

**This webinar will  
start at 1:00 PM Central.**

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**Thank you for joining us.**



**9 september**  
**2020**



# Secrets to Retirement Plan Design: What Participant Behavior Is Telling Us About Key Plan Features

**Greg Klein**

**Hays Financial Group**



# submit a question q&a

Please submit your questions to the presenters by using the **Q&A** button on the bottom of your screen.



Greg Klein



## presenter bio



### Greg Klein

Vice President  
Hays Financial Group

- Focused on employee education
- More than a decade in the retirement plan industry
- Fluent in Spanish – lived in three Latin American countries
- CPFA and ARPC designations
- MIA from Texas A&M University (Gig' Em Aggies!)
- Takes pride in helping all types of employees achieve retirement success

# AGENDA

- 01 – overview of behavior
- 02 – COVID-19 reactions
- 03 – plan design considerations
- 04 – takeaways

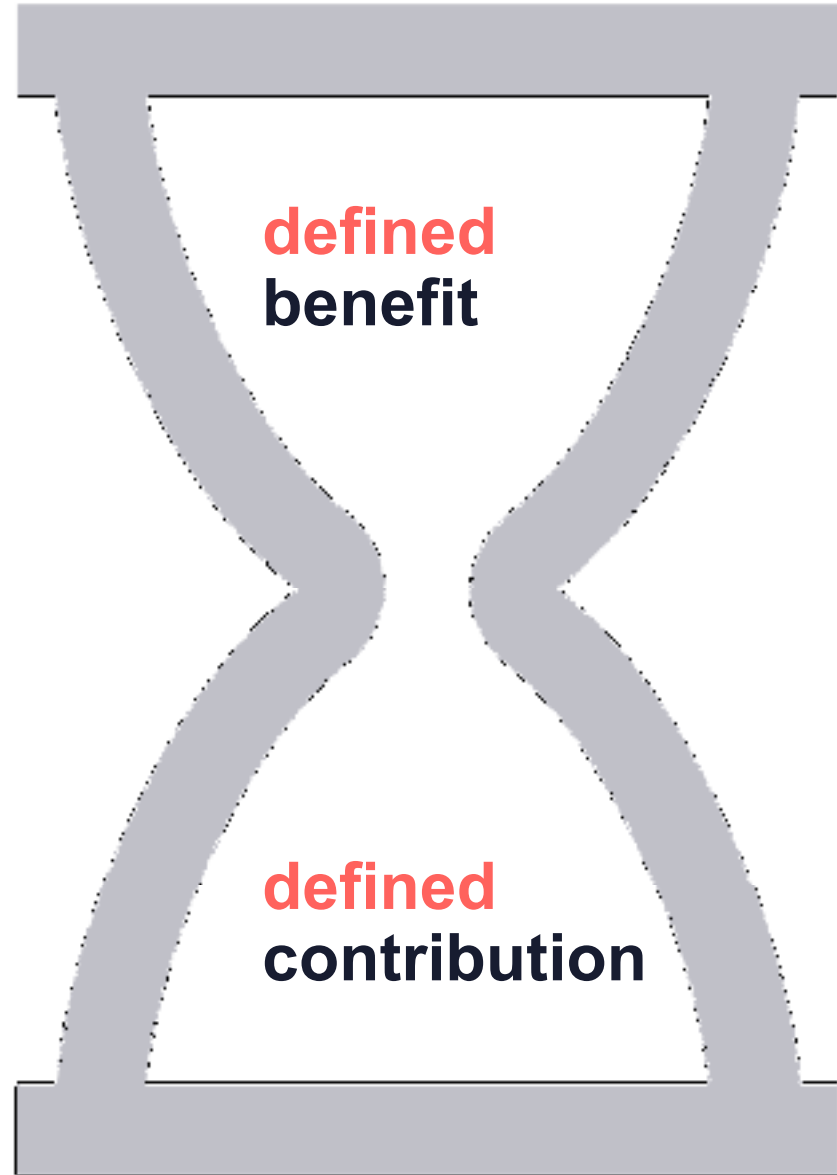
**plan type**  
**behavior**

transition to **dc plans**

participant **directed**

more **decisions**

irrational **behavior**



**behavior**  
**procrastination**

TO JOIN

OR

NOT TO JOIN

*Procrastination is the art of keeping up with yesterday*

— Don Marquis

behavior  
inertia

**INERTIA** IS TO REMAIN  
**UNCHANGED,**  
AND ACCEPT THE  
**STATUS QUO.**





**behavior**  
**loss aversion**



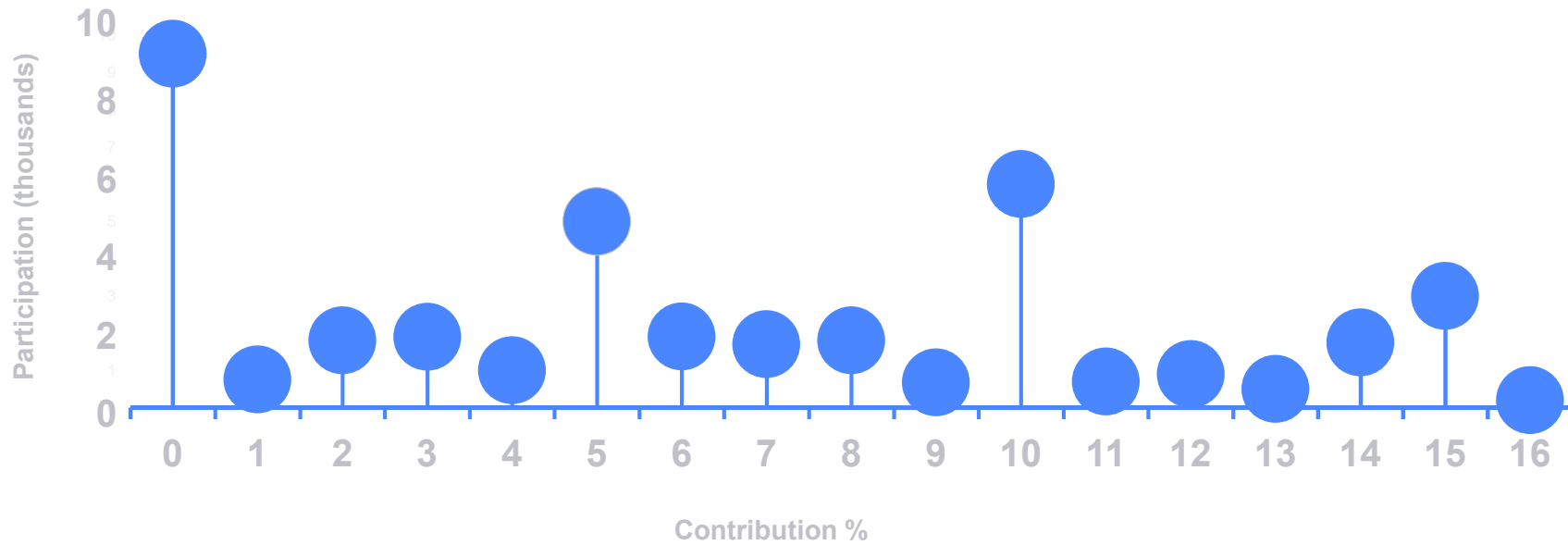
**loss aversion**

put off making a decision in order  
not to make the **wrong** decision

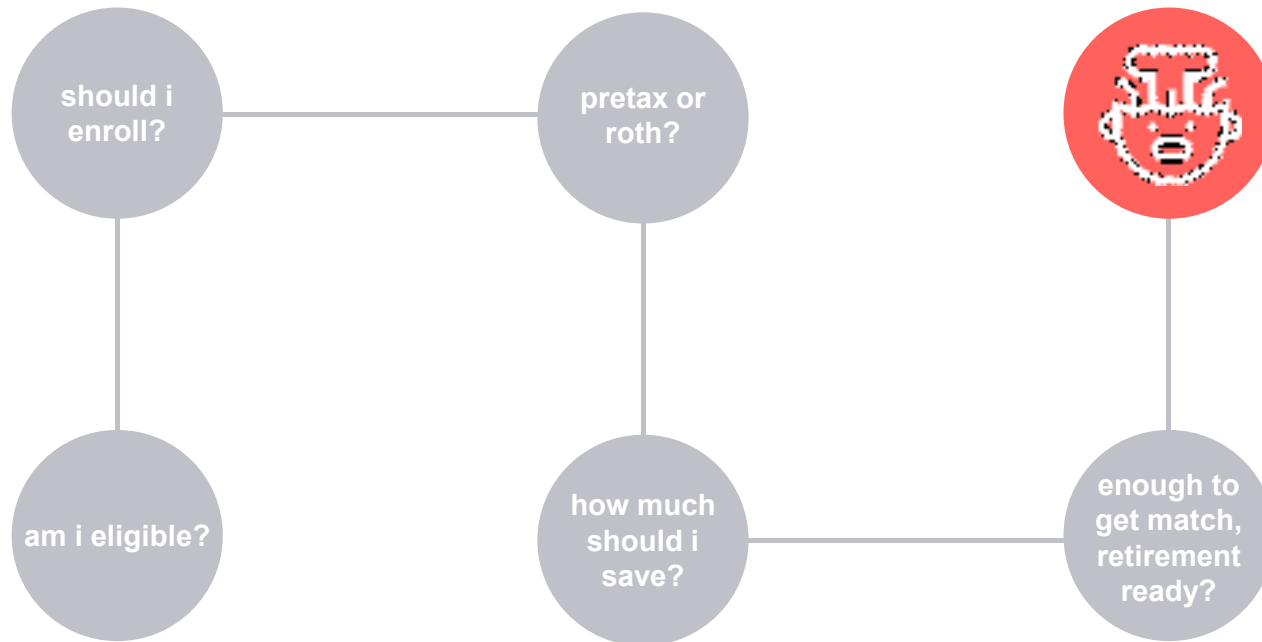
## behavior reference points

- ✓ auto enrollment percentage, e.g. 3%
- ✓ minimum percentage to get full employer match
- ✓ round numbers, like 5% or 10%

