



LEVERAGING TECHNOLOGY

TO IMPROVE PARTICIPATION AND PARTICIPANT OUTCOMES



JESSICA MALDONADO, AIFA[®], GFS[™], C(K)P[®], PPC[™]

Vice President of Searcy Financial Services, Inc.

LEARNING OBJECTIVES

- ✘ Factors that impact participant behavior
- ✘ An overview of available technology to help you create a scalable retirement plan practice
- ✘ How to leverage technology in order to improve participation and participant behavior
- ✘ How to utilize fi360's tools for greater participant impact



FACTORS THAT IMPACT PARTICIPANT BEHAVIOR

BEHAVIORAL ECONOMICS 101

- ✘ Behavioral economics brings together tools and insights from economics and psychology to explain why and how people make seemingly irrational or illogical decisions when they spend, invest, save and borrow money.



BEHAVIORAL FACTORS TO CONSIDER

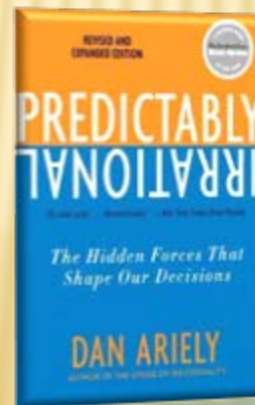
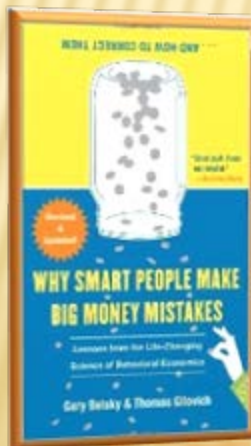
- ✘ Not all dollars are created equal
 - + Tip: Communicate to participants that their compensation package includes their participation in their retirement plan and the employer match. If they don't collect it, then it's like giving part of their salary back to their employer.
- ✘ The measurement effect
 - + Tip: Ask participants if they will increase their contribution to their plan in the upcoming year and then remind them of their commitment.

BEHAVIORAL FACTORS TO CONSIDER

- ✘ The power of suggestion in anchoring
 - + Tip: Drop anchor with participants. Ex. People we talk to are finding they will need to save about 15% of their total compensation each year of their working lives in order to be able to retire comfortably.
- ✘ People are loss averse
 - + Tip: Work with plan sponsors to get participants to increase their participation concurrently with pay raises so they don't feel the deferral as a loss.

BEHAVIOR-RELATED READING

- ✘ *Why Smart People Make Big Money Mistakes* by Gary Belsky & Thomas Gilovich
- ✘ *Predictably Irrational* by Dan Ariely
- ✘ *Yes! 50 Scientifically Proven Ways to Be Persuasive* by Noah J. Goldstein



GENERATIONAL FACTORS TO CONSIDER

✘ Baby Boomers

- + Born 1946-1964
- + Work to live, willing to sacrifice for success
- + Value respect, personable communication style
- + Started workaholic trend, committed to climbing the corporate ladder
- + Team oriented, but anti-rules/regulations
- + Like options and flexibility
- + Email, voicemail, in-person

GENERATIONAL FACTORS TO CONSIDER

✘ Generation X

- + Born 1965-1979
- + Entrepreneurial, self reliant, manage their own time, solve their own problems
- + Independent, somewhat skeptical of chain of command
- + Multi-taskers
- + Value information and share it immediately and often
- + Primarily email

GENERATIONAL FACTORS TO CONSIDER

✘ Generation Y (Millennials)

- + Born 1980-1999
- + Lofty goals but no idea how to get there
- + Likely to favor lifestyle over salary
- + Get bored easily and want to do things fast
- + Huge multi-taskers
- + Have high expectations of employers, question authority
- + Want feedback and like to compare with others
- + Use voicemail, email, also text

GENERATIONAL FACTORS TO CONSIDER

× Generation Z (Mosaics)

