

# Benefits Insights

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## The Importance of 401(k) Education

Whether employees are close to retirement or have decades left in the workforce, saving for retirement is a key component of their financial security. Offering a 401(k) account or other retirement benefits as part of your benefits packages can increase employee loyalty, especially if you offer a contribution match. Good retirement benefits are also a great recruitment and retention tool. However, benefits are only helpful if your employees are aware of and understand them.

### How to Provide Education

Educating your employees about their retirement benefits will increase participation rates and their appreciation of the benefits you provide. The following are strategies you can use to increase awareness of retirement benefits:

- Highlight the tools that are available to help employees manage their accounts successfully, such as your intranet, the 401(k) carrier's website or a retirement calculator.
- Provide contact information for your retirement benefits carrier.
- Refrain from giving any financial advice directly from Human Resources or managers.
- Consider providing financial seminars hosted by experts.
- Look at the possibility of offering financial planning services as an additional employee benefit to complement your retirement benefits.
- Contact Premier Consulting Partners LLC for access to employee educational materials that you can distribute to employees.

### Key Points for Employees to Understand

When educating employees about their 401(k)s, you will need to provide basic information such as the following:

- How to sign up
- How much employees can contribute
- How much—if any—the company will match
- How to set up automatic payroll deferral into the account
- What the fees are
- What the investment options are

In addition to basic account information, you should also educate employees about how the account works and how they can maximize their benefits and make the best decisions for their retirements. Consider providing resources to help employees navigate various decisions regarding their 401(k)s, including the following:

- Employees should evaluate their levels of risk tolerance and make investment decisions accordingly. They should also consider how close they are to retirement and whether a low-risk portfolio is a wiser decision as retirement age approaches.
- Consider other retirement savings options, such as an IRA if the employee's 401(k) contributions are maxed out.
- In a financial emergency, employees should carefully consider making an early withdrawal from retirement accounts. Not only will the money be subject to income tax, but it will in most cases trigger an additional penalty tax.

- Tax advantages and compound interest make a 401(k) account a far more important savings vehicle than a regular savings account.

If you provide retirement benefits for your employees, it is to both your and your employees' advantage to make sure they receive education on how to make the most of the benefits. Contact Premier Consulting Partners LLC today for employee education resources

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