# behavior reference points



# behavior choice overload



# behavior choice overload



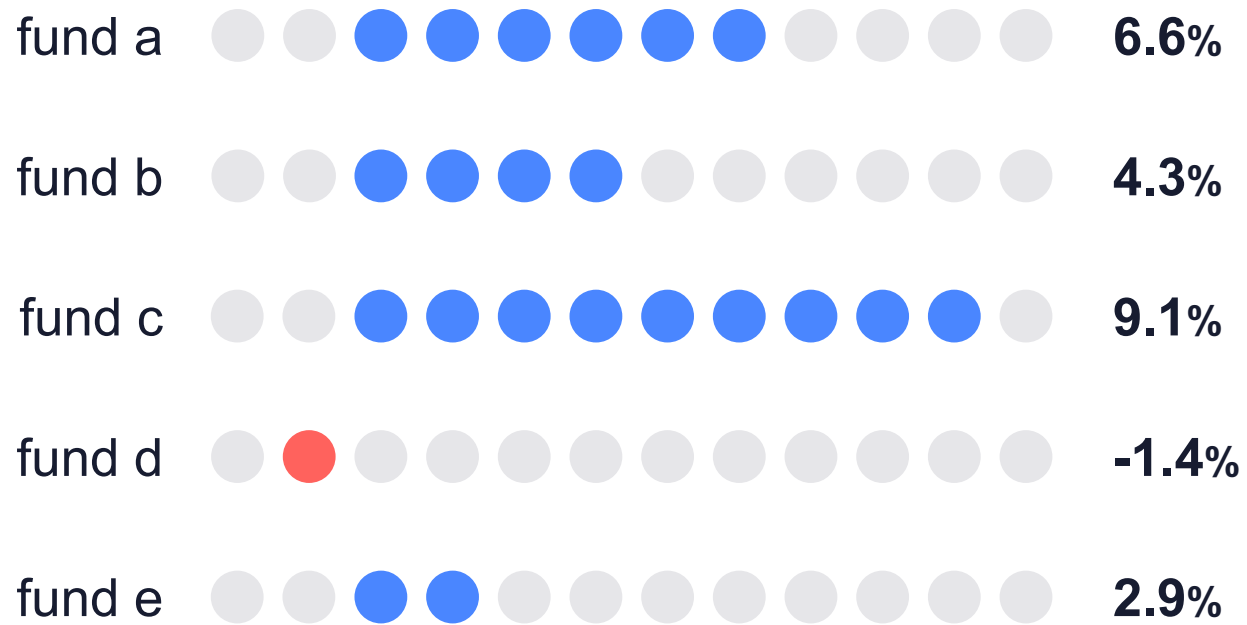
# behavior

## naïve diversification



## behavior

### excessive extrapolation



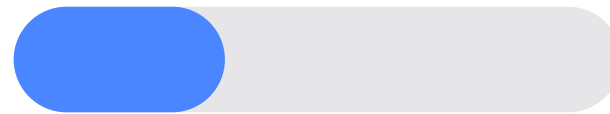




# COVID-19 contributions

**H1: 2020**

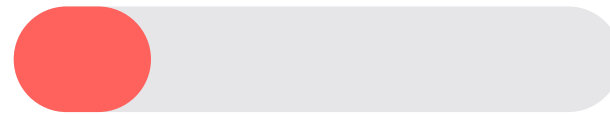
Percentage stopping contributions



**2.0%**

**H1: 2019**

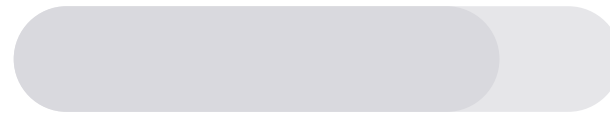
Percentage stopping contributions



**1.3%**

**H1: 2009**

Percentage stopping contributions



**4.6%**

# COVID-19 investments (current)

**H1: 2020**

Percentage changing allocation of current balances



**8.3%**

**H1: 2019**

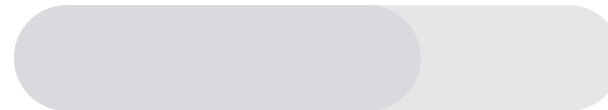
Percentage changing allocation of current balances



**6.1%**

**H1: 2009**

Percentage changing allocation of current balances

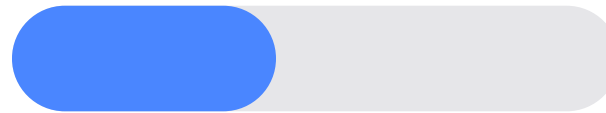


**7.7%**

# COVID-19 investments (future)

## H1: 2020

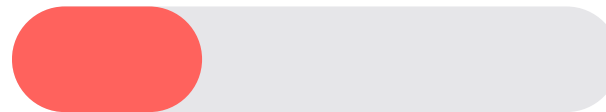
Percentage changing allocation of future balances



5.0%

## H1: 2019

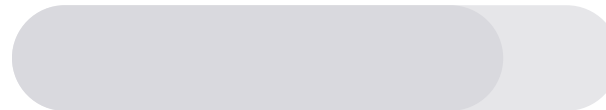
Percentage changing allocation of future balances



