

# Getting Retirement Savings Back on Track

Employer Views on the 401(k) and  
Financial Education in the Workplace

A report prepared by CFO Research Services in collaboration with Charles Schwab

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**ABOUT THIS REPORT**

We gathered responses from 107 human resources (HR) executives and 112 senior finance executives from a broad cross-section of company segments, as follows:

**ANNUAL REVENUE**

\$100 million - \$250 million	26%
\$250 million - \$500 million	13%
\$500 million - \$1 billion	19%
\$1 billion - \$5 billion	24%
\$5 billion - \$10 billion	9%
\$10 billion+	10%

**TITLES**

VP of human resources	22%
Chief financial officer	18%
Compensation and benefits management	11%
Controller	10%
Human resources manager	9%
Director of finance	8%
VP of finance	7%
Director of human resources	6%
Treasurer	3%
EVP or SVP of finance	3%
Other HR titles	3%
Other finance titles	2%

Respondents work for companies in nearly every industry. The manufacturing and financial services industries are particularly well represented.

Note: Percentages may not total 100%, due to rounding.

## Executive summary

In August 2008, CFO Research Services (a unit of CFO Publishing Corp.) published its findings from a survey conducted in conjunction with Charles Schwab discussing the employer's role in supporting retirement planning for its employees and the value workplace retirement plans can have for both companies and individuals. The research revealed that finance executives largely agreed that 401(k) plans were necessary for attracting and retaining a high-quality workforce, enhanced a company's corporate image and reputation, and overall contributed to a company's long-term financial success. The survey findings also revealed that employers view 401(k) plans as a partnership between employers and employees, who share responsibilities in preparing individuals for retirement.

Shortly after that research program was completed, the U.S. economy began to deteriorate at a rate not seen in decades. Banks stopped lending, consumers largely stopped buying, and companies began to cut spending. The stock market declined significantly, and many employees saw their investments lose as much as half their value—including investments in retirement accounts.

In April 2009, CFO Research Services conducted a new survey in conjunction with Charles Schwab, among senior finance executives and human resources (HR) executives in the United States. The objective of the new survey was to examine how employers are addressing their 401(k) plan offers in today's environment, as well as to determine the importance employers place on providing employee education for both 401(k) plans and broader personal finances at a time when confidence in a smooth road to retirement has been eroded. In addition, we interviewed two of Charles Schwab's employer clients to gain further insights into the landscape for workplace retirement planning.

The clear finding from this latest research is that, despite the short-term loss in value of investment portfolios, the 401(k) continues to be one of the most important elements in Americans' retirement savings toolbox. Echoing the conclusion from last year's study, this research shows that both finance and HR executives view 401(k) plans as an important part of maintaining and retaining a productive and retirement-ready workforce. Employees—particularly those nearing retirement—are understandably concerned about the losses in their retirement savings, but neither employees nor employers appear to be making or desiring drastic changes in their 401(k) plans.

Because workers' confidence in both 401(k)s and their ability to make sound investing decisions has been shaken, employers also strongly support making education and advice on 401(k)s, as well as making broader retirement and financial advice, more readily accessible for workers. The executives in this survey view these education programs as important for helping employees maximize the benefit of 401(k)s and make good decisions, especially in difficult economic times.

But the executives surveyed also believe there are ways the current 401(k) system can be improved. Many employers favor loosening some of the current restrictions on employee contribution limits and hardship distributions as a way of keeping employees enrolled and contributing toward their retirement. However, few think any large-scale or permanent changes in the structure or oversight of 401(k) plans are necessary, and almost all employers in the most recent survey are against additional intervention by the federal government.

In short, while they see room for improvement, finance and HR executives alike have faith in the long-term viability of their 401(k) plans, and they understand the importance of working in partnership with their employees to help them make judicious choices in a challenging environment.

## Taking a long-term view of retirement planning

In our survey of more than 200 finance and HR executives, we found that, despite the downturn that investment portfolios have taken within the last year, both groups continue to encourage their employees' participation in 401(k) programs as an important component of long-term retirement planning. The executives in our survey acknowledge the differences between short-term performance and long-term goals, drawing a distinction between week-to-week fluctuations in individual portfolios and the ultimate purpose of offering 401(k) plans—namely, to help employees prepare for a financially secure retirement 20, 30, or 40 years down the road. Those responsible for their companies' retirement offerings, whether they are in finance or in HR, see their roles now as helping their employees weather the storm and plan for their futures.

Survey respondents also indicate that, despite employee confidence in their retirement savings being shaken over the last year, employees themselves are not making significant changes in their 401(k)s either. Plan participants are making some adjustments to their 401(k) investment portfolios, but they are largely trying to stay the course.

Executives in the survey do not believe any dramatic or broad changes are necessary in 401(k) program design or regulation. When asked to grade the existing 401(k) system to determine the level of change needed, a majority of respondents (56%) give the current system a "B," agreeing with the statement that it is working and needs only slight modification. (See Figure 1.) Another third of respondents (32%) give the 401(k) system a

"C," saying that it is generally working but could use a number of improvements. (As discussed later in this report, many of those improvements involve increasing employees' control over their own retirement planning.)

