



## **Saving for Retirement at Work:**

**Employee and Business Reactions  
to an Automatic IRA Concept**



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# Overview

## The Automatic IRA: A Public Policy Measure

There is growing concern that Americans are not adequately preparing financially for retirement. Although many Americans have found help preparing for retirement through workplace savings plans, such as 401(k) plans, about 75 million employees work for employers that do not sponsor a retirement plan. To encourage retirement savings for many of these employees, the Automatic IRA concept was developed by The Retirement Security Project's J. Mark Iwry, who is affiliated with the Brookings Institution, and David C. John, who is affiliated with the Heritage Foundation.

Through an Automatic IRA, businesses with more than 10 employees that have been in business for at least two years would increase the propensity for employees to save their own money by using the employer's payroll deduction system. To encourage participation and adequate savings, the Automatic IRA would make some features automatic, such as enrollment, level of contribution, and investment selections. Employees could change these options, or opt out altogether.

To generate unbiased reactions to the concept and gauge employers' interest, the concept was not presented as government mandated.

## Key Findings: Positive Reactions

- ◆ Employees like the concept of the Automatic IRA—about 80% were very or somewhat interested—and the more they learned about the features, the more they liked it.
- ◆ Correspondingly, businesses were optimistic about the Automatic IRA's potential—about 80% were very or somewhat interested. The more the businesses learned about the business-friendly features, the more they liked it, too.
- ◆ The Automatic IRA may boost overall retirement savings. Of the 80% of employees who were very or somewhat interested in the Automatic IRA, 68% said they expect to contribute “new savings” to the Automatic IRA—money that would not otherwise have been saved. Another 23% of those interested were unsure whether their savings would be new or replacement savings.



# Background

## Many Are Left Out

- ◆ Traditional defined benefit pension plans, as well as defined contribution plans such as 401(k)s, have helped many Americans save for retirement through the workplace.
- ◆ However, vast numbers of employees fall outside the scope of these plans. Some estimate that about half—75 million—of all American employees are not covered by employment-based retirement plans.
- ◆ These “uncovered employees” miss the convenience, continuity, and discipline of saving through workplace retirement plans, and may be especially vulnerable to failing to achieve the level of personal savings necessary for a comfortable and secure retirement.
  - These uncovered employees are concentrated in smaller firms, which often lack the infrastructure, resources, expertise, or stability to add 401(k)-type plans to their employee benefits packages.
  - Minorities and lower-income employees are disproportionately represented among the uncovered employees. According to the Employee Benefit Research Institute, in 2005, 52% of all employees worked for an employer who offered a retirement plan, vs. 34% for Hispanic employees and 37% for employees with incomes under \$30,000.
  - While men and women are about equally represented among the uncovered employees, the implications of not participating in a retirement plan are more troublesome for women, because they are generally expected to live longer.

## A New Option

- ◆ The option tested in this research was an “Automatic IRA,” designed to significantly expand the use of the long-standing Individual Retirement Account.
- ◆ The intent of the Automatic IRA is to offer a simple, business-friendly savings vehicle specifically targeting those small firms that have not adopted more traditional workplace savings options like 401(k) plans and are unlikely to do so in the future.
- ◆ It is estimated that, of the 75 million uncovered employees, more than 40 million employees would be eligible to save and enroll under the Automatic IRA.

## Objectives

- ◆ This study is designed to test early reactions to the Automatic IRA concept and features by businesses and employees without workplace retirement plans, as well as gauge interest in potential participation. Specific goals of the study were to:
  1. Assess employees' current situation and needs
  2. Identify barriers to employee savings
  3. Highlight obstacles which may hinder business participation
  4. Measure receptivity to the Automatic IRA concept and feature components
  5. Project potential participation and impact on retirement savings

## Presenting the Automatic IRA Concept

- ◆ Employees and businesses were asked to react to a detailed overview of an Automatic IRA, starting with a concept brief and progressing to a detailed presentation of features.

This Automatic IRA idea would make participation mandatory among qualifying employers. In this research, employers were asked to evaluate the program concept and attributes as if participation were **voluntary**. The goal was to obtain unbiased objective reactions to the ability of the concept to meet their established concerns about retirement programs and specific needs for the future, as well as employers' likelihood for adoption without the specter of being forced. Especially, a core research goal was to determine what level of negativity and resistance existed, if any, independent of government influence. Positioning the program as voluntary supported a more reliable evaluation of the real potential for adoption and use.

The prospect of a mandatory program was introduced to business respondents at the conclusion of their survey, and they were asked to provide their reaction in the form of an open-ended question (see page 21).



## The Automatic IRA Concept Brief

- ◆ The new retirement savings concept is called the “Automatic IRA” and would apply to firms with more than 10 employees that have been in business for at least two years and that do not currently offer any kind of retirement plan.

The idea is intended to encourage employee participation by simplifying the steps to retirement savings. Some steps would become “automatic,” such as enrollment; employees would start out in the plan rather than needing to enroll. Investment providers would be pre-selected and investment choices limited to a simple menu of options. Retirement contributions would be made by payroll deduction and could be relatively small. Employees wishing not to participate would be given the opportunity to opt out.

Because the Automatic IRA would not be a new type of account, withdrawal rules, tax treatment, and other features would be the same as in other IRAs. Withdrawals prior to age 59½ would be generally subject to a 10% tax penalty in addition to any ordinary income tax. Contributions may be tax deductible, depending on the individual participant’s situation.

The Automatic IRA would not require employers to comply with ERISA or tax qualification rules, and, therefore, would avoid the administration involved in sponsoring a retirement plan.