3.6%

## H1: 2009

Percentage changing allocation of future balances



9.3%

# COVID-19 withdrawals

**H1: 2020**

Percentage taking any type of withdrawal



**2.8%**

**H1: 2019**

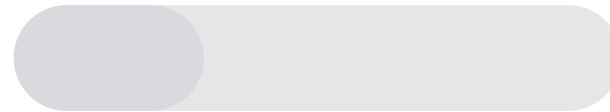
Percentage taking any type of withdrawal



**2.5%**

**H1: 2009**

Percentage taking any type of withdrawal



**1.8%**

# COVID-19 loans

**2020: end of Q2**

Percentage with outstanding loan



**15.6%**

**2019: end of Q4**

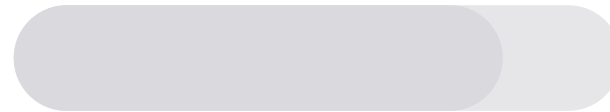
Percentage with outstanding loan



**16.1%**

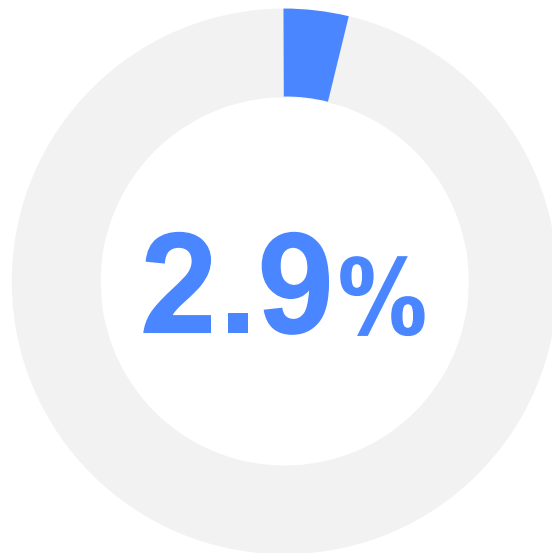
**2011**

Percentage with outstanding loan



**18.5%**

## COVID-19 CRDs



Only 2.9% of participants have taken a corona-related distribution in the first half of 2020.