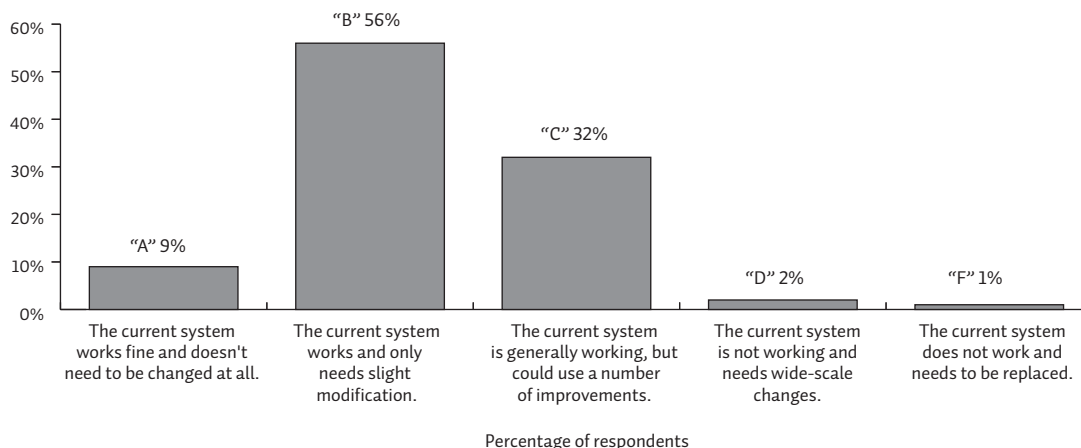
While few respondents (9%) are willing to give the current system an "A," indicating that they think no improvement is needed at all, even fewer express strong dissatisfaction with the system. Only 2% of respondents give it a "D" ("needs wide-scale changes"), and just 1% give it a failing grade ("needs to be replaced"). One HR executive, in an open-text response, warned against "overreacting" to the current economic environment and making shortsighted changes.

Executives in the survey give little indication that the faltering economy or losses in investment value necessitate any widespread changes to 401(k) plans. Respondents appear to have confidence in the underlying structure of their 401(k) plans despite large losses in investment value over the last year; they link performance of individual retirement accounts more to the performance of the economy overall than to any perceived shortcomings of the 401(k) plans themselves.

In an interview conducted for this study, Todd Frauendorfer, the treasurer at Ball Horticultural Company in Chicago who is responsible for managing that company's 401(k) plan, underscores this point: "I've had more people this past year come to ask me questions about their 401(k)s, or just give me their comments or express frustration with the market. They're not necessarily blaming anything the company has done, the plan itself, or our plan provider. It's just more of a general unhappiness with the situation, concern for their future, and how it's all come about."

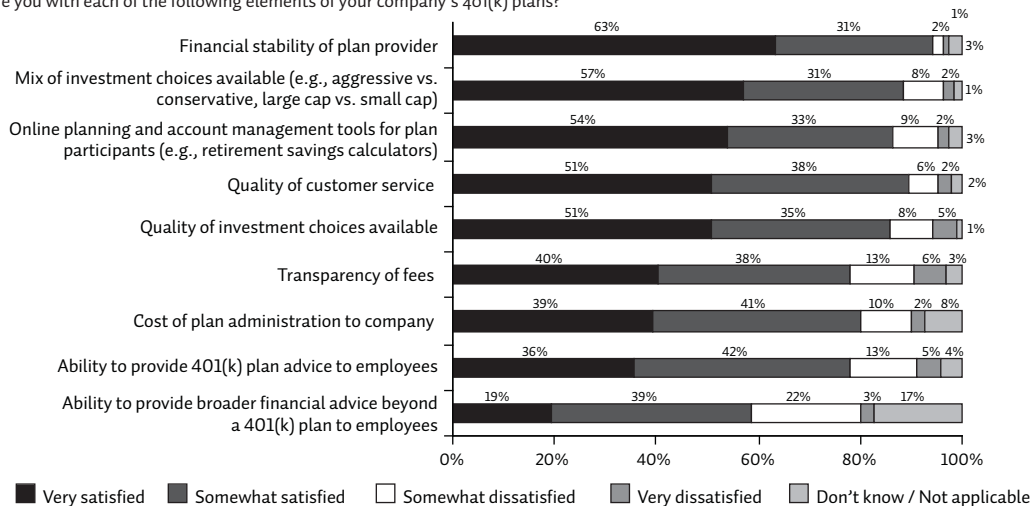
**FIGURE 1. FINANCE AND HR EXECUTIVES ALIKE THINK THAT THE FUNDAMENTALS OF THE 401(K) SYSTEM STILL WORK, EVEN IN THE FACE OF DECLINING INVESTMENT VALUES.**

If you used an academic scale to grade the 401(k) system as it currently stands, what grade would you give it?



**FIGURE 2. FINANCE AND HR EXECUTIVES ARE LARGELY SATISFIED WITH MOST ELEMENTS OF THEIR 401(K) PLANS, BUT BELIEVE THEY CAN IMPROVE IN PROVIDING FINANCIAL ADVICE TO EMPLOYEES.**

How satisfied are you with each of the following elements of your company's 401(k) plans?



