

Automatic enrollment and increase



Finding out an employee benefit is being underutilized can be frustrating, and can feel like money misspent. But in one simple step—**adding automatic enrollment and automatic increase to your new or existing retirement plan**—you can potentially boost your plan’s participation and increase employee retention.

Automatic enrollment increases retirement plan participation

In fact, among new hires, employees are **three times more likely** to participate in the plan when automatic enrollment is utilized than when they have to manually enroll themselves.¹ The impact of automatic enrollment is even greater for younger and lower-income employees. For employees under age 25, **approximately 90% will participate** in the plan when automatically enrolled, compared to 20% who participate with manual enrollment. For employees making less than \$15,000 per year, **82% will participate** in a plan with automatic enrollment, whereas just 4% will participate in a manual enrollment plan.¹

Overall, adding automatic enrollment to your plan can be an effective way to increase employee participation.

Automatic increase helps participants save more

Getting participants enrolled in their 401(k) plan is just the first step towards saving for the future. Most financial experts suggest that participants should be saving 10-15% in their retirement plan to have adequate funds in retirement. That can be a challenge especially when automatic enrollment is a feature of the plan, because a typical starting contribution rate is between 3-6% and most participants set and forget their contribution rate once they enroll.

That is why having automatic increases paired with automatic enrollment can help participants save more. With automatic increase a participant’s contribution rate increases, usually by one percent, each year until the plan’s predetermined maximum contribution rate is achieved.

THE IMPACT	
70%	average participation rate for plans without auto-enroll
83%	average participation rate for plans with auto-enroll
83%	average participation rate for plans with auto-enroll and auto-increase
84%	average participation rate for plans with auto-enroll and auto-increase that fund a match

Source: Ascensus data, 2023.

¹ Jeffrey W. Clark and Jean A. Young. “Automatic enrollment: The power of the default.” Vanguard. February 2021.

THE BENEFITS OF AUTOMATIC ENROLLMENT AND INCREASE



It's easy

Automatic enrollment and increase simplifies the process, which encourages employee participation and steady savings habits. A participant can choose to opt out at any time.



It's simple

Employers can set a default contribution rate for employees, which gives them a starting point when enrolling. Employers can also set a default auto-increase rate for employees which will increase annually until the maximum percentage is reached.



It's useful

Automatic enrollment and increase may reduce the risk of failing nondiscrimination testing—if participation of non-highly compensated employees or non-key employees increases, it may decrease testing failures.

Adding auto enrollment to your new or existing Ascensus plan is straightforward and powerful—and we're here to help.

1. **Leverage our experience.** We'll review your plan, your organizational needs and demographics, and potential costs, if any.

2. **Tap into our expertise for questions and guidance on best practices including:**

- Which plan design features work best with auto enrollment.
- Whether to apply auto enrollment to new hires only, or to all eligible employees.
- How you can effectively communicate plan changes with employees.
- Which default savings rates and auto-increase features are recommended.

3. **Complete auto enrollment setup.** We'll help you launch auto enrollment with your new or existing plan and ensure you're taking full advantage of our websites and reporting. We'll also assist you with related employee notices.

Get started with automatic enrollment and increase today. Contact us to learn more.



800-345-6363



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