## **auto features**

auto pilot





01 – auto enrollment

# plan design auto enrollment



**automatic enrollment**

average total savings rate



10.3%



**voluntary enrollment**

average total savings rate



6.6%



**automatic enrollment**

retirement readiness



60.2%



**voluntary enrollment**

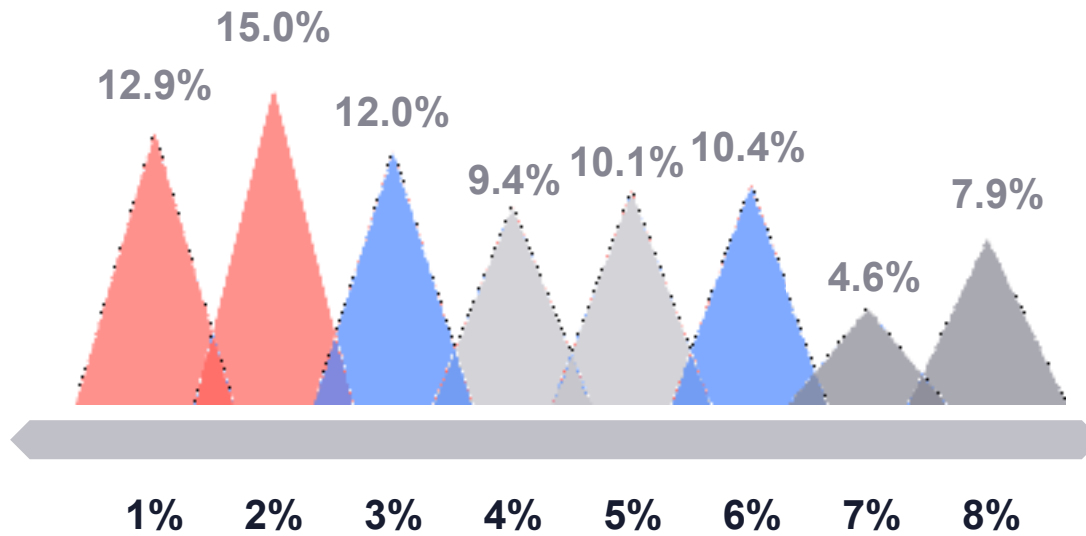
retirement readiness



47.9%

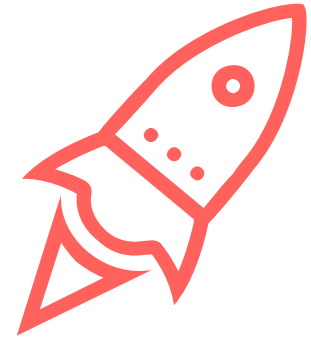
# plan design auto enrollment

opt-out rates by default contribution rate



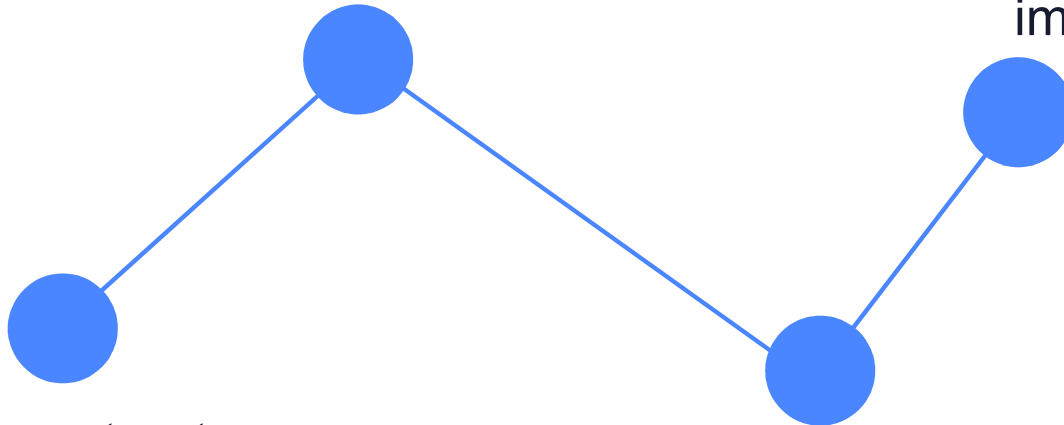
Source: John Hancock, "State of the Participant 2020"

**plan design**  
**higher defaults**



sets a higher reference point

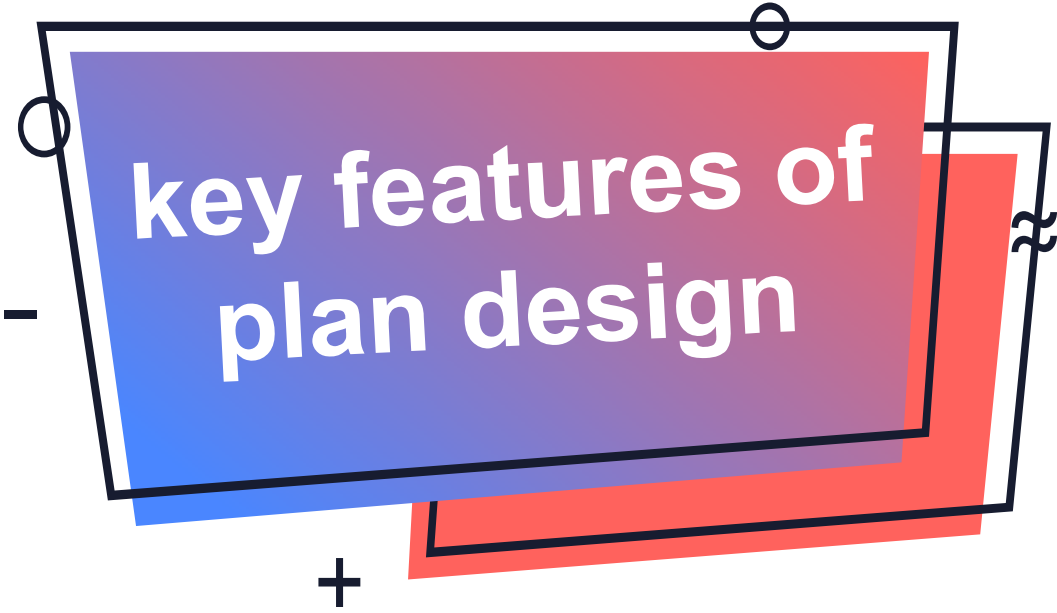
improve retirement readiness



little impact on opt-outs

participants get the match

...



01 – auto enrollment

02 – **auto escalation**

# plan design auto escalation

**\$1.41M**

start & stay at 10%

**\$1.26M**

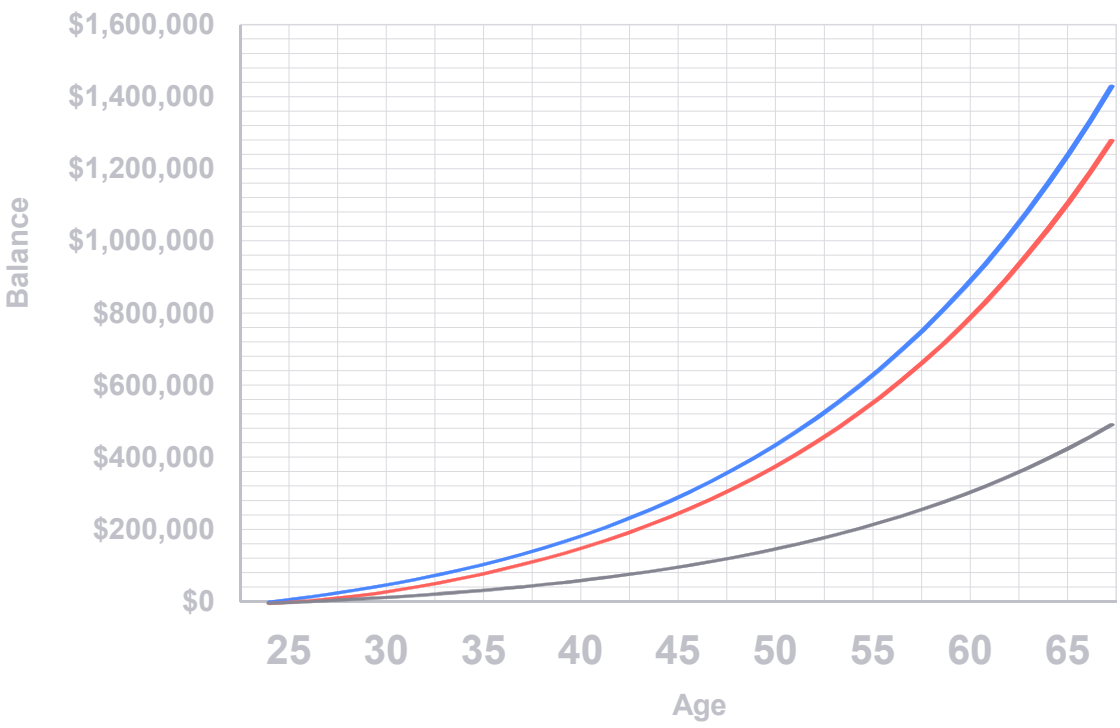
start at 3%  
with annual increases to 10%