- + Born 2000 and thereafter
- + Multi-cultural, multi-racial, complete blurring of gender roles
- + Everything online, everything mobile
- + Digital junkies, have never known a world without the internet
- + Texting almost exclusively

OTHER FACTORS TO CONSIDER

- ✘ Generally, people do what is easy
- ✘ Be mindful of the “Alfreds” in organizations





Creating a scalable retirement plan practice

BASIC TECHNOLOGY OVERVIEW

MUST-HAVE TECHNOLOGY

- ✘ CRM is the cornerstone of a successful, scalable retirement plan practice
 - + Enter prospects, plan clients, centers of influence, and participants
 - + Track communications, important dates, and critical information
 - + Kick off communication campaigns, assign next actions, create and execute workflows

THE ROLE OF VENDOR-PARTNERS

- ✘ Recordkeeper with strong technology
 - + Helps you filter, sort and communicate with plans and participants
 - + Can automate some reporting to make your life easier
- ✘ Fi360 Tools (or other reporting/benchmarking provider)
- ✘ Custodian with strong integration with your other vendors and tech providers
 - + Integration reduces errors and saves time

OTHER TECHNOLOGIES

- ✘ Desirement Mortgage[®] Calculator, RetireLogix app, other retirement calculators
- ✘ PocketRisk, FinaMetrica or another online risk profile service
- ✘ Americancards.com, Hallmark ecards
- ✘ Video editing software or outsourced solution
- ✘ Vestorly.com, Wordpress, Mailchimp.com, Constant Contact, Twitter, LinkedIn, Facebook, YouTube, Pinterest



Improving participation and participant behaviors by

LEVERAGING TECHNOLOGY

FILTERING AND SORTING DATA

- ✘ Separate your participants into groups that make sense for different communications
 - + Age
 - + Role
 - + Gender
 - + Savings %
 - + Participants, plan sponsors
 - + HCEs, rank and file
 - + Salaried, hourly



ADD REMINDERS

- ✘ Pre-populate participant-specific dates into your CRM that will occur at some point in the future
- ✘ Find out key details about the plan/organization and their typical cycles
 - + Populate plan-level activities based on their cycles in addition to regulatory due dates

COMMUNICATIONS TO PARTICIPANTS

1. eCard: Congratulations, you're eligible!



COMMUNICATIONS TO PARTICIPANTS

2. Video your education & enrollment (so you don't have to show up on site multiple times per year)



COMMUNICATIONS TO PARTICIPANTS

3. Happy 40th Birthday. You're one year closer to retirement. Are you on track? [Find out!](#)



COMMUNICATIONS TO PARTICIPANTS

4. Remind them of their commitment to themselves

March 15, 2013

Dear Jessica,

I promise myself that I will increase my savings by 2 % next year because...

1. I don't want to be a burden on my kids
2. I don't know if social security will be around when I'm older
3. I don't want to have to go back to work like my mom

This is really important and I've been putting it off too long. I know I need to be saving 10% or more of my total pay and I'm going to make that happen by saving...

3% in 2013, increasing to 5% in 2014, increasing to 7% in 2015. Thereafter, every time I get a raise, I will increase my savings by at least 1% until I'm on track to meet my retirement goals.

Sincerely,

Jessica Maldonado

EDUCATION AND ENROLLMENT MEETINGS

- ✘ Consider breaking meetings out to specific audiences
 - + By age (or generation)
 - + By compensation levels or role
 - + By those who are saving a substantial amount (given their income) and those who are not
- ✘ Target your discussion to the group
- ✘ Allow them to set the agenda at the beginning of the meeting
- ✘ Draw attention to your social media (if you use it)

OTHER RESOURCES

- ✘ Consider traditional materials vs interactive tools or experiences
- + Practicalmoneyskills.com

The screenshot displays the Practical Money Skills website, which is dedicated to financial literacy. The main navigation bar includes links for Personal Finance, For Educators, Games, Calculators, Videos, Resources, and About. A search bar and a dropdown for International Sites are also present. The page features a 'Quick Poll' section asking about preferred money management resources, a 'FINANCIAL LITERACY SUMMIT 2014' banner with a 'REGISTER NOW' button, and a 'How to Play' video overlay. The video text explains that the game starts with \$1000 cash and \$0 savings, lasting 4 weeks, and involves managing income and expenses to avoid going bankrupt. The website also includes a 'Financial Soccer' article, an 'Educators' section, and social media links for Facebook and Twitter.

