees progressing, employers can take additional steps.

Auto Escalation: Hitting the Gas

The initial deferral rate set by a plan sponsor can have a significant impact on how quickly

¹ [Forbes](#)

² [Human Interest Study](#)

³ [T. Towe Price Research](#)



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employees reach the 15% savings target. With an enrollment default rate of 2% and an annual 1% auto-escalation, a 25-year-old employee would be 38 years old by the time they ramp up to the 15% goal. According to Vanguard, increasing the initial deferral rate to 6% or more — a trend that has grown over the last decade — helps employees reach the target at least four years sooner. Vanguard also reports that 60% of plans with auto-enrollment now default participants at a rate of 4% or higher.

Prepare to Merge

The best way to help participants accelerate their retirement savings is by leveraging multiple tools and resources that address plan design and financial wellness offerings. Providing a generous employer match can further enhance their savings efforts, giving them an extra boost toward their goals.

Key takeaways:

- Getting employees to start saving early is critical.
- Auto-enrollment and auto-escalation can make a measurable difference — and work better when implemented together.
- Communicating the percentage of employees enrolled in the plan to your workforce may enhance participation and deferral rates.
- Education around adequate savings levels to reach retirement goals may help mitigate any endorsement effects.
- Increasing automatic enrollment default rates can help participants reach optimal savings rates more quickly, especially in plans with auto-escalation.

Helping employees stay on track with savings goals can ensure a smoother ride to retirement and help drive success for the organization.

Sources

<https://www.fidelity.com/viewpoints/retirement/retirement-guidelines>

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