

16 Ways to Boost Participation in Your 401(k) Plan

by Dennis R. Ackley

Some ideas that could help boost participation in your 401(k) plan and turn your employees into Retirement Income Consumers...

1. Conduct a “rename the plan” contest. Give it a marketing-oriented name. Make sure the name does not sound like the plan is only for high-paid, high-taxed, or older employees. Here are four examples:
 - Extra Savings Power – ESP...see into your future
 - Save Money And Reduce Taxes...the SMART plan
 - Savings With Interest For Tomorrow ...the SWIFT plan
 - Your Employee Savings...the YES plan
2. Put your marketing department in charge of the awareness and motivation aspects of the plan. Employees must be aware of how much their retirement will cost and motivated to learn about the plan before they will gain understanding of the value of the plan and use it to their advantage.
3. Send “congratulations” letters when employees join the plan or increase their contribution.
4. Review the account statements. Are the key items immediately obvious? Do they add a feeling of confidence in the plan? Do they provide long-term benchmarks, or do they leave the impression that short-term results are paramount?

Send a personal written letter to every employee who is not contributing enough to get the maximum company contribution.

5. Review the enrollment forms. Are they designed more for administrators or the “customers?” Consider a simple “sign-up” form rather than a cluttered all-purpose one.
6. Eliminate jargon from all the materials.
7. Review the graphics and production quality of your printed materials. People do judge the value of the plan by the booklet cover. But do the materials have too much of a sales “look and feel” or a more appropriate, easy-to-use appearance?
8. Reorganize the plan descriptions – printed and electronic – based on what employees want to know.
9. Consider “loyalty.” This is an important element in consumer behavior. Are there aspects of the plan that recognize loyalty? Are these publicized and celebrated? Consider a pizza party for two-year or five-year participants.
10. Conduct a “don’t miss out again” campaign. Send a personal letter to every employee who is not contributing enough to get the maximum company contribution. Show amount “lost” last year. Or, show how much would be gained by saving an additional one percent or two percent for ten years using a ten-year average investment return.
11. Develop a “Stop Me Before I Spend Again” campaign. Help employees determine the ballpark estimate of their “retirement retail

price” – subtract the “discounts” (estimated Social Security, current 401(k) and future pension benefits and other savings) and let them write the remaining “layaway price” on a button: “To pay off the layaway price of my retirement, I need \$_____.”

12. Borrow ideas from other successful marketing campaigns...

- A sweepstakes-style mailer. “Pat Doe, you could retire with an extra \$XXXX if you started saving X% more through the Savings Plan.”
- A teaser mailer to nonparticipants – “What do 76% of other Acme Company employees know that you may not? They know the advantages of the Financial Independence 401(k) Plan.”
- A “lottery ticket-style” mailer – “Your Savings Plan is a much better bet for your retirement” (with a short explanation).

13. If you have both a pension plan and a 401(k) plan, show your pension plan on the personal 401(k) statements as a “Guaranteed Future Income Value” (backed by the PBGC, a government agency). Project the total amount the pension will pay from age 65 to age 85 so employees can consider that amount in selecting their 401(k) investment portfolio and in setting their savings target.

14. Get employees involved:

- With a very simple explanation of the cost of retirement;
- By asking company retirees to help conduct retirement sessions;
- By focusing on “me” – my estimated price of retirement and how I can pay for it. (Employees cannot set their savings and investment strategies if they don’t have a target.)

15. Send a personal letter from the employee’s supervisor (prepared from payroll data) – “Dear Pat, one of my responsibilities is to make sure you are aware of the valuable Acme Company benefits that are available to you. Maybe I should be doing my job better. I notice you are not participating in our Future

Fund 401(k) plan. Pat, if you would save just 3% of your pay – that’s only \$34 each paycheck – your take-home pay would be only \$26 lower because of the tax advantage. And the Acme Company would add \$17. If you would save this much for just five years – assuming your account grew 5% through investments each year – you would have over \$7,000 in your account.”

16. Give stuff away. T-shirts, buttons, caps, etc. that acknowledge the 6% or 10% savers club members. Send out “phone button” key chains programmed with the 800 number. Give out cans of shredded dollars to emphasize the “free money” wasted by not participating in the plan to the maximum matched amount.

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For 20 years Dennis Ackley has been an advocate for clarity and accountability in retirement education – helping workers gain the knowledge to achieve the financial future they want. His award-winning communication programs on retirement, investing, and health care have reached three million employees at hundreds of employers. For more articles and more information, visit www.DennisAckley.com.

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