- ◆ Fourteen features were defined and tested among both employees and businesses:
  1. Payroll deduction
  2. Automatic enrollment
  3. Automatic initial contribution level
  4. After-tax nature of contributions
  5. Automatic contribution increases
  6. Contribution limits same as IRA
  7. Simplified investment choices
  8. Pre-selected provider
  9. Portability when changing jobs
  10. Limit on number of account changes
  11. Limit on number of service requests
  12. Low account fees
  13. No employer-matching contribution
  14. No loan option
- ◆ In addition, six features were defined and tested with businesses only:
  1. No employer setup
  2. No eligibility requirement
  3. No employee education requirement
  4. No ERISA compliance
  5. No due diligence
  6. Tax credit

# Profile of Study Participants

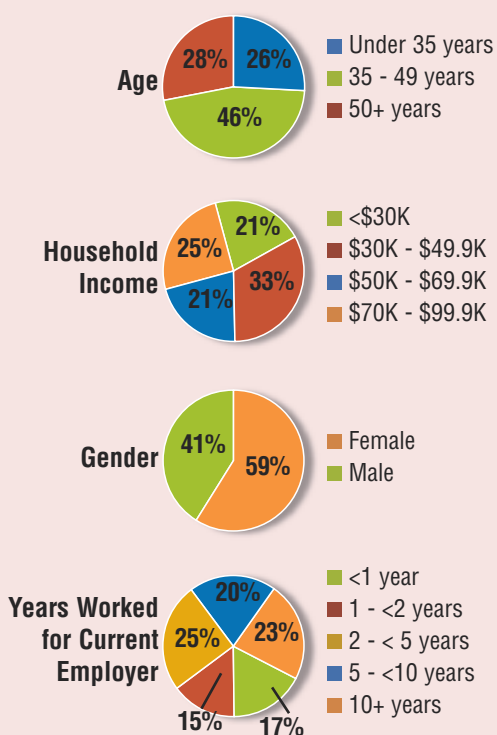
## About the Study

The study was conducted among 531 employees and 214 businesses in July 2007.

### Employees

Employees qualified for the study if their employer did not offer any retirement plan, such as a defined benefit pension, 401(k), 403(b), or Simple/SEP, and if their household income was less than \$100,000.

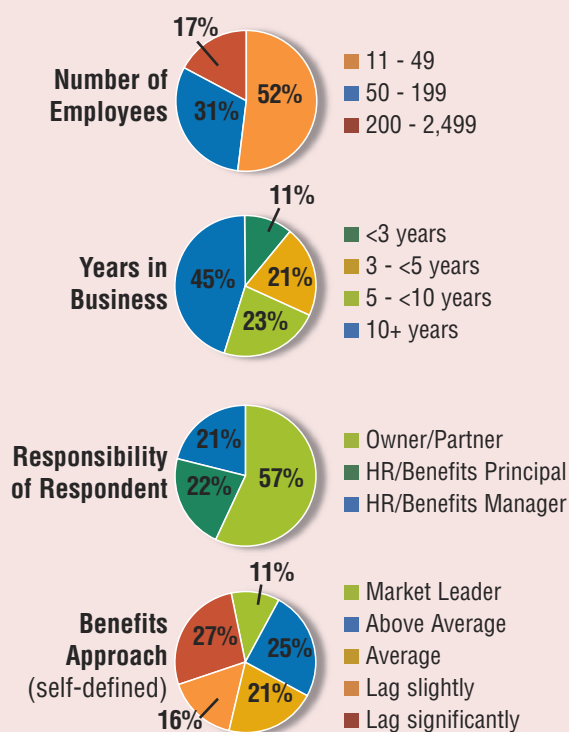
- The margin of error is  $\pm 3.6\%$ , at the 90% confidence level.



### Businesses

Businesses qualified for the study if they did not offer employees any retirement savings programs, and they employed between 11 and 2,499 workers. Owners, principals, and partners comprised the survey participants.

- The margin of error is  $\pm 5.6\%$  at the 90% confidence level.



- ♦ The study was conducted concurrently online using the TNS Consumer Research national panel.



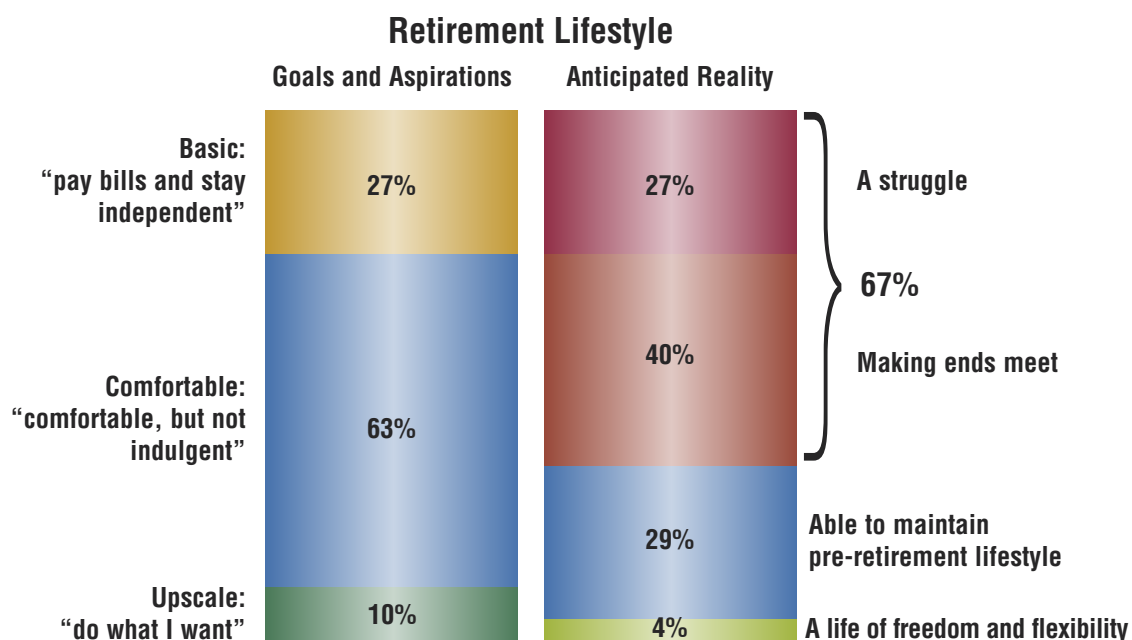
# Most Americans Share Common Retirement Goals

