

# How well do your perceptions of your employees' retirement prospects reflect reality?



“Business decisions...are frequently based upon hope or fear, what others seem to be doing, what senior leaders have done and believe has worked in the past, and their dearly held ideologies—in short, on lots of things other than facts.”

Jeffery Pfeffer and Robert I. Sutton

*Hard Facts, Dangerous Half-Truths, & Total Nonsense*

## **Retirement Readiness Assessment:**

It's more than data. It demonstrates the fiduciaries understand their employees' progress (or lack thereof) towards a financially secure retirement



**The Retirement Readiness Assessment enables fiduciaries to objectively judge how successful they and their recordkeeper have been at getting employees to embrace retirement planning.**

The Retirement Readiness Assessment is part of our comprehensive Plan Utilization Analysis. It is designed from the perspective of the class action lawyer who is asking: Are the fiduciaries' actions based upon hard evidence (the actual behavior of their employees) rather than flimsy information and flawed thinking about best practices?"

**The Retirement Readiness Assessment allows fiduciaries to ask the following questions in a quantitative manner:**

- Which aspects of plan design have fulfilled our expectations and which haven't?
- How much value are our participants getting for the fees they pay?
- How many of our employees are "not on track" for a comfortable retirement, and what do the terms "on track" and "comfortable retirement" mean?

Not on track (%)			
	All	30-39	50-59
all employees	84.2	77.4	94.2
participants	69.6	60.7	90.7
non-participants	98.2	98.2	98.0

Number of years nest egg is projected to last			
	All	30-39	50-59
all employees	9	11	6
participants	16	9	10
non-participants	2	2	3

- What should our employees be contributing versus what they are?

Current contribution (%)			
	All	30-39	50-59
all employees	2.9	3.3	3.6
participants	6.0	5.9	7.0
non-participants	0	0	0

Suggested contribution (%)			
	All	30-39	50-59
all employees	12.0	7.6	28.8
participants	12.8	8.3	25.3
non-participants	11.3	6.7	32.5

**The ability to segment employees into various groups is a "must" if the fiduciaries want to systematically change employee behavior.**

CampaignManager™, Investment Horizons' proprietary software, creates the Plan Utilization Analysis, including the Retirement Readiness Assessment. The software can easily divide employees into a variety of groups based upon several characteristics, such as:

- all participants at location (or division) "A" under 40 years of age who are not contributing enough to receive the full match;
- all eligible non-participants who were hired in the last two years;
- all participants between 35 and 50 with salaries of \$50,000 or more and who have less than 40% of their account invested in stock funds.

**"The best technologies will learn our preferences by observing us as we make several choices,**

The Group Definition Screen (represented below) makes segmenting easy. You simply check the appropriate characteristic and fill in the blanks (if necessary).

**Employee Group**

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**Retirement income shortfall projection**

Include employees who are projected to have a shortfall as well as those who are on track

Include only employees with projected shortfall

Include only employees who are on track

**Age Range**

Do not limit the group based on age

Include only those between ages of  and

**Location**

Do not limit the group based on location

Include only this location:

The **Plan Utilization Analysis** can also provide insights into how the various groups of participants are using the investment options.

The Plan Utilization Analysis captures the average

- number of funds used;
- balance by asset class (fund type);
- allocation by asset class (fund type).

Allocation by fund type (%)			
	All	30-39	50-59
Target date	20.6	22.0	19.6
Other hybrid	7.6	9.1	5.7
Stock	44.7	35.8	53.9
Bond	22.0	25.6	8.7

Once problem areas are identified, **CampaignManager™** can help you address them.

Our software capabilities can help you in at least three ways.

- If you make plan design changes, periodic updates of the Plan Utilization Analysis will show if the desired effects are occurring.
- **CampaignManager™** enables you to target your various employee segments with different messages and then assess the effectiveness of each communication piece on the employee group that received it.
- You can use any of our many “off-the-shelf” communication pieces or we can create ones that meet your specific needs.

The three Case Studies shown on the next page illustrate the effectiveness of Investment Horizons’ **Targeted Personalized Communications**.

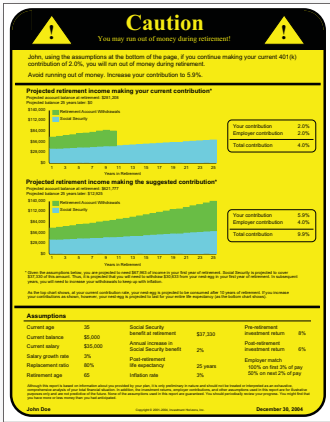


rather than asking us in general what categories of stuff we like and how much of it we want.”

Thomas H. Davenport and John C. Beck, *The Attention Economy*

# Targeted Personalized Communications

## Case Study I



The sponsor wanted to encourage non-participants to enroll in the 401(k) plan and urge low contributors to increase their contributions. To accomplish its goals, the sponsor decided to give each employee a personalized "off-the-shelf" gap analysis. One version of

the report had wording crafted for non-participants while the other one targeted low contributors. 13.3% of their 435 non-participants joined the plan, with an average initial contribution of 7.7%, and 12.3% of the 342 low contributors increased their contributions by an average of 4.9%.

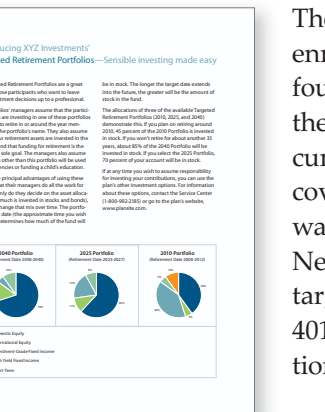
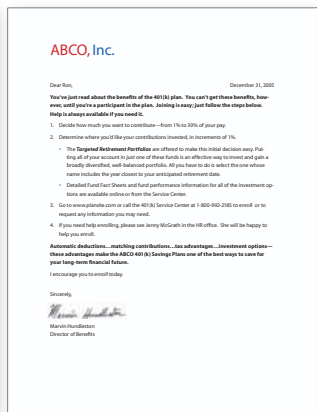
## Case Study II



include a cover letter. The results were impressive: 14.5% of the targeted participants increased their contributions 2.4%.

The sponsor wanted to encourage participants to increase their contributions to at least an amount that would qualify them for the full employer match. A customized personalized report was mailed to the homes of almost 600 participants. The sponsor chose not to

## Case Study III



The sponsor wanted to increase enrollment at several locations. A four-page fold-out was mailed to the employees' homes. A wealth accumulation report was on the front cover and sponsor-provided material was on the inside pages. Nearly 10% of the almost 1,300 targeted employees enrolled in the 401(k) plan. Their average contribution was 6.6%.



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