**\$487K**

start & stay at 3%

**Model assumptions**

- Start age: 25
- Retirement age: 65
- Employer match: \$0.50/\$1.00 on 6%
- Income: \$50,000
- 2% annual increase
- Investment return: 6%

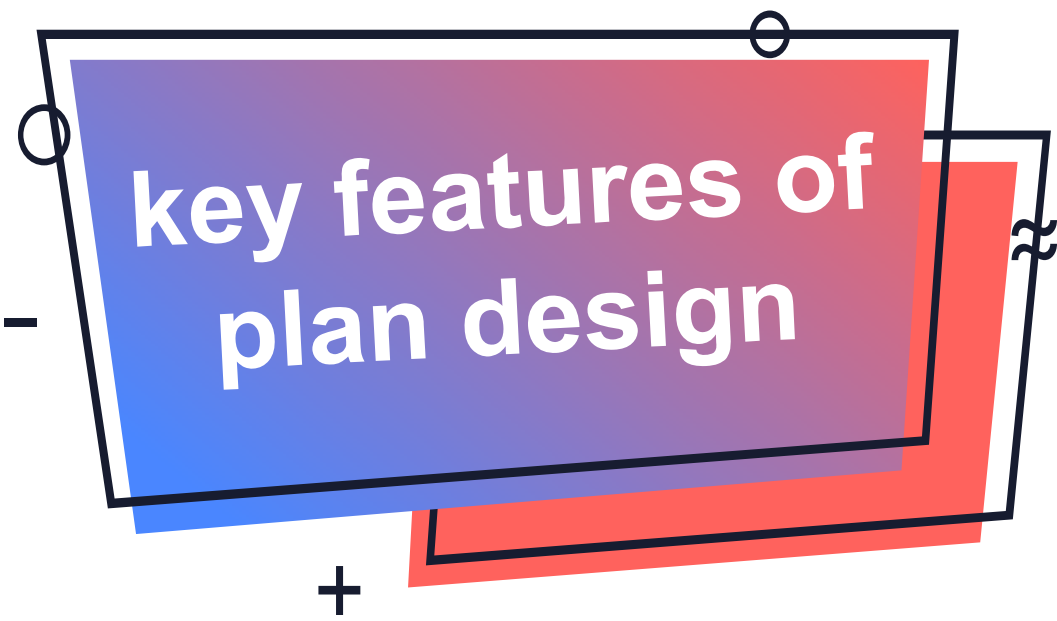


## plan design reference points



- **stretch** a discretionary employer match
- e.g. 25% on 12% versus 50% on 6%
- alternative to **stopping** the match

...