Percentage of respondents  
Note: Percentages may not total 100%, due to rounding.

Three-quarters or more of all respondents tend to express satisfaction with most of the elements of their current plans. (See Figure 2.) A vast majority of respondents say they are at least somewhat satisfied with the mix of investment choices available to their employees (88%), as well as with the quality of those investment choices (86%). Concerns over the economy do not translate into concerns with plan providers, as 94% of respondents indicate satisfaction with the financial stability of their providers.

Respondents express the most dissatisfaction with their own ability to provide planning advice to employees. About one-fifth of the respondents (22%) have either a negative view or no opinion about their companies' ability to provide employees with advice on their 401(k) plans, while 42% are negative or have no opinion about their own ability to provide broader financial advice. Overall, the executives taking this survey indicate that providing 401(k) advice and providing broader personal finance education to employees need to be strong elements in the most effective retirement programs.

Most finance and HR executives in this survey give the current 401(k) system a "B," agreeing that it is working and needs only slight modification.

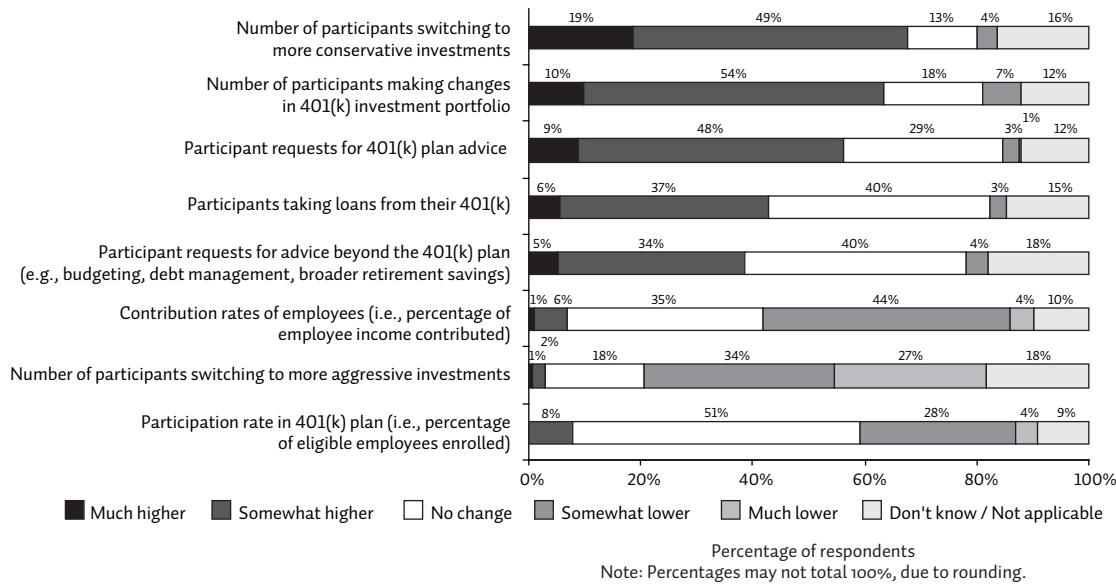
## Providing 401(k) advice and broader financial education in the workplace

While employers continue to have faith in the fundamentals of the 401(k) system, they also acknowledge that economic troubles have understandably generated more concern among employees. A majority of all respondents (63%) say that employee concerns over personal finances in the worsening economy are having an impact on the working environment at their companies. Mr. Frauendorfer at Ball Horticultural comments on the broad scope of these worries: "I think everybody has an increased concern for their financial well-being, whether that means medical care, saving for retirement, paying the weekly bills, or keeping their mortgage current."

Regarding retirement benefits in particular, executives in this survey note that employees are looking for the best ways to cope with the loss in value that retirement portfolios have suffered over the past year. When asked about the most significant challenges to offering 401(k) plans in the year ahead, respondents select "employees losing confidence in their 401(k) plans" by a wide margin. A majority of respondents (58%) identify employee confidence as a significant challenge, while no other issue is selected by more than a third of the respondents.

**FIGURE 3. FINANCE AND HR EXECUTIVES ARE SEEING EMPLOYEES ASKING FOR MORE ADVICE, SHIFTING TO MORE CONSERVATIVE INVESTMENTS, AND CUTTING BACK ON CONTRIBUTIONS TO THEIR 401(K) ACCOUNTS.**

Have you seen increases or decreases in activity related to your company's 401(k) plan since the economic decline became apparent in September 2008?



Not surprisingly, the level of concern increases the closer the employee is to retirement age. Eighty-eight percent of respondents characterize employees within 5 years of retirement as “very concerned” about the adequacy of their retirement planning in light of poor economic and market performance. This percentage is cut by more than half, to 39%, for middle-aged employees, and only 7% of respondents say their younger employees are “very concerned.” In fact, about a third of the executives in the survey feel that their younger employees show no concern about retirement planning at all.

Employee concerns over their 401(k) investments are reflected in the increased level of activity observed by respondents at their own companies. (See Figure 3.) Sixty-eight percent of respondents report that the number of employees switching to more conservative investments is increasing, and 64% say that more employees than before are making changes in their 401(k) investment portfolios. About half of the respondents (48%) report that some employees are lowering their contribution rates, and 43% see some increase in the number of employees who are taking hardship loans from their 401(k) plans.

