

## Insights from *Retirement & More* Advisory Board Automatic Plan Features

Features such as automatic enrollment and automatic savings increases make 401(k) investing easy, especially for younger online community members and novice investors.

### Objectives:

- What percentage of online community members were automatically enrolled in their 401(k)?
- How common is the 401(k) automatic savings increase feature?
- What are online community members' thoughts about 401(k) auto-enrollment and auto-increase features?

### Key Findings:

- 12% of online community members report that their employer auto-enrolled them in their 401(k).
  - Some online community members say that auto-enrollment is a great way to start contributing to the 401(k), especially for workers in their 20s.
  - Starting contribution rates for auto-enrollment ranged from 1% to 5%.
- More than a quarter of respondents say their employers' 401(k) plans include an auto increase feature.
  - The default is typically 1% per year, but some online community members are able to set their own auto-increase amount, time intervals and maximum.
  - Auto-increase is appealing to those who are not already "maxing out" their 401(k).
  - Online community members state that auto-increase helps them to overcome "contribution inertia" and to stay on track with their savings goals.
  - Of the small group that has auto-increase, most are comfortable with the feature.
- 42% of online community members prefer auto-enrollment into a target date fund of some type.  
Additional comments included:
  - Some less experienced investors are unfamiliar with investments, including target date funds and are unsure whether they are the best investment choice.
  - Other more experienced investors want to choose their own investments and establish their own asset allocation.

*"Auto-enrollment and auto-increase help people to get started. When I first started working, 401(k)s were not available. When they did become available, I was 40, at which time I had to sock away a lot. These auto features encourage young workers to start small and work up over the years."*



*"Auto-enrollment and auto-increase are mechanisms that help get people on the savings track. But they're not substitutes for education. People still need to learn the basics of retirement and investment."*

*These findings were revealed via qualitative research in an online community of ~400 retirement plan participants, hosted by Communispace. Qualitative research is best suited for providing directional insights into behavior and attitudes. Data findings, quotes or anecdotes provided here should be viewed as exploratory and directional in nature and are not necessarily projectable to a larger population.*

**Potential Applications:**

- “Ease of use” is a benefit derived from 401(k) features such as auto-enrollment and auto-increase – online community members appreciate their employers making 401(k) participation as easy as possible.
- Auto features are particularly beneficial for younger employees who tend to postpone contributing to their 401(k) to increase their take-home pay – older online community members who waited to start contributing later say they regret it.

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