UPDATE

Employee Benefit News for
The Cooperative Industry

July 2018

Putting Employees on the Right Track

According to the 2018 Retirement Confidence Survey[1] (RCS), nearly 64% of workers, and/or their spouses, have saved for retirement at some point in their careers. While 60% of those workers surveyed report to be currently saving for retirement. The survey also concluded that 45% of workers have less than $25,000 in total retirement savings. This includes 26% of workers who reported to have less than $1,000 in total retirement savings.

Prudential[2] recently completed a study that found more than one in five Baby Boomers had no savings for retirement, and those who had retirement savings, 40% have balances less than $100,000.

Delayed Retirement

Having employees retire "on time" can be beneficial for both the employee and for the employer. The employee can retire when they wish and enjoy their years in retirement while the employer can better manage their workforce costs such as salary, health & life insurance and paid time off.

[1] 2018 Retirement Confidence Survey. Employee Benefit Research Institute, http://www.ebri.org/surveys/rcs/2018/

[2] "Why Employers Should Care About the Cost of Delayed Retirements" 2017. Prudential Financial, Inc.

Prudential also reports that in 2014, the average American retired at age 62, up from 60 in 2012. The 2018 RCS concluded that 31% of workers expected to retire after the age of 70.

With participants staying in the workforce longer, the employer bears the burden of the additional workforce costs. Prudential determined that the annual cost of a one-year delay in retirement for an individual employee could be over $50,000. This result compares the average workforce costs (salary and benefits) of a retiring employee and a newly hired employee.

What can be done?

The Retirement Confidence Survey reports that workers who are participating in their employer-sponsored retirement plan are more likely to have saved more than $10,000 than those who aren't participating (20% versus 80% who weren't participating). The key is to get participants in the plan.

There are many reasons a person may have for not contributing in the plan. However, history has shown that if a person is automatically enrolled in a retirement plan, they are more likely to remain in the plan.

(Continued from Page 1)

The Co-op 401(k) Plan offers plan sponsors an automatic enrollment feature to new participants. Sponsors can choose the default amount for participants at initial enrollment. The amount can be as low as 1% or at an amount to take full advantage of an employer match. This gives the plan sponsor the ability to set their participants up to at least begin saving for retirement. Participants have the ability to opt out of any automatic deferrals at any time.

Coupled with InvestMap™, sponsors of the Co-op 401(k) Plan have a unique advantage for getting participants started on the right track. InvestMap is a viable option for a default / automatic election for participants when automatically enrolled. If participants don't provide an investment direction, they are defaulted to an age appropriate portfolio. InvestMap will automatically adjust to become less aggressive as the participant ages. This will lessen the potential the participant's portfolio is overly aggressive as they near retirement.

Enrolling early could lead to big savings

Thanks to compounding interest, saving earlier is key to building a generous retirement nest egg. As Chart 1 suggests, a 30 year old originally enrolled at 4% could potentially have over $200,000 saved at retirement.

Participant Options

Along with Auto Enrollment, participants can automate their accounts even further with Automatic Increase.

Automatic Increase This feature allows participants to set up annual automatic increases to their retirement deferral rate. They may choose when to have the increase take place; on a birthday, or a hire date, for instance, and they are able to choose how much to increase per year. They can even set the percentage they'd like the increases to stop. For example, Chart 1 illustrates the savings that are possible if the participant decides to increase his or her deferral rate by 1% each year up to 10%.

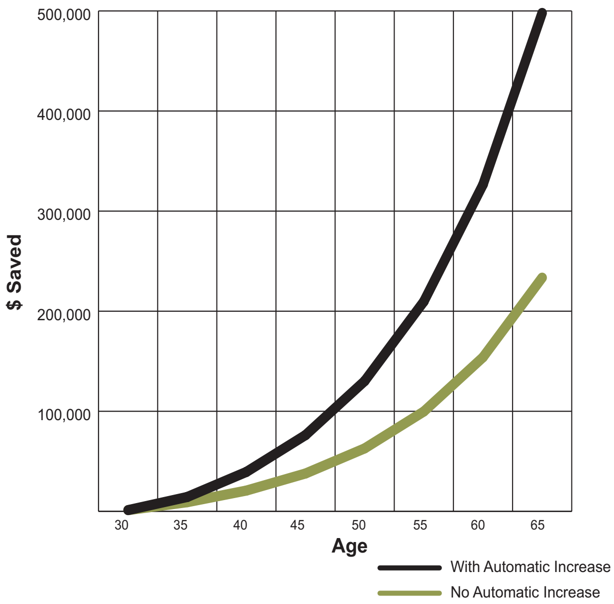

Chart 1.
By using the Auto Increase feature, a participant can potentially save thousands of dollars more than if they stayed at the same deferral rate for their career.

Assumptions: Starting Salary: $30,000; Annual Rate of return: 8%; Starting deferral rate: 4%; No annual pay increase; No employer contribution. Annual Automatic increase of 1%.

If you are interested in adding the Automatic Enrollment feature or would like more information please contact your Relationship Manager or call 800.652.6675 option 2.