Practical Money Skills
for Life™

Financial Literacy for Everyone

International Sites
Search Website

Personal Finance | For Educators | Games | Calculators | Videos | Resources | About

Quick Poll
Which resource do you use to manage your money?
 Online banking
 Written budget
 Paper bank statements
 Credit card bills
 Other
[Vote](#) [View results](#)

FINANCIAL LITERACY SUMMIT 2014
[REGISTER NOW](#)

How to Play
You start the game with \$1000 cash and \$0 savings. Try to move as much cash as possible into savings by the end of 4 weeks. Each level represents one week.
You'll be confronted with different opportunities for income and expenses along the way - choose wisely, or you'll run out of cash. Move cash into savings via the summary screen at the end of each level.
Don't let your gas or insurance run out, or you'll be stranded and the game will be over.

Financial Soccer
Is your financial knowledge ready for a workout?
[Play now](#)

Educators

PlanIt! Prom app can help you plan a budget-friendly prom. Listen to more

cover unexpected emergencies and reach your financial goals. Read more

Visa announced the game's distribution to public middle and high schools. View video

Follow Us [f](#) [t](#) [v](#)

WHAT'S HOT BLOG
Break These Bad Financial Habits Now

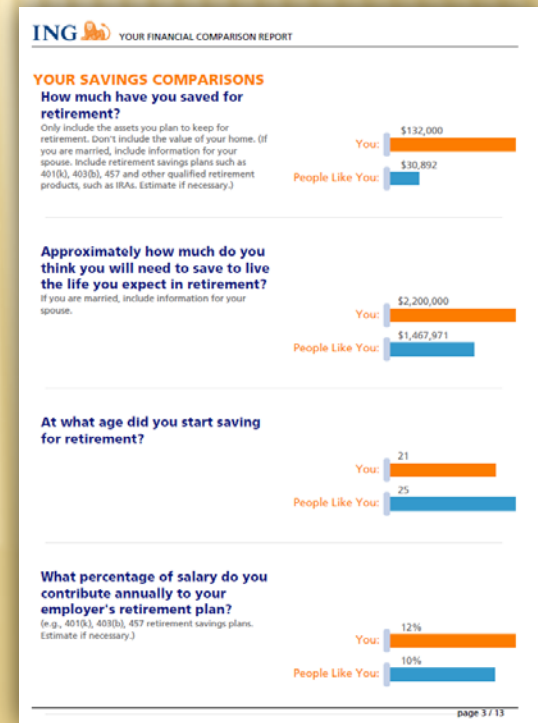
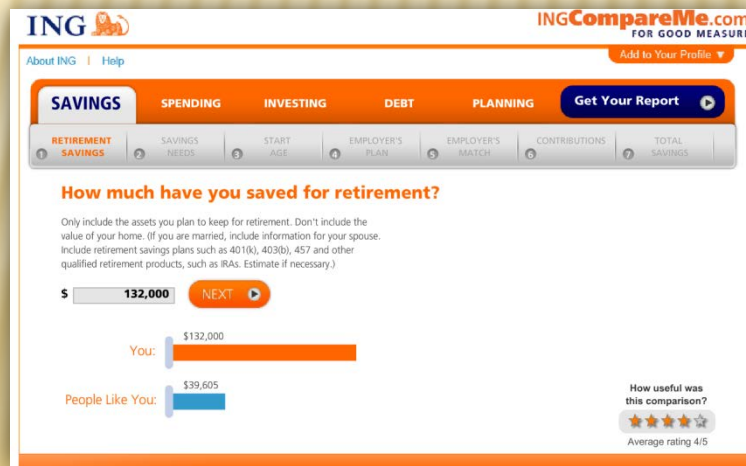
Visa Viewpoints
Insights on Digital Currency
Tackling Financial Literacy is a Team Effort