Most of these actions seem to be tactics for weathering the current economic storm, and respondents do not report widespread flight from 401(k) plans. While approximately a third of the executives in the survey say that employee participation levels in their companies' 401(k) plans are lower, about half of the respondents see no change in participation levels. According to Kevin Henderson, a partner at Bradley Arant Boult Cummings LLP who concentrates his practice in employee benefits and

executive compensation, the growing use of automatic enrollment programs helps to maintain participation levels—once people are in a plan, they tend to stay in. “That trend [toward automatic enrollment] appears to be continuing, even in the economic downturn,” he says. “There may be some more employees opting to back out now, but not as many as you naturally would think in this economy.”

## Employees asking for more help

But respondents note that employees are seeking out more advice on how to best manage their retirement investments in a down economy. Executives in the survey report seeing increased employee interest in seeking advice, primarily for their 401(k) plans (57% of respondents), and to a certain extent for financial planning overall (39% of respondents).

The executives in this survey say they see employees making some changes in their 401(k) contributions and their investments, and more employees seeking out advice, but they do not report widespread flight from 401(k) plans.

**MAKING TRADEOFFS IN COMPANY MATCH PROGRAMS**

About a quarter of respondents (23%) report that their company has either suspended the company match or is considering doing so, as a result of the current economic downturn. (See Figure 4.) However, many executives in the survey also say that eliminating the match is one of the most harmful actions a company can take. The matching contribution is widely viewed as one of the most important features of a 401(k) plan, necessary for attracting employees into the program as well as for ensuring that employees save enough for retirement.

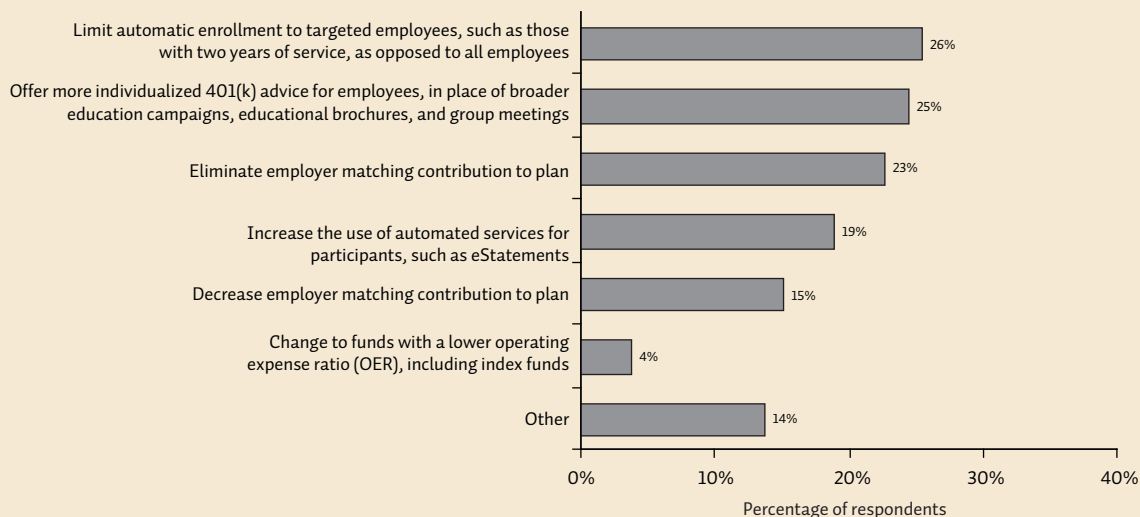
Of the respondents whose companies are considering this step as a cost-cutting measure, many stress the importance of resuming the match as soon as the economy allows. Kevin Henderson, a compensation and benefits partner at the law firm Bradley Arant Boult Cummings LLP, echoes this perspective: "I think suspension of match is a short-term issue. I don't think that, in the long run, we're going to see 401(k) plans being designed as employee contribution only. As the economy rebounds, you will see employers reinstating their contributions."

However, Mr. Henderson warns that eliminating or suspending company matching contributions can carry some hidden costs. "I'm seeing a lot of employers at least considering suspending or reducing matches," he notes, "but they need to consider what the ramifications are for their plan. A number of plans use match as a safe harbor for meeting nondiscrimination tests, and of course when they eliminate that match it means that they must begin testing their plan. Many of these plans haven't been in the position of testing contributions for discrimination for many years, because they've used the safe harbor, so there are lots of issues surrounding that and the appropriate notice that must be given to employees, which is typically 30 days."

The cost and complexity of reintroducing nondiscrimination testing must be factored into these considerations. "I've even seen some employers consider suspending the match only for their highly compensated employees, so that they still maintain their safe harbor status," Mr. Henderson observes. By eliminating the match for just their highly compensated employees, these companies are able to save money while continuing to comply with regulatory requirements.

