

## Prepare your employees for retirement

**T**he 2006 Pension Protection Act has rung the wake-up call about retirement savings. But too few individuals and businesses are answering.

The National Retirement Risk Index shows 43 percent of working-age households will not be financially prepared for retirement. Too many people are either ignoring or not getting the message to start saving early. Others don't believe they have the disposable income to invest. Many more don't understand the scope of the problem they soon may confront.

Achieving financial security for our aging population has never been more important. The future of Social Security is somewhat uncertain and its benefits inadequate. Corporate retirement plans are shifting from defined benefits to 401(k) plans. When the 401(k) plan became popular in the early 1980s it was intended to be a supplement to the defined benefit plan. The 401(k) plan is now the primary retirement program.

It's imperative that businesses become aware and begin protecting their eligible employees from themselves. As a business owner or manager, focusing on the participants' retirement benefits is the most important thing you can do to meet your fiduciary responsibility. It actually can be an easy process.



**Guest opinion**  
Gary Zurek

**Step One:** Look at the participation rate in your company 401(k) plan. Compare it to the national average. A recent survey by the Profit Sharing Council of America shows the average participation rate for all companies sponsoring 401(k) plans is 90.1 percent. What is your participation rate?

Consider changes to improve the quality and success of your 401(k) plan. Businesses can now help improve participation thanks to the automatic enrollment provision of the PPA that just went into effect Jan. 1, 2007. You can now enroll employees in the 401(k) plan unless they notify you that they do not want to participate. Automatic enrollment remains optional, but more companies are seeing the benefits — not the least of which is simplifying enrollment for participants unsure of the process or frightened by the paperwork.

Studies show mandatory enrollment meetings increase plan participation.

**Step Two:** The most important element in producing an adequate retirement benefit is contribution rate. What percentage of pay are participants contributing? Will this be enough to provide an adequate benefit at retirement? The PPA also addresses the contribution rate by giving employers more legal backing to increase contributions automatically each year, up to a maximum of 10 percent. Again the employee, at his/her option, may elect not to participate in automatic increases.

Goal setting also is essential. Statistics clearly indicate that participants who set goals contribute substantially more than non-goal setters.

**Step Three:** How are participants selecting and monitoring retirement ben-

efits? Surveys conducted by a number of companies offering 401(k) investments indicate the majority of participants want an investment option that would automatically invest contributions and rebalance based on individual age and risk tolerance. Lifestyle funds and life cycle funds can provide the solution. The Department of Labor is developing guidelines for a safe harbor default investment that will provide fiduciary protection for those sponsors offering automatic enrollment and automatic increases.

**Step Four:** Hire an experienced retirement plan team to take care of administrative details and make your corporate retirement plan successful and easy. The right team includes an experienced 401(k) consulting administration firm, a knowledgeable investment professional and a funding company with a product specifically designed for 401(k) plans. This team will intimately understand the businesses' fiduciary responsibilities that accompany a 401(k) plan, help participants set adequate goals for retirement and provide guidance needed to comply with governmental regulations.

There is still time to address the financial security of working Minnesotans, but businesses must not delay. Time really IS money.

**Gary Zurek** is president of TSC, an independent retirement plan administration firm. He can be reached at [garyz@tsc401k.com](mailto:garyz@tsc401k.com) or at (952) 806-4300.