## The Majority Have Reasonable Aspirations . . .

- ◆ These working Americans are well grounded in their retirement goals, with the vast majority looking for “basic” and “comfortable” retirement lifestyles—not extravagance.

## . . . Yet, They Fear Expected Outcomes

- ◆ However, aspirations and reality disconnect, as most realistically expect a more frugal retirement than even their modest goals would imply, characterized by economic limitations and worries rather than comfort and independence.
- ◆ Nearly seven in 10 fear their retirement future will be financially difficult.
- ◆ Add the prospect of supporting aging parents, children, or even grandchildren, and the dream of a comfortable, independent retirement is at considerable risk for many working Americans who today do not have access to a retirement savings plan.



# Many Employees' Retirement Savings Efforts Are in Trouble

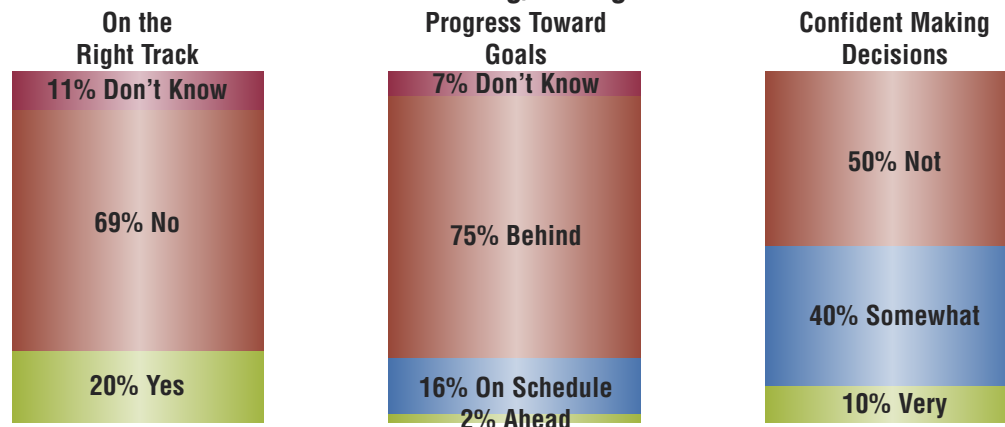
## Current Savings Track Is Not Working

- ◆ Across the board, employees view themselves as failing in confidence and execution with regard to retirement savings. Only 18% consider their savings progress on or ahead of schedule.
- ◆ Working women and men are equally deficient in their retirement planning and savings progress—only 13% of men and 20% of women say they are “on track/ahead” with retirement savings.
- ◆ That pattern worsens with age; 23% of those aged under 35 believe they are on track/ahead, versus 16% aged 50+.
- ◆ Retirement savings progress improves with income, but not dramatically.
- ◆ Ten percent of those with less than \$30,000 in household income are on track/ahead, vs. 23% with a household income over \$50,000.

## Employees Cannot Do It on Their Own

- ◆ Employees are not optimistic they can turn it around and successfully plan/save for their retirement futures.
- ◆ They lack the knowledge, resources, and time to get on the right path, make the right decisions, and take the next steps for success.
- ◆ The great advantage of workplace retirement savings plans with automated features is that they minimize decision-making obstacles and systematize savings behavior.

### Retirement Planning/Savings Evaluation





# Accumulating the Necessary Retirement Savings Is a Challenge

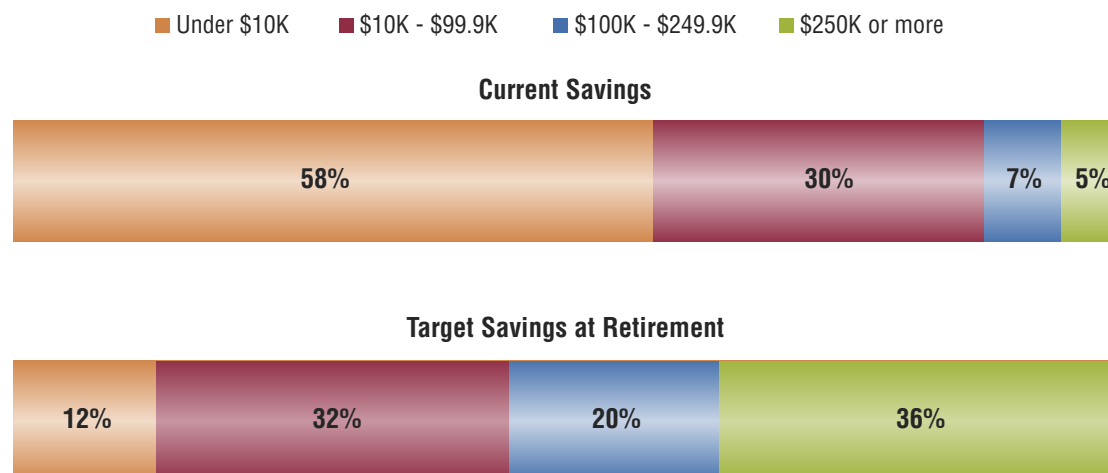
## Most Americans Have Little Savings Today . . .