PracticalMoneySkills @PracticalMoney
Don't miss out on #ansor accounts. Learn where to find them in this week's Practical Money Matters article series.
http://practicalmoneyskills.com/ansor

PracticalMoneySkills @PracticalMoney
Get the buzz on #FinLitSummit '14 - meet other attendees & share your participation via Twitter & Facebook. pmsf.us/18oFA5E

OTHER RESOURCES

- ✘ Leverage third-party resources – articles, tools, calculators
 - ✘ Help them benchmark how they're doing compared to their peers
- + Ingcompareme.com





Creating greater participant impact by

USING FI360'S TOOLS

PROPOSAL GENERATOR

- ✘ Use the proposal generator to show participants how their self-directed allocation compares to a professionally managed option

Hypothetical Performance Analysis

This section is intended to show hypothetical performance for each portfolio along with a custom benchmark (if included). This hypothetical performance is for illustrative purposes only and may not reflect the actual performance that would have been experienced. It should NOT be used to represent the actual returns realized by a client since timing and cash flows are not considered. For this hypothetical calculation, annual rebalancing is assumed. If an underlying investment does not have the required performance history, its allocation is excluded from that particular month(s) calculation. Please view the detailed calculation methodology on the following page for more details. Past performance is no guarantee of future results.

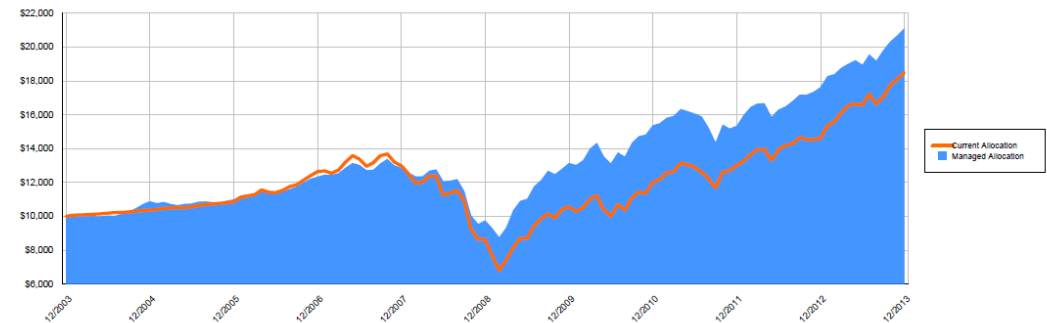
Hypothetical Performance as of 12/31/2013 (%)

	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Std. Dev.	Return	Std. Dev.	Return	Std. Dev.	Return	Std. Dev.	Return	Std. Dev.	Return	Std. Dev.
Current Allocation	2.03		8.50		26.59	7.81	15.47	9.33	16.47	14.67	6.33	13.00
Managed Allocation	2.07		6.57		19.80	6.06	11.16	8.78	16.68	11.53	7.76	10.37

Hypothetical Calendar Year Performance (%)

	2009	2010	2011	2012	2013
Current Allocation	22.44	13.69	8.38	12.20	26.59
Managed Allocation	34.60	17.00	-0.23	14.91	19.80

Hypothetical Growth of a \$10,000 investment from 12/31/2003 to 12/31/2013



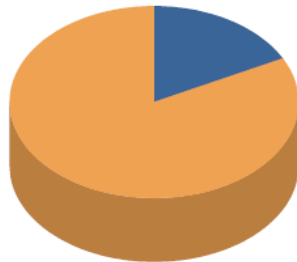
ILLUSTRATE ALL-IN COSTS

Fee & Expense Summary

The following pie chart will illustrate the relative expense distribution of all plan expenses.

