

## **RMS Urges Employers to Adopt Automatic 401(k) Plans to Reverse Sagging Worker Confidence in Benefits and Boost Retirement Savings**

Coalition Responds to 2008 Retirement Confidence Survey

**Washington, D.C.** – Leaders of the Retirement Made Simpler coalition today pointed to the results of the Employee Benefit Research Institute’s (EBRI) 2008 Retirement Confidence Survey as dramatic evidence of the need for more aggressive action by the private sector – such as widespread adoption of automatic 401(k) plans by employers – if American workers are going to be sufficiently prepared for retirement.

The survey, conducted annually by EBRI, showed that workers and retirees expressed the lowest confidence in seven years about achieving a comfortable retirement. The survey also found that less than half of all respondents (47 percent) have calculated their actual retirement needs and nearly half of all respondents (48 percent) have saved less than \$25,000. Nevertheless, more than 70 percent believe they are doing a good job of preparing financially for retirement.

“Building a secure retirement starts with saving as much as possible as early as possible – paycheck after paycheck – regardless of changing economic or market conditions. Because the inevitable reality is that tomorrow comes, and Americans have to be financially prepared for it when it does,” said Mary Schapiro, Chief Executive Officer of FINRA, which along with AARP and the Retirement Security Project comprise the Retirement Made Simpler coalition.

“Using automatic enrollment – a disarmingly simple concept – and other automatic 401(k) features, companies can greatly improve their employees’ financial future while achieving better results on 401(k) nondiscrimination tests,” said Mark Iwry, Principal of the Retirement Security Project and Nonresident Senior Fellow at the Brookings Institution. “The automatic 401(k) points workers in a pro-saving direction by changing the default options. Employees are enrolled in the plan, in sensible investments, and their contributions increase gradually over time, but they can always opt-out, contribute more or less, or invest differently. A recent survey shows 44 percent of 401(k) sponsors are automatically enrolling employees, up from 36 percent in 2007 and only 24 percent in 2006,” added Iwry. While previously serving in the U.S. Treasury Department, overseeing the regulation of the nation’s private pension system, Iwry led the government’s initiative to define, approve, and promote automatic 401(k)s beginning nearly a decade ago.

“There is a disconnect between what people know about retirement and how they plan for it. Almost half of workers report having less than \$25,000 set aside for retirement and, with the current economy, most are more worried about today’s bills. Automatic 401(k)s are an easy way to help workers, especially the most vulnerable among us, save more,” said Tom Nelson, COO at AARP.

A study conducted late last year by Harris Interactive for Retirement Made Simpler found that an overwhelming 98 percent of employees enrolled in automatic 401(k) plans say they are glad their companies offer such plans. Fully 95 percent of respondents said automatic enrollment has made

saving for retirement easy, and 85 percent said it has helped them start saving for retirement earlier than they had planned.

For more information about that study, and for online tools and information designed for human resources professionals and business executives about implementing automatic 401(k) plans, visit [www.RetirementMadeSimpler.org](http://www.RetirementMadeSimpler.org).

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**Retirement Made Simpler** is a coalition formed by AARP, the Financial Industry Regulatory Authority (FINRA), and the Retirement Security Project (RSP). The campaign was created specifically to inspire and support employers who want to help their employees save more for retirement. By providing companies with the tools and information they need to automate their 401(k) plans, more Americans will achieve a safe and secure retirement. For more information, visit [www.RetirementMadeSimpler.org](http://www.RetirementMadeSimpler.org).