- ◆ Nearly six in 10 report they have less than \$10,000 in total savings (from all sources) earmarked for retirement.
- ◆ Considering that the employee participants are generally middle-aged (average 42) and about halfway through their working careers, it may be ominous that 88% currently have less than \$100,000 in retirement savings.

## . . . Yet, They Target Significantly More Savings for Retirement

- ◆ They get it—they understand the need to save.
- ◆ More than half (56%) hope to accumulate retirement savings of \$100,000 or more. In fact, 36% set a higher goal of \$250,000 or more in retirement savings.
- ◆ Relatively lower current income and a slower start to savings may be inhibiting many from setting higher savings goals for the future.

### Retirement Savings—Current and Anticipated



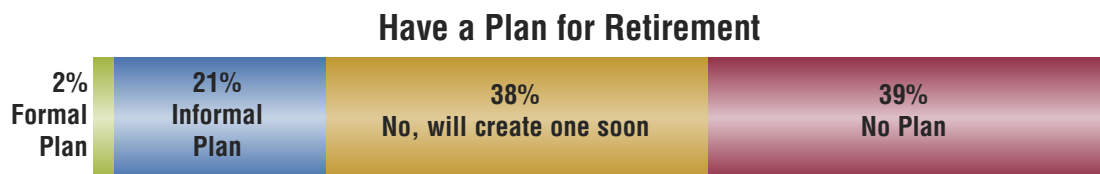
# Without a Plan, Employees Face Huge Barriers to Retirement Progress

## Eight in 10 Employees Have No Financial Plan

- ◆ Financial security in retirement is unlikely to improve, with 77% having no plan and only 2% having a formal, written plan.
- ◆ The difference is striking—61% of those with a plan say they are on track for their retirement, versus 15% of those without.
- ◆ The reason so few plan is that it requires expertise and resources that many employees don't possess, don't know how to obtain, and/or can't afford.
- ◆ Employees need simple solutions which foster regular savings—characteristics underlying the growth of 401(k) and other workplace retirement savings plans.

## Many Don't Even Think About Retirement Specifics

- ◆ In addition to the absence of a retirement plan, many have given scant thought to the actual components of retirement:
  - What will my monthly expenses be?
  - How many years will my savings last?
  - What financial products can help me?
  - What financial companies do I turn to for help?
- ◆ These findings underscore the conclusion that these employees should be seeking help in their retirement preparation.



**Thought Given to Retirement Components**

	A Lot	Some	Little/None
Retirement Components: (Row = 100%)	%	%	%
Total Savings Needed	31	34	35
Monthly Living Expenses	25	38	37
Number of Years Savings Will Last	23	34	43
Specific Financial Products Needed	15	38	47
Specific Financial Companies Used	11	33	56



# Traditional IRAs Can Be Effective, but Concerns Limit Participation

## Eight in 10 Employees Believe IRAs Can Help

- ◆ The Individual Retirement Account is a familiar product, and is viewed positively by most (78%).
- ◆ However, only 42% have used existing IRA vehicles for themselves or a spouse—despite high awareness and positive impressions.
- ◆ The Automatic IRA will need to bridge the gap from favorable impression to actual participation.
- ◆ One key to success will be how effectively the new Automatic IRA minimizes the barriers which stopped people from participating in the currently available IRA.

## The Automatic IRA Addresses Many Concerns

- ◆ Those who haven't used the existing IRA program were asked why, and 44% state issues relating to setup and decision-making as barriers to their use of the existing IRA program.
  - The Automatic IRA is designed to minimize these barriers by automating decisions such as enrollment.
- ◆ Thirty-seven percent cite affordability issues as their decision not to partake in the existing IRA program.
  - The proposal may appeal to some of this segment based on the intent to allow small contribution amounts and the ease of payroll deductions.

### Traditional IRAs: Employee Attitudes, Usage, and Concerns

Attitudes Toward and Usage of IRAs		Reasons Why Employees Do Not Participate in IRAs (multiple responses allowed)	
Useful for Retirement Savings		Account & Investment Concerns Only (44% overall)	
		Not sure which investments	27%
Confident Understand IRA		Minimum too high	20%
		Not sure how to open account	20%
Ever invested in IRA:		Not sure where to open account	15%
Self or Spouse Overall		I can afford to, just choose not to	9%
Self Only		Money Concerns Only (37% overall)	
Spouse Only		Can't afford, other needs	43%
		Restrictions on use of money	17%
		Both Money and Account Concerns (19% overall)	

## Employees' Interest in the Automatic IRA Is High

### Nearly Eight in 10 Employees Are Interested Based on the Simple Explanation

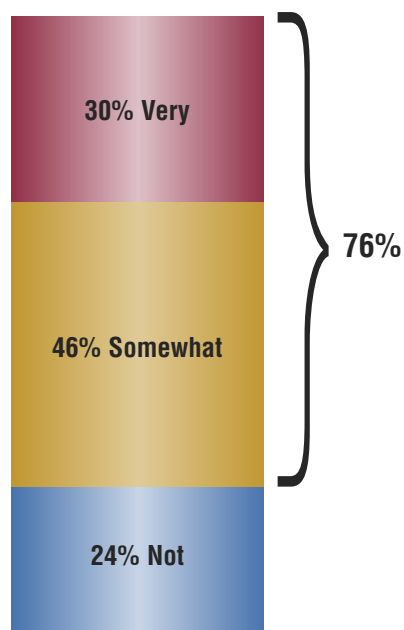
- ◆ While interest is high, care should be taken to introduce the Automatic IRA in layperson's terms with simple communication emphasizing the program's benefits.
- ◆ Positive sentiment toward the traditional IRA program paves the way for a successful introduction of the Automatic IRA program.