01 – auto enrollment

02 – auto escalation

03 – **reenrollment**



# plan design reenrollment





01 – auto enrollment

02 – auto escalation

03 – reenrollment

04 – **default investments**

# investments qdia

high risk/growth



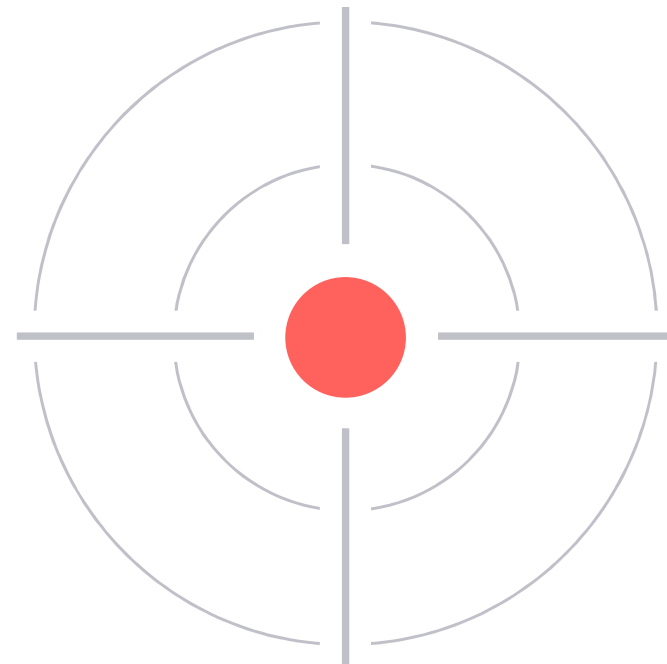
medium risk/growth



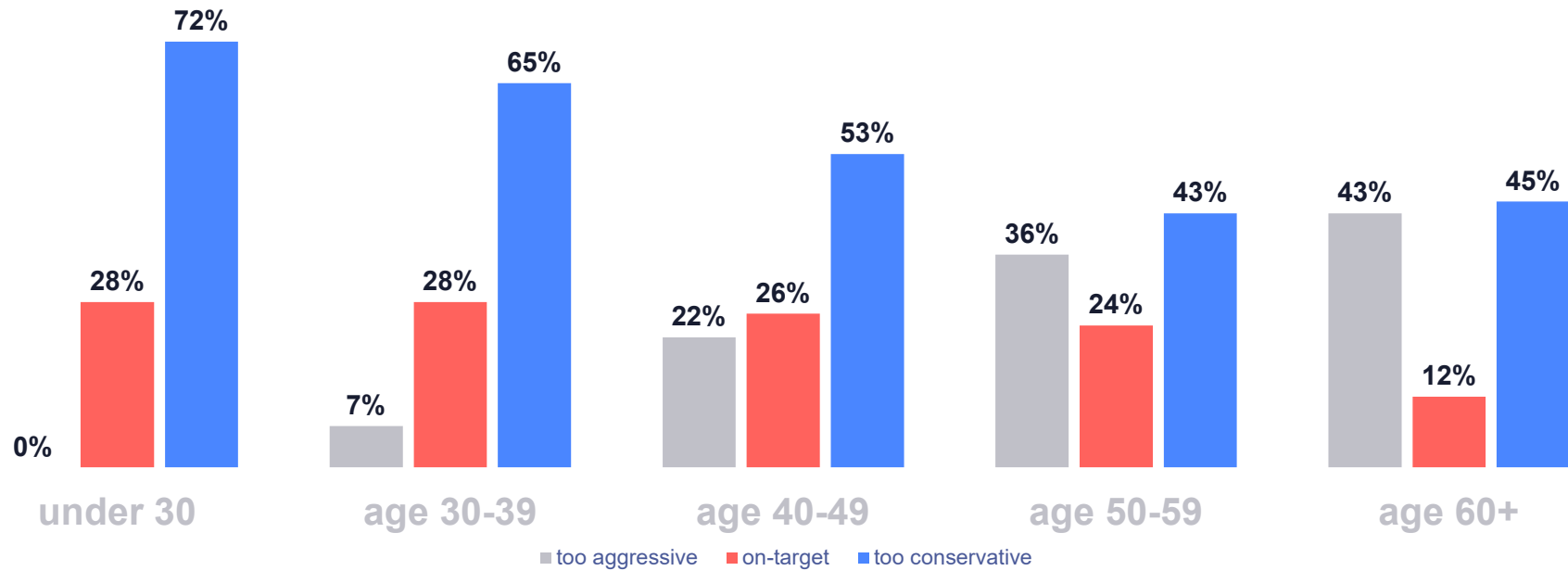
low risk/growth



target date

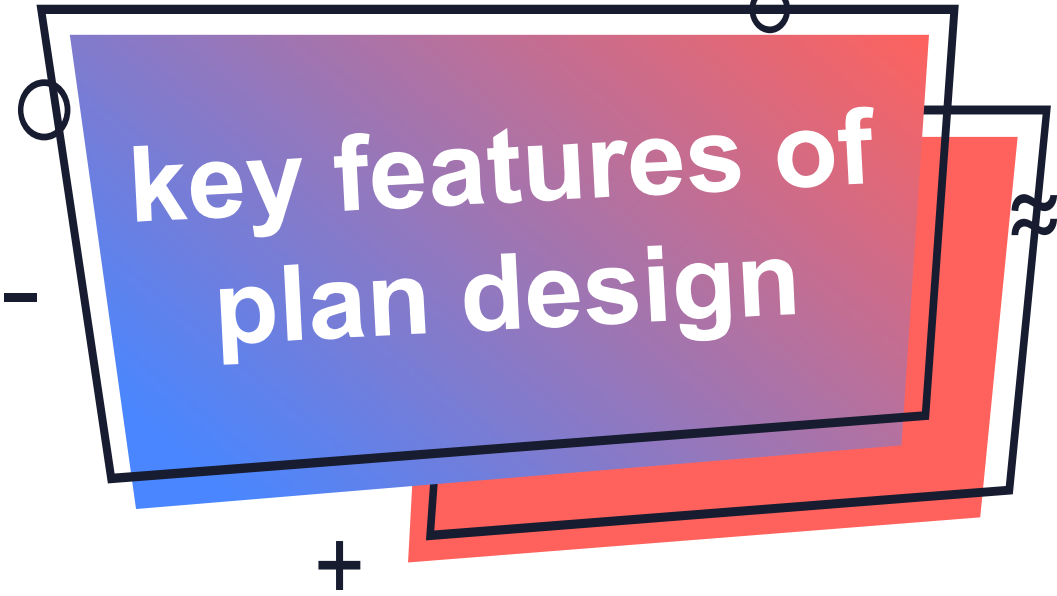


# investments qdia



Source: John Hancock, "State of the Participant 2020"

...



