

Insights from *Retirement & More* Advisory Board IRA Knowledge & Behavior

Help & Advice can pave the way for online community members to open an IRA.

Objectives:

- What are online community members' perceptions and knowledge of IRAs?
- How did online community members first learn about and become interested in an IRA?
- What obstacles prevent opening an IRA and what incentives make IRAs more appealing?*

Key Findings:

- Roughly two-thirds (60%) of online community members currently have an IRA; while one-third do not.
 - Those who have IRAs understand the difference between a Roth IRA and a Traditional IRA, and are aware of the maximum contributions allowed.
 - Those who do not have an IRA tend to be confused by the difference between IRAs and 401(k)s. Some perceive IRAs to be an investment product rather than a type of account.
- Online community members are less familiar with Rollover IRAs than Traditional and Roth IRAs.
 - Those who do have a Rollover IRA say benefits include easier management, consolidation, lower fees, more control and better investment options.
 - Those who have not rolled over their 401(k) mention obstacles such as inertia, the perceived hassle of the rollover process and liking the investment options and/or fee structures they currently have.
 - One-fifth of online community members have a 401(k) with a previous employer that could qualify for a Rollover.
- Many first learned about IRAs, or decided to invest in one, after speaking with a financial expert who helped them understand how to incorporate IRAs into their retirement strategy. Most say they made better decisions because of the advice.



"I don't know much about IRAs. I haven't checked them out, have only heard of them."

"I should have an IRA in addition to my 401(k). I just haven't had the time or salary to open one."

"I will need help understanding how to manage my IRA."

- Other than an employer provided 401(k), IRAs are the top-ranked financial product that online community members would consider if made available through the workplace. Benefits of the employer offering IRAs include ease of management (consolidation), greater likelihood of participation (payroll deduction) and knowing where to start (trusted source).
- The primary obstacles to opening an IRA include lack of time; the hassle of paperwork; needing help with allocation decisions; and budgeting (the 401(k) is their top priority).

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.

- Many are attracted to the idea of an IRA that includes “free help managing your investments for one year.” Free trades for a year is also appealing – online community members who wish to rebalance their portfolio are attracted to this offer, which allows for allocating funds fee-free.

Potential Applications:

- Those without IRAs say they need more information before opening one. Education about the benefits of IRAs and how they differ from 401(k)s will reduce confusion and increase participation levels.
- Help & Advice plays a critical role in opening an IRA. Bundling advice with an IRA is a strong motivator; the advice builds confidence, educates and adds value to the investment.
- Education about Rollover IRAs should aim to demystify the process by highlighting benefits (management, control, flexibility).

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