### Interest Increases as the Program Details Are Described

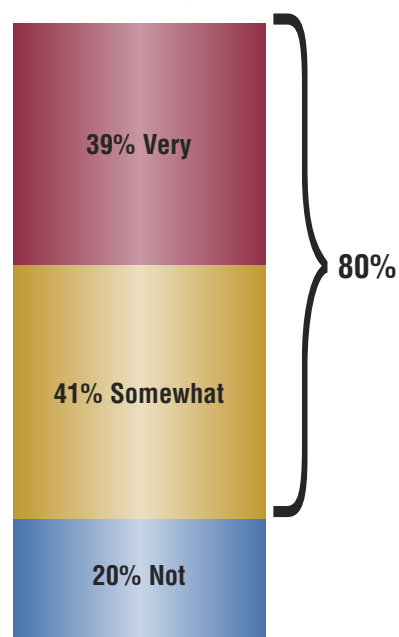
- ◆ Employee interest *increases upon learning about the specific details of the program*, fortifying the conclusion that the Automatic IRA has strong potential.
- ◆ Potential limitations, such as the lack of an employer match, the lack of ability to borrow against the IRA balance, and the limited service and investment choices, did NOT lessen employees' interest in the Automatic IRA.

### Interest in the Automatic IRA Concept

Degree of Interest Based on Simple Description



Degree of Interest Based on Full Description





# Employees Say an Automatic IRA Does the Right Things

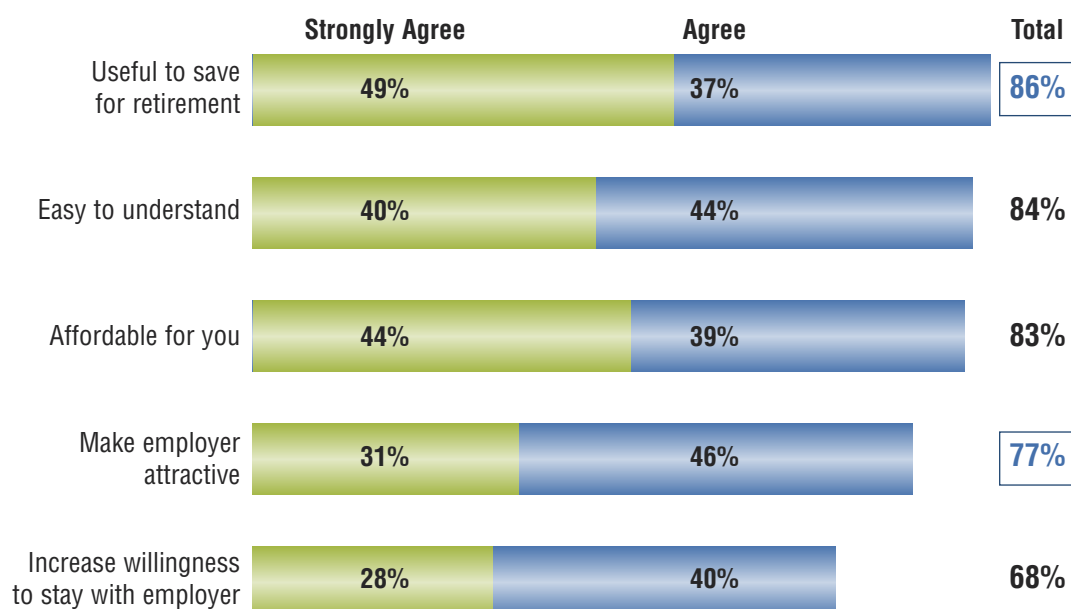
## Eighty-Six Percent of Employees Find the Automatic IRA Useful for Retirement

- ◆ The intended benefits resonate with employees, who see the Automatic IRA as useful, easy, and affordable.
- ◆ Moreover, these attributes—usefulness, ease, and affordability—address the key barriers which limited participation in the traditional IRA program, such as inertia, uncertainty over which investments and institutions to select, and inability to contribute minimum requirements.

## It Strengthens Employee Ties to the Employer

- ◆ An anticipated benefit of the Automatic IRA program is to make employers more attractive to employees; the results suggest this will be the case, with nearly eight in 10 agreeing.
- ◆ A related benefit may be to reduce labor force volatility in some employment sectors by inducing employees to stay longer with employers offering this benefit—68% agree.

### Employee Attitudes About Automatic IRA



# The Automatic IRA Is a Start to Retirement Security

## It Is Important to Get Started

- ◆ Without the structure and discipline offered by workplace retirement plans, life's day-to-day demands eat up disposable income, leaving only good intentions for retirement savings.
- ◆ The proposal seems well-targeted to those with lower income levels, indicating it may be effective in helping those most in need to “catch up.”

## Seven in 10 Potential Participants Expect to Generate New Savings

- ◆ Of the 80% who are “very/somewhat” interested, 68% believe the Automatic IRA will generate NEW savings—money that would not otherwise have been saved.
  - This is a key consideration as it suggests the potential to truly enhance savings by employees.
- ◆ Of those who expect to generate new savings, the majority say they would save \$1,000 or more annually.
- ◆ Compounded over a working career, \$1,000 or more of additional annual savings can help put more employees on the path to retirement security.