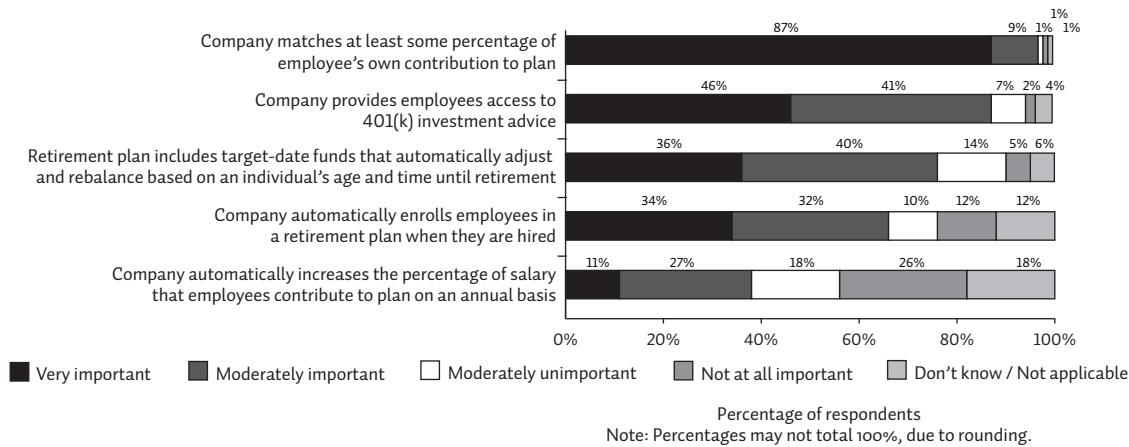
**FIGURE 4. SOME COMPANIES ARE TAKING ADDITIONAL STEPS TO HELP MANAGE THE COSTS OF ADMINISTERING 401(K) PLANS.**

What steps has your company taken since September 2008, or does it plan to take in the near future, in order to better manage the cost to the company of its 401(k) plan?



**FIGURE 5. PROVIDING ACCESS TO RETIREMENT PLANNING ADVICE IS SECOND ONLY TO COMPANY MATCHING CONTRIBUTIONS IN IMPORTANCE.**

In your opinion, how important is it to offer the following features in your company's 401(k) plan?



Mr. Henderson, the compensation and benefits attorney interviewed for this study, notes, “The market volatility and downturn have made folks more acutely aware of the need for investment advice. In uncertain market conditions, employers want to make advice available to their participants, and you’re seeing participants in the plans pleading for advice. Facing conditions worse than they’ve ever seen, they don’t know whether they’re supposed to be running for cover or staying the course in terms of their investment strategy.”

Employers are now figuring out how best to respond to their employees’ needs for information, advice, and even reassurance. Providing 401(k) investment advice is one of the top priorities for finance and HR executives in the survey.<sup>1</sup> (See Figure 5.) When asked about the importance of different features of a 401(k) plan, 87% of respondents rate providing access to 401(k) investment advice as at least moderately important, second only to providing company matching contributions. (See “Making tradeoffs in company match programs,” page 6.)

As participants in 401(k) plans face hard decisions in an uncertain economic environment, companies are focusing more on providing the tools and resources their employees need. Eight out of 10 respondents overall (80%) believe that being able to offer 401(k) advice to employees is even more important now than it was a year ago, given the continuing uncertainty in the economic outlook, and 66% believe

offering more holistic retirement planning advice is more important now. Being able to support employees in their decision making during these difficult times and going forward is important to many of the executives in this survey.

As Mr. Frauendorfer of Ball Horticultural notes, it’s often a matter of confidence: “We don’t think our employees should just throw in the towel; instead, we hope they stick with their retirement plans and continue on. But even if our employees feel they understand our plan and their options, they don’t necessarily have the confidence that they are doing the right thing. They need to hear that reassurance from somebody else that is an expert.” To that end, Mr. Frauendorfer believes that his company’s employee education programs are more needed than ever. (See “Education programs to support employees’ decisions: A case example,” page 8.)

Employers are now figuring out how best to respond to their employees’ needs for information, advice, and even reassurance.

<sup>1</sup> These results are nearly identical to the importance ratings given by respondents in our previous study of 401(k) plans, *A Shared Benefit: Employer Views on the Value of 401(k) Plans* (August 2008). The previous study was completed before the severity of the economic downturn was apparent, suggesting that the volatility in the economy has not affected the importance employers place on the different features of their plans.

Executives in this survey continue to view themselves in partnership with their companies' employees to help them more effectively save for retirement.

#### EDUCATION PROGRAMS TO SUPPORT EMPLOYEES' DECISIONS: A CASE EXAMPLE

Todd Frauendorfer is treasurer and corporate secretary of Ball Horticultural Company, headquartered in Chicago. He also serves as chairman of the company's profit-sharing committee. Ball Horticultural is one of the world's largest breeders, producers, and distributors of horticultural products. The company has about 500 current employees enrolled in its 401(k) plan.

Mr. Frauendorfer believes his company's 401(k) offering is state-of-the-art: "I think we're fairly current with all the latest and greatest features that are in plans nowadays, and have incorporated most of those over the last several years." Those features include company matching contributions, automatic enrollment, the use of target-date funds, the introduction of a Roth 401(k) option, and, importantly, a robust program for employee education and advice.