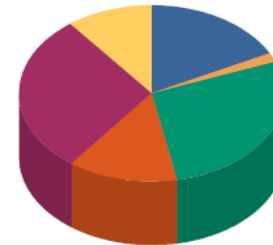
	Accountant	Custodian	Investment Manager	Recordkeeper	Searcy Financial Services, Inc	TPA	Total
Compensation from Plan Participants	\$0	\$500	\$8,704	\$4,176	\$9,179	\$3,300	\$25,859
Compensation from Company	\$5,500	\$0	\$0	\$0	\$0	\$0	\$5,500
Total	\$5,500 29.96 bps	\$500 2.72 bps	\$8,704 47.41 bps	\$4,176 22.75 bps	\$9,179 50.00 bps	\$3,300 17.98 bps	\$31,359 170.82 bps

Compensation Source



Company Assets	\$5,500.00	17.5%
Plan/Client Assets	\$25,858.97	82.5%
Total:	\$31,358.97	100.0%

Compensation Recipient



Accountant	\$5,500.00	17.5%
Custodian	\$500.00	1.6%
Investment Manager	\$8,703.95	27.8%
Recordkeeper	\$4,176.00	13.3%
Searcy Financial Services, Inc	\$9,179.02	29.3%
TPA	\$3,300.00	10.5%
Total:	\$31,358.97	100.0%

401K SERVICE SOLUTION™/PPCT™ TOOLS

the
401k Service
SOLUTION™

PARTICIPANT Education Series

How much do you know about your Social Security Benefits?

Social Security Basics



Key Point

Administered by our federal government, Social Security protects you and your family with survivor's benefits, disability benefits, and a monthly retirement benefit. But Social Security is not intended to fully fund your retirement. You will need to save through additional retirement vehicles such as your 401(k).

What is Social Security?

Social Security is a package of U.S. wage earners, all of which is similar to an insurance benefit, but also include important help support your family when y

When did Social Security start?

The Social Security Act was signed in 1935. It has undergone various amendments over the years to receive Social Security payments

Can I retire on my Social Security?

Probably not. In fact, the Social Security Act was designed as being sufficient for retirement. When combined with your savings, Social Security benefits can help you build a secure retirement.

Therefore, you can factor your Social Security into your retirement goals but you need to take control of your own savings to reach those goals through additional investments.

How do I know what my Social Security benefits are?

Every year, the Social Security Administration issues a Social Security Statement about three months before your Social Security benefits are available to you and based on your record of earnings from the Social Security Administration.

How am I contributing to my Social Security?

You contribute to social security through payroll deductions from your annual salary on the first day of each month. Your contribution is 7.65% on your behalf. The employer also contributes 7.65% for Medicare.

Your social security taxes are deducted from your pay. FICA stands for Federal Insurance Contributions Act, the tax provision of the Social Security Act.

the
401k Service
SOLUTION™

How much money should I be putting into my 401(k) account?

Contribution Basics



Key Point

Two major factors to keep in mind when setting aside money in your 401(k) account: First, you should always contribute enough to qualify for the full company match, and second, you can calculate how much money to save by doing some simple calculations using one of the many retirement calculators available on the internet.

How much can I contribute to my 401(k)?

For the year 2007, the maximum an employee can contribute is \$15,500. If you're age 50 or over, you may be able to make additional contributions.

Year	Contribution	Catch-up
2007	\$15,500	
2008	\$15,500	

Keep in mind, these are limits imposed by the Internal Revenue Service. Some plans may impose limits of their own, such as a percentage of income. Your contribution cannot exceed IRS limits. Furthermore, not all employees are eligible to contribute.

How do I factor in the employer match?

Many 401(k) plans offer employer matching contributions, and you should take full advantage of them. It is awarded to you in proportion to your 401(k) contributions, up to a defined limit and typically tied to a vesting schedule.

Plans vary, but a typical match is 50 cents on every dollar you contribute. If you contribute at least the full amount to your 401(k) that "maxes out" on the employer contribution.

The table below assumes that you contribute 6% of your salary. The employer match is 6% match offered by your employer.