## Automatic IRA Opportunities

	Total %	Income (Row Sums to 100)			
		< \$30K %	\$30K-\$49.9K %	\$50K-\$69.9K %	\$70K-\$99.9K %
<b>1. Helps Employees “Catch up”</b>					
“Very” interested in Auto IRA	39	33	34	23	10
“Somewhat” interested in Auto IRA	41	22	34	20	24
“Not too/not at all” interested	20	31	29	16	24
<b>2. Creates New Savings</b> (Of the 80% “very/somewhat” interested)					
New Savings	68	20	32	22	26
Replacement Savings	9	13	37	21	29
Unsure	23	20	38	19	23
<b>3. Anticipated savings (9% unsure)</b> (Of the 68% who anticipate “new” savings)					
\$1,000 or less	34	34	43	9	14
\$1,000 - \$1,999	25	15	30	30	25
\$2,000 - \$2,999	16	11	24	27	38
\$3,000 - \$4,000	16	0	23	32	45





# Many Small Businesses Do Not Offer Retirement Plans Today

## Businesses Know Employees Are Behind

- ◆ Businesses recognize the savings plight of employees, but many still fail to offer the retirement savings options needed.
- ◆ Smaller firms, by their nature, often struggle more than their larger, more established counterparts—and are less likely to offer retirement savings plans to their employees.
- ◆ The stability and future of small businesses are often precarious, such that they focus on what they need to do to survive. This often means providing only those benefits required by the marketplace, leaving employees to fend for themselves when it comes to retirement savings.

## Benefit Plans Without Retirement Are Weak

- ◆ Close to one-third of businesses and 50% of employees judge their own benefits packages to be less than adequate.
- ◆ Yet, nearly all acknowledge that adding a retirement savings plan would be advantageous.

### Business' Perceptions of Employee Retirement Preparedness

Top priority or good progress	30%
Hit or miss, save what they can	28%
Well behind, may not catch up, low priority	42%

### Business and Employee Evaluation of Employer Benefit Packages

	Business Perception	Employee Perception
Excellent/Very Good	40%	23%
Good	30%	27%
Fair/Poor	30%	50%

# The Automatic IRA Addresses Business Reservations With Existing Plans

## Businesses Are Very Concerned About Cost and Administration

- ◆ Businesses cite many reasons for not currently offering retirement savings plans:
  - Cost of administration and employer contributions
  - Anticipated low participation rates
  - Administrative issues
  - Not needed to attract employees
- ◆ The Automatic IRA proposal effectively addresses nearly all issues for businesses:
  - Minimal expense to business (no employer-matching feature)
  - Affordable to employees
  - Minimal administrative burden

## Businesses Underestimate the Value to Employees

- ◆ Businesses likely underestimate the importance of these plans to employees.
  - Two-thirds say they don't think they need to offer retirement savings plans to attract the caliber of employees they need.
  - Yet, in addition to health insurance, retirement savings plans are considered a top benefits priority among employees.

### Reasons Businesses Do Not Currently Offer Retirement Savings Plan

	Very Important	Somewhat Important	Total
<b>Cost:</b>			
Expense	57%	35%	92%
Other benefit priorities	40%	39%	79%
<b>Participation Concerns:</b>			
Workers can't afford	43%	38%	81%
<b>Administration Issues:</b>			
Implementation burden	25%	47%	72%
Regulatory requirements	25%	43%	68%
Plan complexity	20%	45%	65%
Lack of advice/plan guidance	22%	38%	60%
<b>Labor Market:</b>			
Not now needed to attract labor	22%	44%	66%



## Eight in 10 Businesses Are Supportive

### Most Businesses Want to Learn More . . .

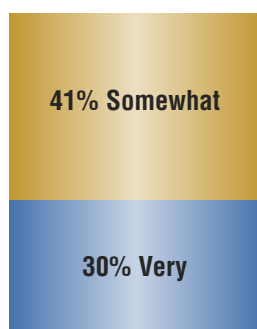
- ◆ Reaction to the Automatic IRA concept is favorable, although the concept was presented as a voluntary program—not a mandated program.
- ◆ On that basis, businesses are intrigued by the Automatic IRA concept and want to learn more. They especially want to understand what potential administrative and/or regulatory burdens it may place on them.
- ◆ Emphasizing the “hassle free” design format will be important in allaying business anxiety.
- ◆ Similar to the reaction expressed by employees, the more the businesses learned about the Automatic IRA, the more they liked it.

### . . . And Most Willingly Support the Program

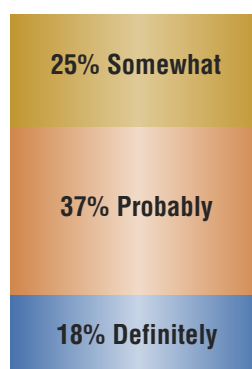
- ◆ The prospect of making the program mandatory for business participation was raised at the end of the survey for reaction (see page 21 for example comments).
- The response is mixed, and many are skeptical of any required benefit programs.
- However, many support or are neutral with respect to a mandated approach.

