

WORKPLACE THOUGHT LEADERSHIP

Deflating myths of non-savers

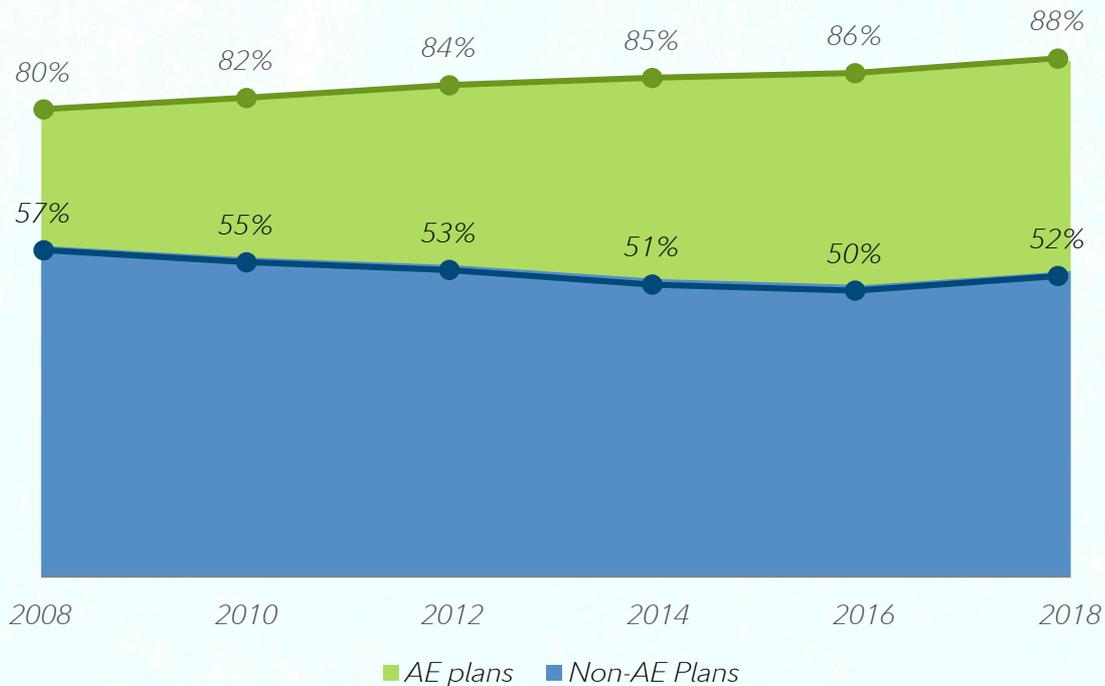
Nearly half of Americans have access to a retirement savings plan through their employer,¹ yet not all of them choose to take advantage. We asked them why.



Auto enrollment (AE) proves to be a changing force as Defined Contribution plan participation has continued to increase over the past 10 years—but there are still employees who choose not to save. We asked them why in order to better understand how to engage and help them achieve their savings goals.

Participation Rates in AE vs. Non-AE Plans²

As of 12/31/2018





Myth:

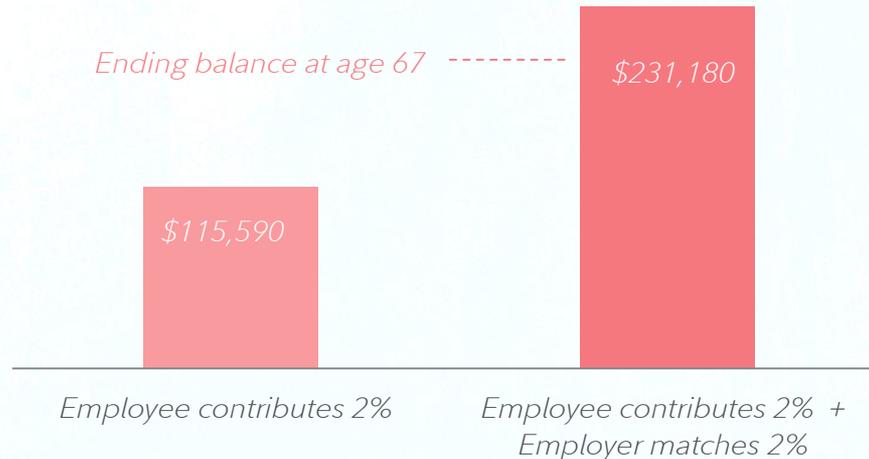
"I can't afford to contribute."

