



AUTOMATIC ENROLLMENT

A POSITIVE IMPACT ON EVERYONE'S BOTTOM LINE

Auto-enrollment: What is it?

Auto-enrollment is a valuable retirement plan feature in which organizations automatically enroll employees to contribute to their employer-sponsored retirement plan. No initiative to enroll in the retirement plan is required on the part of the employee, and the employer sets a default contribution amount that is invested in the plan's default fund, typically a Target Date Fund. By implementing this automatic contribution agreement, organizations — like yours — can motivate employees to start saving immediately.

KEY TIP CONSIDER AUTO-ENROLLMENT IF YOUR EMPLOYEE PARTICIPATION RATE IS LESS THAN 80%.

Core Benefits: Win-Win

Implementing a healthy retirement plan with auto-enrollment helps promote financial preparedness among employees. Auto-enrollment greatly increases the likelihood employees will contribute to their employer-sponsored retirement plan. This is particularly true for both younger and lower-paid employees.¹ And, even for the highest-paid employees, increased participation and overall contributions occur.

KEY TIP YOU HAVE A RETIREMENT SAVINGS PLAN FOR A REASON — MAKE SURE YOUR EMPLOYEES MAKE THE MOST OF IT!

Promoting retirement readiness among employees also benefits employers. Increasing retirement plan participation with auto-enrollment allows your organization to **attract and retain valued talent, stimulate employee engagement and remain competitive** in the global market.

Increase Employee Participation Rates

Once employees are automatically enrolled in retirement savings plans, few decide to opt out. According to a recent Deloitte study:²

Most employers report **FEWER THAN 5%**
of employees opt out.

Employees who decide they do not want to participate or contribute at a different deferral rate must request to be excluded from the auto-enrollment feature.

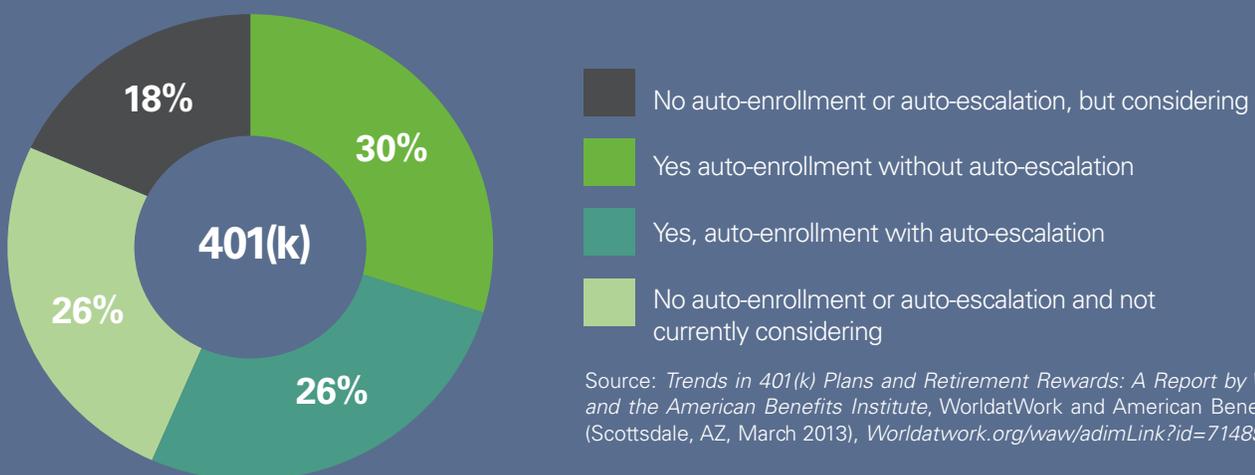
Increase Employee Contribution Rates

Implementing the auto-enroll feature benefits your employees by:

- Increasing retirement savings
- Instilling positive savings habits
- Bringing awareness to the retirement plan
- Setting initial momentum with an automated deferral rate
- Investing in a diversified and appropriate asset allocation

Automatic enrollment trend: Where does your organization stand?

WorldatWork and the American Benefits Institute asked 347 employees, “Does your company offer automatic 401(k) enrollment?” Are you reaping the benefits?



Source: *Trends in 401(k) Plans and Retirement Rewards: A Report by WorldatWork and the American Benefits Institute*, WorldatWork and American Benefits Institute (Scottsdale, AZ, March 2013), Worldatwork.org/waw/adimLink?id=71489.

Cost Considerations: Economical and Effective

Enrollment Options

Deciding how to implement the auto-enrollment plan feature may depend on your annual budget. We recommend enrolling all non-participating employees to kick-start your auto-enrollment program. But if the cost to do so seems a bit daunting, start with auto-enrollment for new hires and make steps to bring all eligible employees on board within the next year or when your budget allows. Some plans also include an automatic escalation feature which increases employees' deferrals annually until they reach a target rate. Remember, it's about motivating your employees to save well so they can retire with financial security. And implementing auto-enrollment results in an attractive and competitive plan for your organization.

Deferral Rates

If you can afford to do so, GuideStone recommends setting a 5% or 6% deferral rate. Don't be afraid to set "too high" of a deferral rate. In fact, most employees who are automatically enrolled in a retirement plan either accept the deferral rate or actually choose a higher rate.³ Providing this initial momentum encourages employees to stay on track by increasing contributions or save on their own.

Administrative Processes

Some expenses will naturally accompany administrative and recordkeeping processes.

Auto-enroll maintenance expenses may include:

- Sending initial and annual notices to eligible participants
- Un-enrolling employees who opt out or choose a different deferral rate
- Factoring the costs associated with matching contributions (if applicable)
- Determining when annual increases should occur (if applicable)

KEY TIP SET A MEANINGFUL DEFERRAL RATE AND EXPLORE ENROLLMENT OPTIONS TO FIND THE BEST FIT FOR YOUR ORGANIZATION.

Supporting You: Implementation and Ongoing Assistance

GuideStone is here to help you implement and maintain your employer-sponsored retirement plan. Providing cost-effective personalized retirement services is what we do best. And we are here to make this process as easy as possible.

Our dedicated team can:

- Help you design a plan that incorporates automatic features and meets regulator compliance
- Assess and adjust your current plan design to confirm compatibility with the auto-enrollment feature
- Provide ongoing support to help you meet notification requirements — keeping employees informed of their eligibility and handling proper administrative paperwork

*Auto-enrollment can be advantageous for everyone involved. And we're here to offer guidance! Contact us at **1-888-98-GUIDE** (1-888-984-8433) or visit GuideStoneRetirement.org today.*

SOURCES

1. EBRI: Employee Benefit Research Institute, *The Impact of Automatic Enrollment in 401(k) Plans on Future Retirement Accumulations: A Simulation Study Based on Plan Design Modifications of Large Plan Sponsors*, Accessed August 2016, No. 341. https://www.ebri.org/pdf/briefspdf/EBRI_IB_04-2010_No341_Auto-Enroll1.pdf.

2. Deloitte Development LLC, International Foundation of Employee Benefit Plans. *Annual Defined Contribution Benchmarking Survey: Ease of Use Drives Engagement in Saving for Retirement*. © 2015 <https://www.iscebs.org/Documents/PDF/15DCBenchmarking.pdf>.

3. EBRI: Employee Benefit Research Institute, *The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence*, April 2015, No. 413. https://www.ebri.org/pdf/briefspdf/ebri_ib_413_apr15_rcs-2015.pdf.



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