### Business Interest in Automatic IRA

**Interest to Offer  
Based on Simple Description  
71%**



**Receptive to Offer  
Based on Detailed Description  
80%**



# Business Interest in Automatic IRA Is Widespread

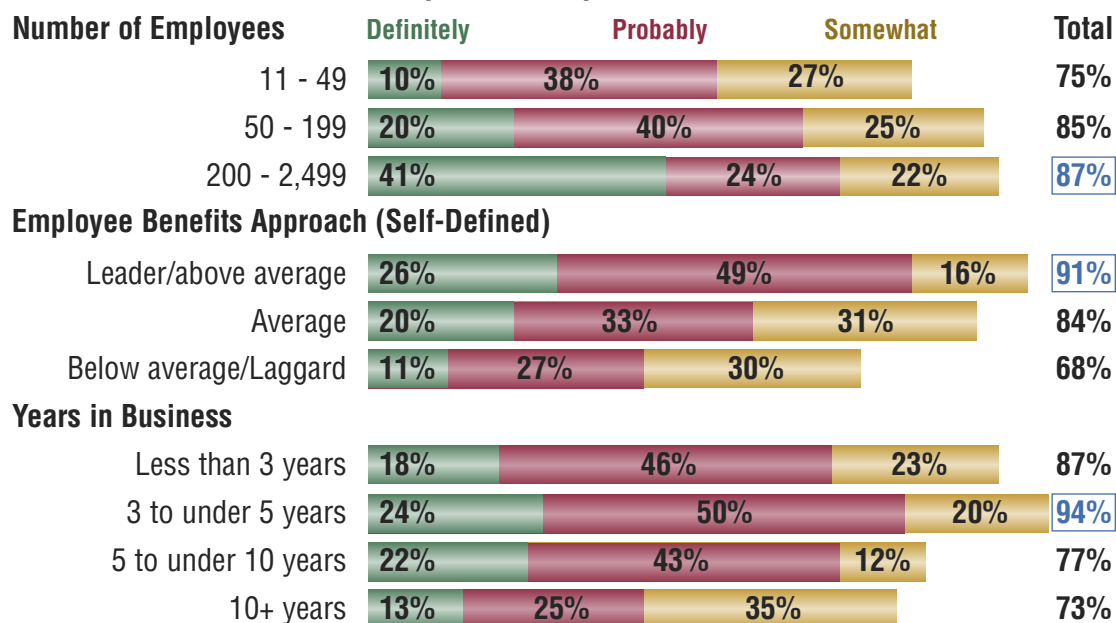
## Interest Is High Across All Size Firms

- ◆ Encouragingly, even small businesses express an interest in the Automatic IRA—about eight in 10 businesses with between 11 and 199 employees are definitely, probably, or somewhat interested.
- ◆ Clearly communicating that businesses do not need due diligence, eligibility, service, investment, or other specialists for the Automatic IRA, should expedite adoption among the smaller firms who are the primary targets of this proposal.

## Benefits Leaders Will Take the Lead

- ◆ Businesses differ in their labor force profiles and how competitive their benefits packages must be to attract the employees they need.
- ◆ Those firms viewing themselves as benefits “leaders” express the highest receptivity.
- ◆ Firms in business three to five years are just becoming confident they will succeed. They may be early advocates of the program as they seek to attract high-quality employees to take them to the next level.

### Business Receptiveness to Offering the Automatic IRA Based on Complex Description With All Features





# Businesses That Do Not Have a Retirement Plan Value the Automatic IRA Approach

## Businesses Find It Valuable for Themselves

- ◆ Businesses were asked a number of judgment questions about the potential viability of the Automatic IRA concept—with positive response.
- ◆ A key selling point to businesses will be administrative simplicity—as they fear administrative headaches often associated with benefit programs mandated by the government.
- ◆ Eight in 10 believe the Automatic IRA minimizes administrative issues.

## Businesses Also Find It Valuable for Their Employees

- ◆ Businesses give it high marks for usefulness, affordability, and understandability.
- ◆ Understandability is a double bonus, as it simplifies the participation decision for employees and minimizes questions directed to businesses.
- ◆ Generally, businesses give positive support to the Automatic IRA proposal—as do employees.

### Business Perspectives (% strongly/somewhat agree)

Good for Businesses	
Reduce administration complexities	83%
Make employer attractive	78%
Help retain employees	68%

Good for Employees	
Useful to save	89%
Affordable	77%
Easy to understand	77%

# Employees and Businesses Agree— Many Features Are Attractive

## Planned Advantages of the Automatic IRA Match Employee/Business Interest

- ◆ This table details the importance employees and businesses ascribe to specific Automatic IRA features and how well key intended advantages—payroll deduction, automatic components, low fees, and portability—match to employee/business evaluations.

Businesses were asked to evaluate the features from their own perspective and from the perspective of their employees.

- ◆ Employees and businesses alike view multiple features—generally the same features—as important.
- ◆ Employees and businesses like the concept more after learning about the specific features.

% Important	Employees %	Businesses	
		Employee Perspective %	Business Perspective %
1. Payroll deduction	85	84	74
2. Automatic enrollment	76	71	72
3. Low auto contribution	76	79	76
4. After-tax nature of contributions	67	69	67
5. Auto contribution increases	68	71	67
6. Contribution limits same as IRA	71	72	68
7. Simplified investment choices	66	68	71
8. Pre-selected provider	68	71	70
9. Portability when changing jobs	86	81	76
10. Limit on number of account changes	61	72	72
11. Limit on number of service requests	61	71	66
12. Low account fees	85	87	81
13. No employer match	53	73	78
14. No loan option	57	71	75
15. No employer setup	--	--	60
16. No eligibility requirement	--	--	79
17. No employee education requirement	--	--	79
18. No ERISA compliance	--	--	76
19. No due diligence	--	--	75
20. Tax credit (modest)	--	--	76