Annual Earnings	6% Salary Contribution	Employer Match (50-cents on every dollar)
\$30,000	\$1,800	\$900
\$45,000	\$2,700	\$1,350
\$60,000	\$3,600	\$1,800
\$75,000	\$4,500	\$2,250
\$90,000	\$5,400	\$2,700
\$165,000	\$9,900	\$4,950

*Many plans require you to "vest" into the employer matching contributions before they're all yours. This means that you acquire ownership of the contributions, gradually, over a defined period of time, for instance, five years. Read about your "vesting" requirements in your summary plan description.

the
401k Service
SOLUTION™

PLAN SPONSOR Education Series

How does your 401(k) plan's employer match compare?

Employer Match Statistics



Key Point

Employer matching has been shown to increase employee participation in 401(k) plans, regardless of the match amount. If you don't currently offer a matching program, you may wish to consider implementing one.

How does your match compare to that of other companies?

The most common employer matches are fixed matches of \$.50 per dollar, up to the first 6% of the employee's pay; \$1 per dollar up to the first 4% of pay; and \$1 per dollar up to the first 3% of pay.

Is there a formula that tends to encourage greater participation?

Employer matching has been shown to encourage increased participation, regardless of the match amount. Studies show that employer matching results in increased participation rates of about 10 percent, and employers offering match rates of 100% can increase participation by nearly 20 percent.

While the most common formula is a fixed match, e.g., \$.50 per dollar up to 6% of pay, companies also use what's known as a graded matching formula, e.g., \$1 per dollar on the first 3% of pay, \$.50 per dollar on the next 3% of pay.

How do I determine what's best for my company?

As a general rule, the proper formula should be what encourages employees to enroll in the plan. Because matching programs seek to encourage employee participation and retention, most plan sponsors design a matching formula consistent with what is being offered by other companies in their marketplace or industry.

Some time back, a major retailer increased its match to \$1.50 per dollar up to 1% of pay, and dollar for dollar after that, up to 4% of pay. The company's intent was to out-match all other major retailers with this aggressive formula.

How do matching contributions work to influence participation and contribution levels?

There are two components of matching contributions, the match rate and match threshold, that work together in influencing participation and contribution rates.

The **match rate** is the percentage of the first dollar of the employee's pay the employer matches. The **match threshold** is the maximum percentage of an employee's pay, or dollar amount, to which the employer contributes. For example, using the typical match scenario, the match rate is \$.50 on the dollar, and the match threshold is 6% of the employee's pay.

Some research indicates that a rise in the match rate may have a negative effect on participant deferral levels because employees feel the increased employer contribution relieves them of the burden to invest more of their own money. Conversely, an increase in the match threshold may increase deferral rates by encouraging employees to contribute more in order to receive additional employer contributions.

Inconsistencies in a matching program can reduce participation. Companies that have reduced or eliminated the match during times of financial difficulty have reported drops in participation. Even when those companies reinstated the match, participation rates tended to lag behind previous levels.

© 2005-2008 Financial Service Standards, LLC
2652 Hidden Valley Drive, Suite 100A
Pittsburgh, PA 1524
www.401kservicesolution.com
All rights reserved.

Disclosures:

This fact sheet was developed by Financial Service Standards, LLC and is part of The 401k Service Solution™ set of tools. The 401k Service Solution is a trademark of Financial Service Standards, LLC. The information on this fact sheet is provided for educational purposes and was developed based on current legislation. Because regulations regarding this subject change on an annual basis, check with your ERISA attorney for the most current facts. *Source: Match Game: Companies are making strategic use of 401(k) matching contributions, but are they trying with their employees' retirement? CFO Magazine—Human Capital Special Issue 2005, CFO.com. *Source: The Employer Match and Participant Behavior, TIAA-CREF Institute: Research Summary, July 2006. *Source: How Does Your 401k Plan Compare with the "Typical" 401(k)? 401kExpert.com.

CONTACT

Jessica Maldonado

Searcy Financial Services, Inc.

Jessica@SearcyFinancial.com

913.814.3800

@JMaldonadoKS

QUESTIONS?