Mr. Frauendorfer notes that Ball's education efforts have helped its employees become especially well prepared to make decisions about their retirement planning. "I think they're a lot better off today than they were five years ago," he explains. "We've spent quite a bit of time on education over the last several years, so I think our participants as a whole have a good basic understanding of how the plan works and what options are available. When you talk about investments, I think most of them could explain in a basic way how a target-date fund works, and how that differs from the other investment options."

A number of years ago, Ball changed plan providers, bringing in Charles Schwab (the underwriter of this report), and at the same time it incorporated a number of new functionalities and features into its plan. The company used the opportunity to "take a fresh look at everything," says Mr. Frauendorfer, "at the best things people are doing out in the industry, and basically reintroduce the plan and educate our people."

According to Mr. Frauendorfer, the change created renewed excitement and interest among employees, and Ball tried to build upon that enthusiasm by combining additional education on specific topics with the introduction of the new features, and "trying to do it in a fun way."

Mr. Frauendorfer worked closely with a human resources manager at Ball and with Charles Schwab's education unit to design a multiyear education campaign, holding sessions twice a year and encouraging attendance and participation. Ball conducted sessions onsite at all its locations, targeting different information at each session. Some were targeted simply at increasing participation; others focused on the importance of investment diversification; and still others explained target-date funds, how they work, and why they may be a good option.

Ball prides itself on being responsive to its employees' needs. For example, the company has a large number of Spanish-speaking employees, so in the last several years it has provided its education programs in both Spanish and English.

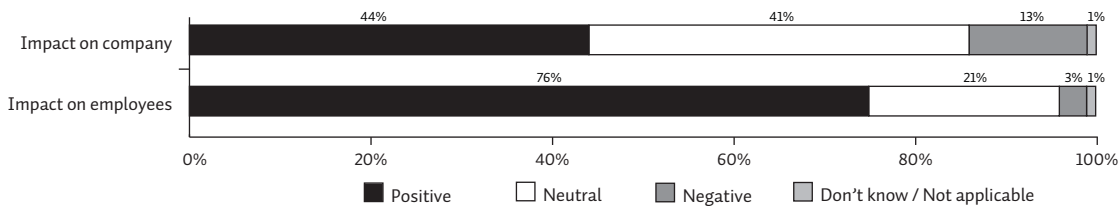
Mr. Frauendorfer says his company is now looking at the next stage of employee education: "The feedback we've gotten from people is, 'What's next? Can you do more?' They're asking for more help, even in terms of things outside of the 401(k) plan. So, we've tried to provide a little more opportunity for seminars or discussions on other topics, such as how to save for college or how to manage debt better, estate planning, and various other financial topics."

One result of Ball's focus on education, according to Mr. Frauendorfer, is that its employees are less likely to get caught up in the current market volatility. "I think it comes down to the education we've done over the years," he explains, "so people understand that the market goes up and down and, while it has been more dramatic these days, they need to stay the course if they want to get to their goal by retirement."

Ultimately, that's Ball's goal for its employees. "We have a family culture at our company," says Mr. Frauendorfer. "We want to take care of our employees and make sure when it comes time for them to retire that they are in a position where they can do so. We want them to have a happy retirement and enjoy the things that they have dreamed of and worked so hard for. So, we go out of our way to make sure that we help them in that process and make people aware of what's available. If they find themselves seeking information or advice, we encourage them to make use of the tools and the resources that we've been able to provide through the plan."

**FIGURE 6. A LARGE MAJORITY OF FINANCE AND HR EXECUTIVES SUPPORT MAKING INVESTMENT ADVICE MORE AVAILABLE TO THEIR EMPLOYEES.**

What impact would making investment advice for 401(k) plans more available in the workplace have on your company? On your employees?



Percentage of respondents  
 Note: Percentages may not total 100%, due to rounding.

## Proposed changes to help Americans save for retirement

Respondents view providing more investment and retirement planning advice as a winning strategy in response to employee concerns. We asked respondents what they thought of a series of hypothetical changes to 401(k) plans being discussed within the retirement planning industry. Three-quarters of respondents (76%) believe that making investment advice for 401(k) plans more available in the workplace would have a positive impact on employees, with very little downside for the company itself. (See Figure 6.) In fact, 44% of respondents say that making 401(k) advice more available would have a positive impact on the company as well, and only 13% view it as negative for the company.

Many of the executives in this survey also indicate that they are in favor of loosening some of the current restrictions that come with participation in 401(k) plans. They favor adjustments such as raising the ceiling on maximum voluntary contributions, adjusting mandatory withdrawal rules for older employees, and relaxing limits on employee borrowing from 401(k) plans. All of these types of changes are viewed by a majority of respondents as benefiting the employee; some of them are seen as ultimately promoting plan participation and increased savings as well. One VP of finance from the financial services industry writes simply, "Let people put as much money as they want away." Very few respondents believe these changes would have an adverse impact on the company. (See Figure 7, page 10.)

