

Most employers auto-enroll 401(k) participants

Looking for a no-cost way to help employees save more for retirement? Consider making enrollment in your 401(k) automatic for all employees. They'll have to affirmatively opt out if they don't want to participate.

Most employers now offer automatic features in their 401(k) plans to ensure that workers are saving enough to receive full company matching contributions over time, according to a survey by the benefits consulting firm Aon Hewitt.

Among companies with defined contribution plans such as 401(k)s, 70% have some kind of auto-enrollment feature. Twenty-nine percent automatically enroll participants in the plan at a savings rate at or above the company match threshold. Another 27% automatically enroll employees below the full match rate, but automatically escalate contributions over time so workers will eventually be saving enough to receive the full company match.

According to Rob Austin, director of retirement research at Aon Hewitt, employers "understand that they need to give workers an added boost by either starting them off at a more robust savings rate or automatically escalating contributions over time up to, or beyond the match threshold. That extra savings can have a remarkable impact on workers' long-term savings outlook."

Aon Hewitt's survey found that 8% of companies automatically enroll participants below the full match threshold and have contribution escalation as an opt-in feature.

Among plans with automatic enrollment:

- 7% default above the full company match level
- 34% have default rates at the full company match level
- 59% default below the full company match level

Of firms that have not implemented automatic enrollment:

- 67% cite the increased cost of the match as the biggest barrier
- 37% are concerned about the reaction from employees
- 30% do not want small account balances in the plan.