The Case for Actively Managing Retirement Plans

Retirement Security Requires More Than Participation

While 401(k) participation rates have risen in recent years, thanks in part to auto enrollment programs, it's still not enough. Retirement savers need to play an active role in managing their retirement plans, especially in a workforce marked by frequent job changes and patchy access to workplace retirement plans.

Here's why it pays to cultivate engaged and informed retirement savers:

REASON 1

'Engaged' savers are effective savers who make smart choices.

The bottom line: Workers who take an active role in their own retirement planning tend to exhibit several positive financial traits. Those include higher savings rates, more confidence in their retirement strategy, and greater financial knowledge, according to a survey by Empower Retirement.[1]

[1] Empower Retirement: "Empowering America's Financial Journey." October 2021

REASON 2

Engagement boosts retirement security.

The bottom line: Savers who are actively involved in their retirement planning are apt to understand the importance of staying the course, which is a lesson that can come in handy when they change jobs and 401(k) plans. Active engagement can have another positive effect: A recent study by the TIAA Institute found that requiring workers to make "active choices" on their savings rate and investments increased participation rates more effectively than other nudges and prompts.[2]

[2] TIAA Institute: "How Do Behavioral Approaches to Increase Savings Compare?" March 2021

REASON 3

'Set it and forget it' investors often neglect to make key adjustments to their 401(k)s.

The bottom line: Auto enrollment plans can increase participation rates, which is great. But too much automation can also lead to lower engagement.[3] This can lead to missed opportunities. For instance, about one-third of workers fail to take full advantage of their employer matches or forget to reset their investment portfolios to their intended mix of stocks, bonds, and alternative assets on a routine basis.

[3] Empower Retirement

THE BIGGEST REASON 4

In today's workforce, marked by frequent job changes and independent work, savers have to be engaged because their current employers may not always be there for them.

The bottom line: In today's modern workforce, where more than one-third of workers are part of the gig economy, no solution can focus solely on 401(k)s. Only one-third of Americans currently invests in a 401(k) in the first place, according to the U.S. Census Bureau. And less than one-third of gig workers have access to a workplace retirement account. This is an argument for encouraging current employees—as well as former workers who've left their 401(k)s behind—to become more proactive about how they're saving for retirement.

MILLENNIUM TRUST COMPANY®

ABOVE AND BEYOND CUSTODY®