Executives in the survey cite similar kinds of actions when asked what changes to the 401(k) system would be most beneficial to their companies. Raising the ceiling on voluntary contributions; providing more investment choices, including fixed-income and guaranteed-rate options; and allowing employees to borrow

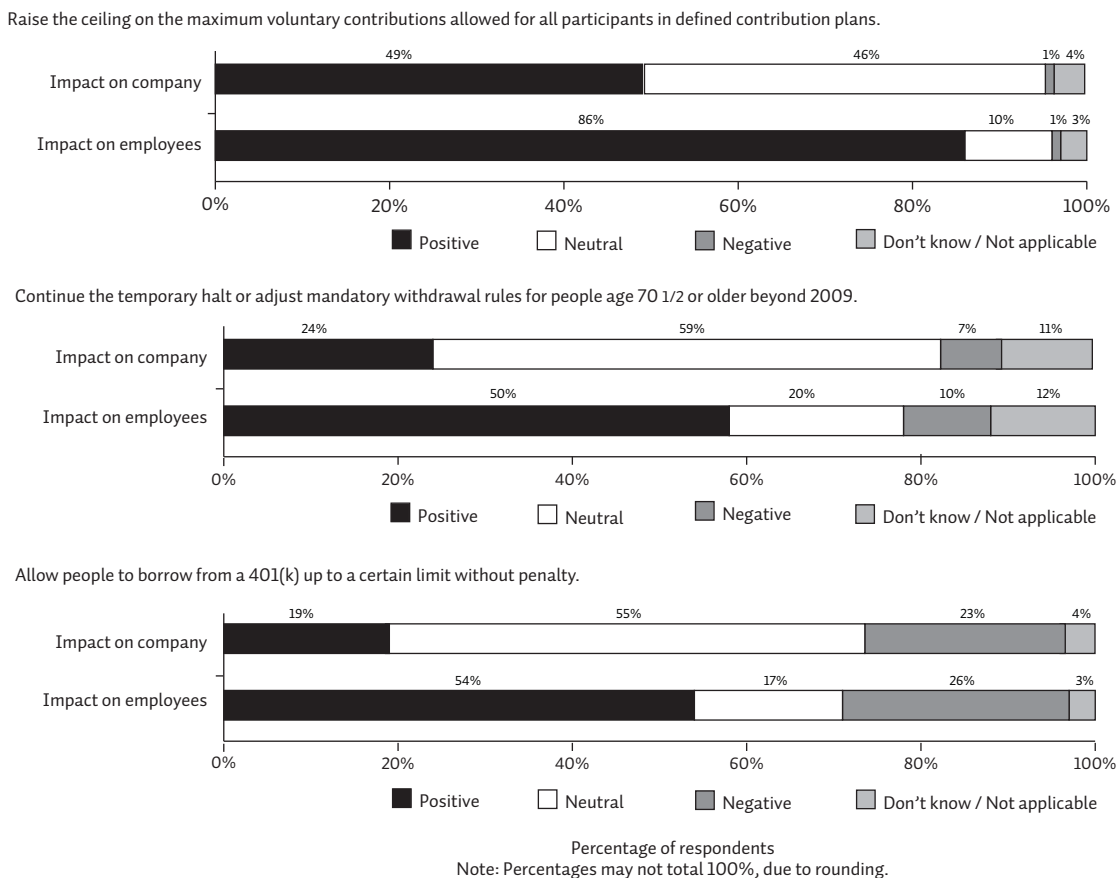
without penalty all have a number of proponents among finance and HR executives.<sup>2</sup> Changes such as these could give employees more flexibility and freedom to control their own retirement planning and help them make more informed decisions.

Only two of the hypothetical changes we asked about are viewed negatively by respondents. These are creating a government-run, mandatory guaranteed retirement plan, and mandating that employers make automatic IRAs available to employees through the workplace. Half of the respondents say that automatic IRAs would be negative for the company, while respondents are split between neutral and positive in their views of the impact on employees (40% neutral, 38% positive). Respondents appear to be concerned about the cost and complexity involved with establishing automatic IRAs for all employees, as well as with giving up flexibility in their decision making.

It is clear, however, that very few respondents think a government-run guaranteed plan would be positive for either the company or its employees. When asked separately to provide open responses on the changes to the 401(k) system that would be most harmful to their companies, a large number of respondents strongly urge the government to remain distanced from private retirement planning. One controller in the manufacturing industry sums up this viewpoint when he writes, "Mandating a government-run retirement system would create significant administrative inefficiencies at our company as well as keep us from being in charge of our own retirement program." A VP of human resources at a large company in the wholesale/retail industry states his case more directly: "We want the freedom to choose for our company and for ourselves [as employees]." The executives participating in this study essentially believe that both the company and its employees will be better served by a more flexible system.

<sup>2</sup> The survey reveals two schools of thought about the benefit of relaxing borrowing restrictions. About a quarter of respondents view any relaxation of borrowing restrictions as negative for the employee, believing that doing so would defeat the purpose of the 401(k) plan by encouraging more borrowing and less saving. As a director of human resources writes in an open response, "We don't want our employees sidetracked into thinking of their retirement plan as a savings or checking account." However, other respondents believe relaxing these restrictions "would assist families in need and could increase participation," as a VP of human resources notes.

