



02.06.24 | INSTITUTIONAL RETIREMENT PLANS

Retirement Plan Newsletter | Q1 2024

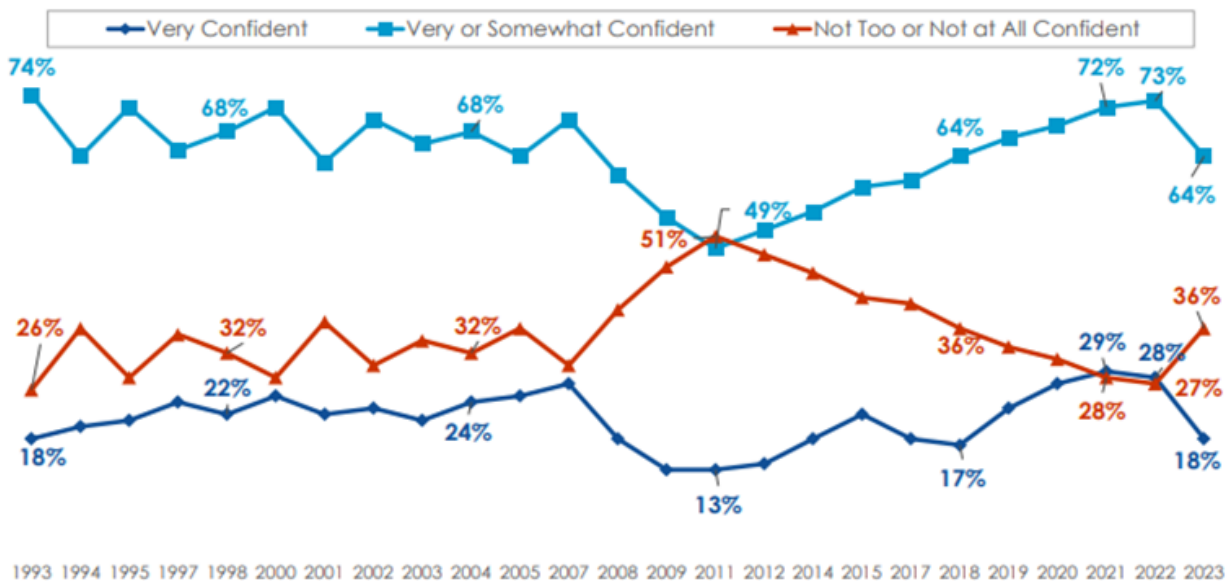
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401(K) EDUCATION AND ADVICE MORE IMPORTANT THAN EVER

Saving and investing for your retirement can be an intimidating prospect for even the most well-versed investor. An employer can offer a 401(k) plan with a generous match, competitive investment options, and top-notch technology, but without the accompanying financial education, employees can feel intimidated and overwhelmed. The 2023 Retirement Confidence Survey (RCS) found that just 64% of American workers are confident that they will have enough money saved to live comfortably in retirement.⁽¹⁾

Figure 1
Worker Confidence in Financial Security Through Retirement

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years? (2023 Workers n=1,320)



Source: Employee Benefit Research Institute and Greenwald Research, 1993-2023 Retirement Confidence Surveys.

An effective 401(k) employee education program should include enrollment meetings where the different provisions of the plan are discussed along with the investment options. Additionally, employees should be familiarized with basic investment concepts such as time horizon and risk/return. One on one meetings should also be offered so that participants can ask questions specific to their individual accounts. In these individual meetings, asset allocation, fund choices and savings rates should be addressed.

The recent popularity of virtual employee meetings has made employee education even more accessible. Employees can meet with a Registered Investment Advisor (RIA) or listen to a group presentation directly from their desks or homes. Also, online scheduling tools make it even easier to set up one on one meetings.

While the use of technology to reach employees has had a positive impact, a recent study by Charles Schwab found that workers are still more likely to follow financial advice from a human as opposed to computer generated advice. The same study found that workers' ability to make financial decisions increased with the help of a financial professional.⁽²⁾

In addition to benefitting employees' financial wellness, plan sponsors should also view providing employee education as a best practice as a fiduciary. If you make decisions that impact your company's retirement plan, then you are most likely

a fiduciary as defined by the Employee Retirement Income Security Act of 1974 (ERISA).

Unfortunately, there is no guarantee that offering employee education will ensure an employee's participation. A regular schedule and a personal touch can certainly help. But as with most other aspects of retirement plans, it is about following a process and making sure all the tools are available to enable participant success.

Grimes and Company has a dedicated team that specializes in providing investment advisory services to retirement plan fiduciaries and their employees. We assist clients with investment selection and monitoring, fee benchmarking, plan design and employee education.

IMPORTANT DISCLOSURES:

(1) 2023 Retirement Confidence Survey https://www.ebri.org/docs/default-source/rcs/2023-rcs/rcs_23-fs-1-confid.pdf?sfvrsn=738d392f_4

(2) 2023 401(k) Participant Study Charles Schwab <https://www.aboutschwab.com/schwab-401k-participant-survey-2023>

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