*– say **31%** of non-savers³*

Reality:

Even saving a little can go a long way.

Here's an example of what saving just 2% more could mean.



Share the [Power of Small Amounts](#) tools with employees so they can see for themselves how a small change can make a big difference.

Hypothetical example assumes that the individual starts saving at age 25 until retirement age 67 and receives a 1.5% real (inflation-adjusted) increase in wages per year with a starting salary of \$35,000. Rate of return is 5.0% and consists of 3% real return and 2% inflation. These illustrations assume that deferral percentage rates stay constant throughout the participants' working careers. The participant took no loans or hardship withdrawals from his or her workplace plan. Upon distribution, applicable federal, state, and local taxes are due. No federal, state, or local taxes; inflation; or account fees or expenses were considered. If they were, returns and monthly increases would be lower.

Myth:

"This is not a long-term job."

– say **21%** of non-savers³

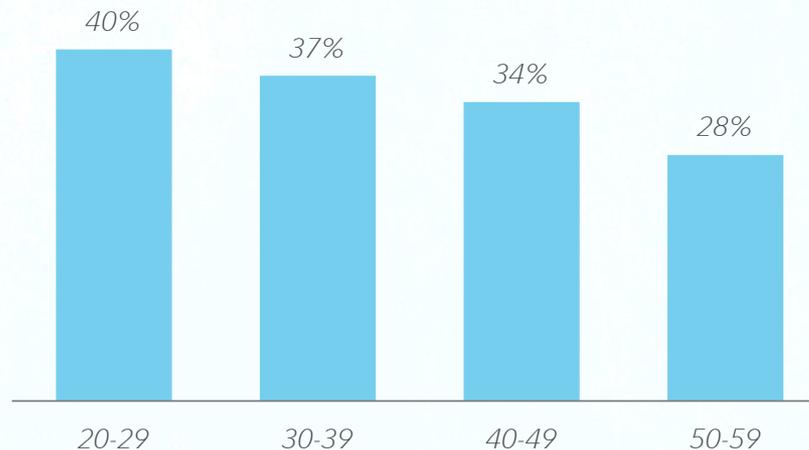
Reality:

Retirement savings are portable throughout a career.

25% of millennials cash out when changing jobs, diminishing the power of early savings.

Percent of workers cashing out – by age⁴

As of 06/30/2019



Remind new employees that previous retirement savings can likely be consolidated into their new plan. Providing them the rollover forms in their new hire kit is often helpful.





Myth:

"My spouse/partner has our savings covered."

*– say **4%** of non-savers³*

Reality:

The divorce rate of married couples is 40-50%.⁵

Although only a handful, there are some employees who are not saving because they believe their spouse/partner has it covered.

It is important employees prepare for moments in life that could arise unexpectedly, such as divorce or death of a loved one. Preparing for retirement in partnership with a spouse/partner can be a way to protect against unforeseen circumstances.



Alert for Women!

9 out of 10 women will be solely responsible for their finances at some point in their life.⁶

Encourage employees to engage with their finances both personally and with a partner. [Share this article](#) to help them check all the boxes.



Myth:

"I have plenty of time to save later."

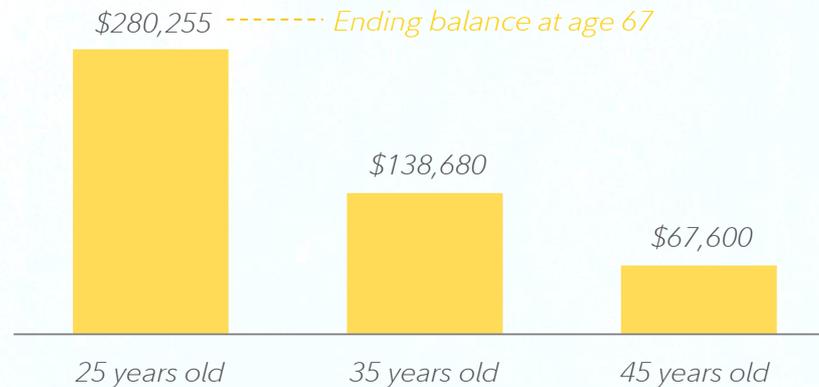
– say **10%** of non-savers³

Reality:

Saving for retirement is a marathon, not a sprint.