**FIGURE 7. RESPONDENTS INDICATE THAT SEVERAL CHANGES TO CURRENT RESTRICTIONS ON 401(K) PLANS COULD BENEFIT EMPLOYEES.**



## Conclusion

According to the executives we surveyed, employees are undeniably—and understandably—concerned about the downturn their retirement accounts have experienced over the past year. However, while the executives responsible for managing company retirement plans see room for improvement in the current 401(k) system, they also caution against overreaction to short-term economic circumstances, and emphasize the importance of remembering the long-term value of 401(k) plan investing. A majority of respondents to this survey favor giving the employee more guidance, control, and flexibility in making their own decisions on the best way to save for retirement.

These executives continue to view themselves in partnership with their employees to help them more effectively save for retirement. Continuing to provide company matching contributions remains a top priority for a large majority of the respondents to this survey. Even in cases where their companies have reduced or halted the company match for economic reasons, respondents strongly urge that the match be reinstated as quickly as circumstances permit.

Nearly as important, however, is providing employees with the information and advice they need to make informed decisions about their retirement plans and broader personal finances such as budgeting, debt management, and retirement savings beyond a 401(k) plan. Respondents report that more employees are adjusting their retirement accounts in the face of the down economy; and even when employees decide not to make changes, more of them are actively seeking out advice in the workplace on how to best manage their retirement investments. Employers largely view making investment advice more available in the workplace as a “win-win” for both the employee and the company, with the employee benefiting from being more prepared financially for retirement, and the company reaping the rewards from having a more financially secure and ultimately more productive and motivated workforce.

## A Retirement Plan Provider's Perspective

*Steve Anderson, head of retirement plan services at Charles Schwab*

*Lisa Hunt, head of investor development at Charles Schwab*

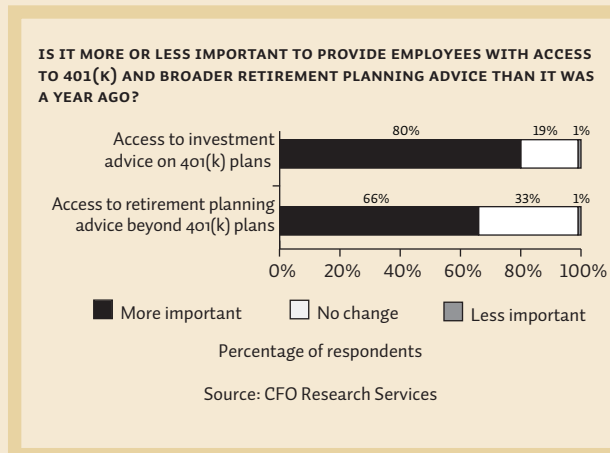
There is little doubt that, today, the vast majority of Americans are less confident about their ability to retire than they were a year ago. Most people are facing more day-to-day financial stress in their lives, in addition to struggling to save for retirement. In the discussions we have with our employer clients, it is clear they realize that competing financial commitments outside of the workplace retirement plan can limit employees' ability to take full advantage of their retirement benefits and impact their productivity at work. In fact, recent studies suggest that up to 80% of financially stressed workers spend time during the workday dealing with personal financial concerns.\*

### Restoring confidence with financial education

Based on our experience as a plan provider and echoed by the employers surveyed for this report, we believe the workplace can and should play a pivotal role in providing people with help and guidance on a variety of financial issues, from 401(k) investing and broader savings strategies to more basic personal finance topics such as budgeting and debt management. In this survey, 80% of senior executives say they believe it is more important now than it was a year ago to provide employees with 401(k) advice, and two-thirds (66%) say that, given continued difficulty in the stock market and broader economy, it is more important now for employers to provide access to holistic retirement planning advice. (See graphic.)

To address these needs, Schwab has developed a number of programs and initiatives and has made available independent third-party investment advice to support employers and their workers, which we believe can serve as a model for improving employee financial literacy. These programs include:

- consultations using third-party advice\*\* to help employees contribute the appropriate amount to their workplace retirement plans and properly allocate their savings to meet their expected needs in retirement, and
- financial consultations that assist employees with planning for their financial goals beyond their retirement plans.



When we look at the behavior of our employer clients, we find that their plan participants are generally far more engaged in their 401(k) plans after they participate in one-on-one 401(k) advice sessions, both in terms of knowing where to invest their savings and how much may be needed to meet their savings objectives. Among the retirement plans we serve at Schwab, we see employees' savings rates nearly double on average once they receive advice, jumping from 5% to around 10% of pay.

### Paving the way forward

For many Americans, their confidence in investing and belief in the reliability of their retirement savings plans have been shaken. And while some improvements can surely be made to the current retirement savings system, we and many others inside and outside of our industry maintain that the 401(k) continues to be one of the most important tools—if not the most important tool—Americans should use to save for retirement. Schwab will continue to support practices and regulation that help employers and their employees maximize the benefit of workplace retirement plans and help people arrive at a better retirement. And we view employers as a critical partner in achieving that important goal.

To continue this conversation, please contact Charles Schwab at:  
 (877) 553-2056 or  
[www.scrs.schwab.com](http://www.scrs.schwab.com)

*charles* SCHWAB

\*The Employee Benefit Research Institute/American Savings Education Council (ASEC)

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