## Saving for Retirement at Work— Summation

1. **Many Americans have found help preparing for retirement through workplace savings plans. About 75 million workers, though, do not have access to an employer-sponsored retirement plan. Of these uncovered employees, it is estimated that more than 40 million would potentially be covered under the proposed Automatic IRA plan.**
2. **Employees of small firms that do not offer retirement savings plans are failing at planning and saving for their own retirement.**
  - ◆ Not only do these employees evaluate their progress as poor—they lack confidence that they can turn it around and develop a successful retirement plan. Men and women fare equally poorly, and little improvement is shown as employees get closer to the actual retirement.
  - ◆ Retirement savings are woefully low for these employees, who, on average, are already halfway through their careers—58% have less than \$10,000 saved for retirement.
  - ◆ While these employees aspire to a “basic” and “comfortable” retirement, two in three anticipate financial difficulties during their retirement years.
- ◆ Planning is key, yet 80% don’t have a financial plan. Those who plan are four times more likely to be on track for retirement than non-planners.
3. **The Individual Retirement Account concept is well-known and well-regarded.**
  - ◆ A large majority of employees are aware of traditional IRAs, and believe they are a useful savings tool. However, many factors have hindered participation in the current IRA program.
  - ◆ The Automatic IRA seems well-positioned to overcome many decision-making and logistical barriers which have limited participation in traditional IRA programs. The Automatic IRA offers promise in terms of bridging the gap from favorable impression to actual participation.
4. **Eight in 10 employees are interested in the proposed Automatic IRA!**
  - ◆ Employees are positive in their reaction to the Automatic IRA, both in concept and after learning the specific details. *In fact, the more employees learn about the Automatic IRA, the more they are interested in it.*
  - ◆ Employees say the Automatic IRA does the right things. Employees view the Automatic IRA as both

simple and useful in saving for retirement. In addition, they believe businesses offering such a benefit would be attractive places to work.

**5. The Automatic IRA can generate “new” savings, rather than merely shifting savings from one vehicle to another. Of the 80% of employees who were “very/somewhat” interested in the Automatic IRA, 68% believe it will generate real additional savings. Projecting this rate to all eligible employees suggests that new savings might be gained by about 54% of eligible employees.**

- ◆ Employees cite the payroll deduction feature as being key; a “forced savings” approach will help them achieve a discipline they otherwise don’t have.

**6. Eight in 10 businesses believe the design overcomes their concerns, and support the adoption of the Automatic IRA.**

- ◆ Businesses acknowledge the savings plight of their employees and the importance of a retirement savings benefit.
- ◆ Businesses perceive strong program value to both themselves and to their employees.
  - For their own businesses—83% of employers appreciate the lower level of administration, 78% feel

they will attract better employees, and 68% believe they will more successfully retain employees.

- For their employees—89% of employers believe the Automatic IRA will help their employees save, 77% think it is affordable for employees, and 77% say it will be easy for employees to understand.
- ◆ For businesses, the Automatic IRA proposal is well-positioned to overcome prior barriers of excessive administration and cost. The more they heard about its features, the more they liked it.
- ◆ Businesses estimated that, on average, 44% of their own employees would likely participate in the Automatic IRA, if it were available, assuming a 3% of salary contribution rate. With the prospect of automatic enrollment, there is potential for the rate to be higher.
- ◆ All reactions were gathered on an “if the program were available” basis. Businesses were only asked at the end of the survey, after complete discussion of the concept, what the impact of a mandated vs. voluntary program might be. The responses to the idea of a mandate were mixed, with some businesses believing all would be better served with a mandatory approach.



# What They Said—Employee and Business Comments About the Automatic IRA Proposal

## Employee Comment Examples

Eighty-nine percent of employees provided comments.

### Overall Interest:

- ◆ “Seems **easy**, portable and convenient.”
- ◆ “Automatic savings would **force me to save** money for retirement.”
- ◆ “I really like the idea of payroll deduction. **I’m not disciplined** and this would be an easy option.”
- ◆ “It seems easy to understand and would **make investing simple.**”
- ◆ “**Payroll deduction** would make it so I would never really miss the money.”
- ◆ “It would make **starting a retirement account** MUCH easier for me.”
- ◆ “Some people are not able to save money because they **don’t know how.**”
- ◆ “I don’t have time to research retirement strategies. This program would solve many of my problems with **procrastination.**”

### Concerns and Hesitations:

- ◆ “Sounds good, but **I still can’t afford it.** I can’t even pay all of my own basic bills—mortgage, family, taxes, health insurance.”

## Business Comment Examples

Eighty-six percent of businesses provided comments.

### Overall Interest:

- ◆ “The concept is a **perfect fit** for employees that do not have the disposable income to invest in other plans.”
- ◆ “Not having to contribute to the plan, or having the provider responsible to administer and educate the employees about the plan makes it **very attractive to us.**”
- ◆ “We currently shy away from retirement plans due to **cost and administrative issues.** The new program sounds like it would take care of these issues and make it **easy to implement** and utilize.”

### Concerns and Hesitations:

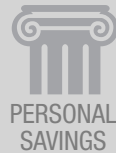
- ◆ “Most [employees] would **not be able to afford** losing a portion of their paycheck.”

### What if the Concept Were Mandatory, and Not Voluntary as Previously Tested?:

- ◆ “**Small impact.** Little bit of a nuisance, but worth it.”
- ◆ “No implications. We **welcome** the concept.”
- ◆ “I’m not sure what it would take to implement.”

## Prudential's Four Pillars of Retirement

The Four Pillars of Retirement represent the foundation of retirement security today, from Social Security to the choices made in retirement. Prudential uses these pillars as a framework for research reports, press releases and other information about the retirement issues and challenges facing Americans today.



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