With many competing financial priorities, it can be hard to focus on retirement savings but some are making it happen. Twenty-six percent of millennials are now saving 15% or more for retirement, a move they will likely not regret.

When you save early, good things can happen.



Show employees the benefit of starting as early as they can and how playing catch-up may still not add up to what they need in retirement. Encourage them to save now instead of pushing it out until later in their careers.

Hypothetical examples assume three scenarios where an individual starts saving at age 25, 35 and 45 until retirement age 67 and receives a 1.5% real (inflation-adjusted) increase in wages per year with a starting salary of \$50,000. Rate of return is 5.0% and consists of 3% real return and 2% inflation. These illustrations assume that deferral percentage rates stay constant at 3% throughout the participant's working career. The participant took no loans or hardship withdrawals from his or her workplace plan. Upon distribution, applicable federal, state, and local taxes are due. No federal, state, or local taxes; inflation; or account fees or expenses were considered. If they were, returns and monthly increases would be lower.

Myth:

"I'm not sure if I am enrolled in my plan."

*– say **5%** of non-savers³*

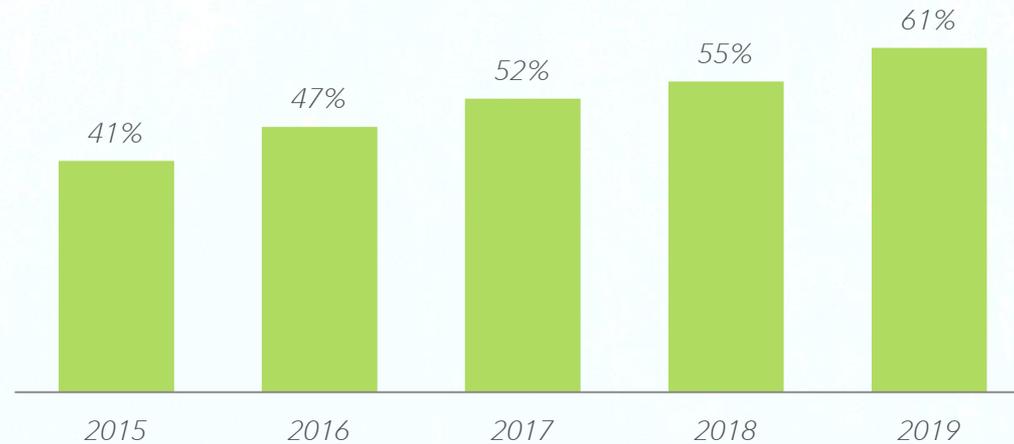
Reality:

"Without Auto Enrollment, only 1 in 2 employees participate."

Auto enrollment helps get employees into the plan and kick-start savings but can also be accompanied by a decrease in engagement. Employees tend to remain at the default savings rate, which can be less than they truly need to save to prepare for retirement. One way to beat this inertia is through Automatic Increase Programs.

Percent of deferral increases due to Automatic Increase Programs⁴

As of 06/30/2019



Consider automatic increase programs to help participants continue to save throughout their careers.



ENDNOTES

¹ Stanford Center of Longevity, "Seeing Our Way to Financial Security in the Age of Longevity" report, 2018.

² Based on Fidelity analysis of 22,400 corporate DC plans (including advisor-sold DC) and 15.3 million participants as of 12/31/2018.

³ Online survey conducted among 1,079 Americans aged 18 plus who are employed full or part time. Interviewing was completed April 25 to May 1, 2019 by Engine Group, which is not affiliated with Fidelity Investments. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.

⁴ Based on Fidelity analysis of 22,900 corporate DC plans (including advisor-sold DC) and 17.0 million participants as of 06/30/2019.

⁵ Psychological Association, 2019.

⁶ Women in the Labor Force: A Databook, US Bureau of Labor Statistics, 2012.

Approved for use in Advisor and 401(k) markets. Firm review may apply.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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