



MOTIVATING SAVINGS WITH FINANCIAL WELLNESS AND PLAN DESIGN

“Motivating Savings with Financial Wellness and Plan Design”

Resolution season is upon us. January through March are the peak motivation months. That special time of the year when people are eager to make positive strides toward physical, financial, professional, or personal goals. On average, 42% of Americans make money-related resolutions. However, in less than 6 months, half of the once dedicated forget about their goals.¹ But, as we all know, it takes longer than 6 months to reach a *meaningful* savings goal.

So, how can you, as a plan sponsor, use the resolution momentum to inspire your employees to save for retirement? This article we will discuss holistic ways to promote financial wellness among your employees as well as plan design tips aimed at increasing participation and savings rates.

Employee Savings Goals

We’ve all heard the saying, “if you don’t know where you’re going, any road will get you there.” However, without a financial goal, many are left unprepared and money has a way of slipping away when there is no clear savings path.

As a retirement plan advisor, my job would be so much easier if every one of your employees were focused on saving for retirement; but the reality is, if they are financially stressed, retirement is the last thing on their minds. Depending on the age and financial situation of your workforce, top concerns may range from meeting monthly expenses, to paying off debt or saving for college, to caring for aging parents. It’s important to understand that saving is a journey and even though each of your employees may be in a different spot, however, the act of saving needs to be constant.

¹ [Statistic Brain. “New Year’s Resolution Statistics.” Jan. 2017.](#)

TIP: Encourage your employees to maintain an active list of financial goals. This will help them set a savings path and may help you to determine a more focused financial wellness program or specific education topics.

Savings Buckets

The term savings bucket is not new to you as a plan sponsor, as you may have regular conversations with your recordkeeper about them. However, it may be a brand-new concept for your employees. The three-bucket principal is a way of simplifying the art of saving. First you fill bucket #1 and once it is full, savings begin pouring into bucket #2, then it is on to the final bucket. Each bucket holds savings for a specific goal: Bucket #1 is reserved for Emergency Funds; Bucket #2: The Middle Bucket; Bucket #3: Retirement Bucket.

Bucket #1: Emergency Funds | Bucket #2: The Middle Bucket | Bucket #3: Retirement Bucket

Plan Goals

Beyond the holistic efforts of financial wellness that address the financial hurdles your employees face, there are steps you can take from a plan level that can motivate positive savings habits. Automatic features such as auto-enrollment and auto-escalation are two plan design features that can help you pursue goals of increasing participation and deferral rates.

Auto-enrollment is an excellent plan design feature to help get new hires saving from the get-go. In fact, Vanguard research shows that plans with auto-enrollment boast participation rates reaching 90% whereas plans with voluntary enrollment fall short at 63% participation.² You may also consider adding features that enroll (or backsweep) workers who may not have been previously enrolled in your 401(k) plan.

Participating in the plan is great, but you want your employees to be saving at the highest possible rate. One way to help is by implementing an auto-escalation feature. Consider enrolling (or re-enrolling) employees into the plan at a modest 5% savings rate, then increase the deferral by a set percentage each year until a more meaningful rate is reached. Optional formulas:

Deferral GOAL	Starting Deferral	Annual Increase	Years to Accomplish
10%	5%	1%	5 years
10%	5%	2%	2.5 years
15%	5%	2%	5 years

Always Moving Forward

Creating a culture for your employees to save begins with a dialog; we are happy to help with that conversation. At Process Design Capital, we feel that employee education and empowerment starts with the plan sponsor. Thus, we aim to provide resources and tools that help you help your employees move toward their savings goals.

² [Vanguard. "How America Saves." June 2017.](#)

We are the premier 401k plan specialist in Arizona, providing state of the art plan design, management and employee education to assure maximum employee participation and satisfaction. We believe all employees should have the opportunity to secure a financially sound retirement and we manage the plan solely for the participants so they may achieve their goals



Jim Garber, CFA, AIF
Co-Chief Investment Officer

Sean R. Balog, CMT, AIF
Co-Chief Investment Officer

1430 E Missouri Avenue, Suite B220
Phoenix, AZ 85014

Office: 480 386 0491
Fax: 480 386-0494

Jim@processdesigncapital.com
Sean@processdesigncapital.com
www.processdesigncapital.com

Process Design Capital Management does not provide legal or tax advice.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.