01 – auto enrollment

02 – auto escalation

03 – reenrollment

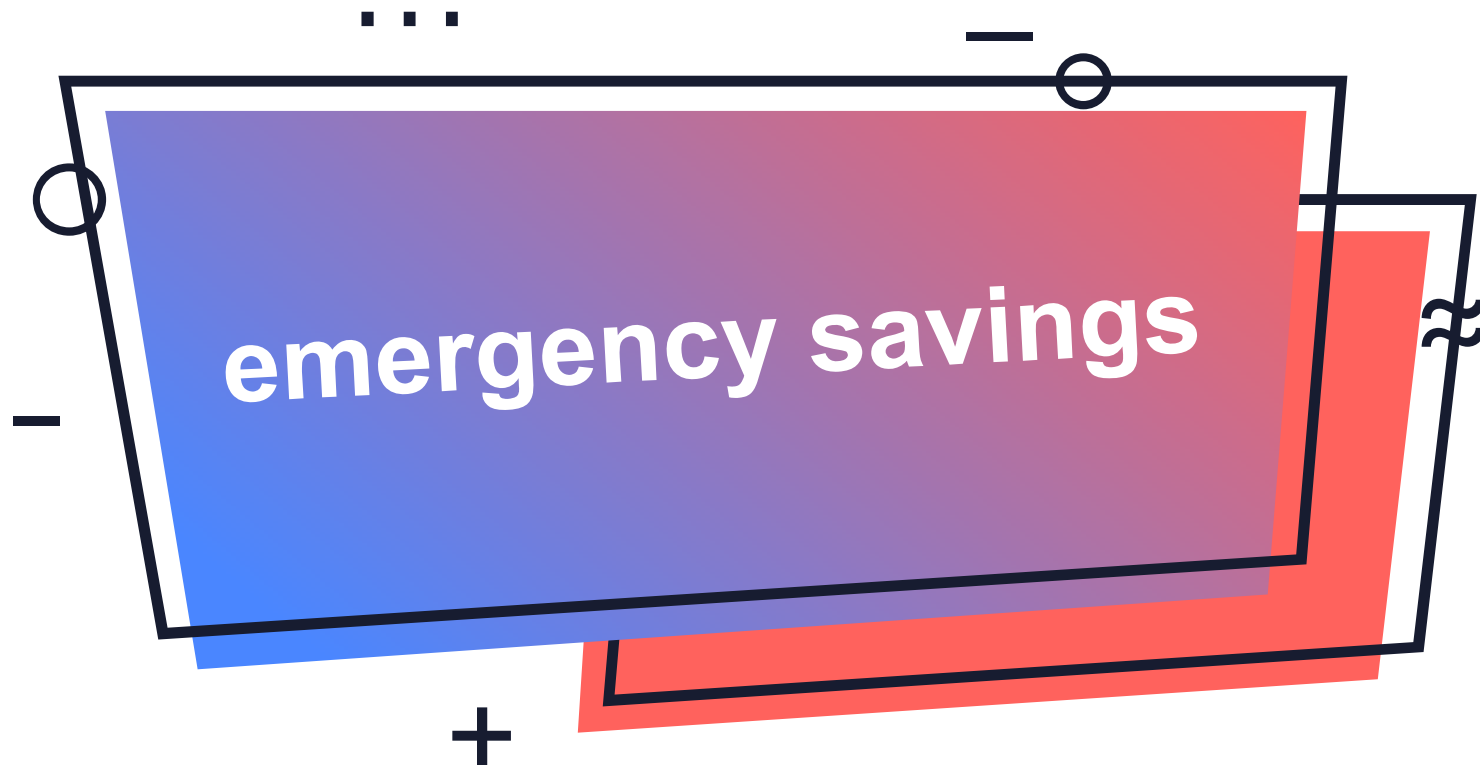
04 – default investments

05 – **advice**

## plan design advice

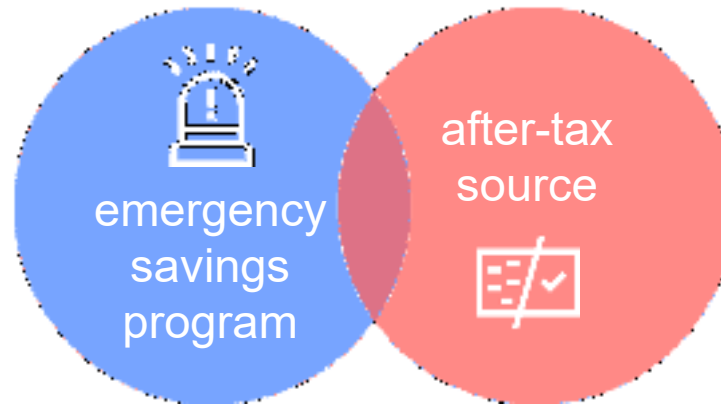


- keep perspective
- stay on track
- cost effective
- be transparent



# plan design

## emergency savings





# TAKEAWAYS

01 – take participant behavior into account

02 – consider adding or upgrading an auto feature

03 – pick quality default investments and make advice available

04 – emergency savings may improve retirement plan savings

# thank you.

Please contact your Hays Team for any additional information.

Questions?

Reach out to a Hays Financial Group consultant



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