



GEORGETOWN UNIVERSITY
 McCourt School of Public Policy
 Center for Retirement Initiatives

FAST FACT SHEET # 12

What Does FINRA Tell Us About Employer Retirement Plan Best Practices?

- ✓ **Employer-provided information plays a critical role.** The types and timing of information provided by an employer about its retirement plan has a significant impact on an employee's decision on whether to participate in its retirement savings plan (p. 2 & 5 & 11).
- ✓ **Make sure employees understand the plan.** Too many are unable to identify the type of retirement plan they have, so providing clear, easy to understand information about the type of plan, how it works, investment choices, and required decisions to be made is important (p. 1 & 2 & 6).
- ✓ **Focus on important concepts to improve overall employee financial literacy.** Improving employee knowledge of financial concepts such as interest compounding, diversification of investments, and inflation can improve retirement planning decisions significantly. This can be done by offering financial education sessions and relevant information at teachable moments (p. 2 & 6).
- ✓ **Tailor the financial information and education programs to meet the needs of specific employee demographic groups.** Use one-on-one meetings or small group sessions; one-size-fits-all information programs could discourage workers from saving. There are sharp gender and age differences in financial literacy (p. 2 & 11).
- ✓ **Understand that debt management is related to retirement savings.** Employers who help their employees with debt and debt management will enable those employees to make the best decisions about how to balance saving for retirement and other financial needs (p. 2 & 3).
- ✓ **Offer an employer match if possible.** Workers tend to contribute at a level that is the same as the maximum amount matched by the employer and they will save more if this incentive is provided (p. 2 & 7).
- ✓ **Use automatic enrollment to boost participation rates.** Automatic enrollment has been shown to increase participation in retirement savings plans to over 90 percent of newly hired employees (p. 2 & 7-9).
- ✓ **Set a default contribution savings rate and consider auto-escalation.** Set a rate that is at least the same as the employer match rate and consider raising the amount over time. Help employees understand how the default rate will increase retirement income but also let them know how they can make changes to their contribution rate if needed to increase comfort level (p. 2 & 3).
- ✓ **Be clear about specific enrollment action steps and use innovative teaching tools.** Outline the specific steps employees should take to enroll in their retirement plan to overcome natural inertia that often slows action. Use innovative tools such as videos to walk employees through the process as well as to teach important financial concepts (p. 7 & 11).
- ✓ **Identify specific times of the year and use effective tools to remind employees to save.** There are specific moments such as a promotion, match eligibility period, or individual life events (marriage, birth of a first child) that will increase the likelihood that an employee will begin to save. Consider testing and using different types of communication tools, such as sending text messages, to provide reminders of deadlines for action (p. 3).

Source: [FINRA Investor Education Foundation, "How Employers Can Help New Hires Save for Retirement: Best Practices that Build Long-Term Financial Security," September 2012.](#)