

Insights from *Retirement & More* Advisory Board 401(k) Knowledge & Behavior

Education on budgeting helps online community members maximize contributions to their 401(k), which is their main source of retirement savings.

Objectives:

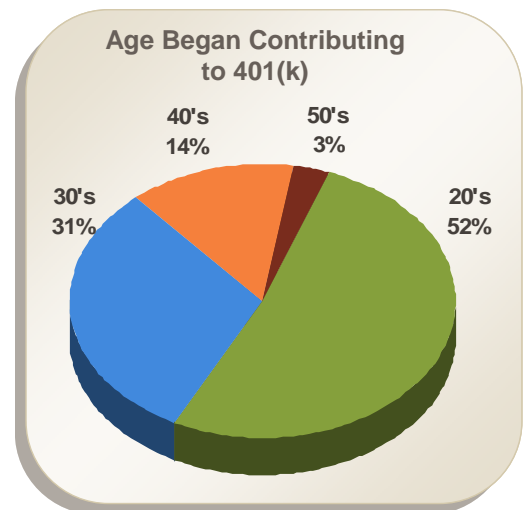
- When and how did online community members first start investing in a 401(k)?
- How do online community members view their 401(k) relative to other accounts?
- How are they using the 401(k) as a savings vehicle?

Contribution level

Less than company match	6%
At company match	18%
Between company match and IRS maximum	45%
Less than IRS max / no company match	5%
Maximum IRS contribution	27%
Do not contribute	1%

Key Findings:

- Online community members contribute what they can.
- The 401(k) is THE major source of funds for their retirement nest egg and is viewed by most as “untouchable.”
- Most learned about 401(k) plans during their first employer’s new employee orientation and benefits enrollment.
- Those who have other investments view their 401(k) differently than other accounts:
 - It is long-term, not frequently traded
 - It has more restrictions on withdrawal
 - It is rarely used for emergencies or large purchases, regardless of balance size
 - Other savings vehicles permit trading in any type of security, often with more risk
- Online community members in their 40s and 50s are more likely to manage their 401(k) accounts more aggressively than their other investments, perhaps in an attempt to “catch up.”
- About one-fifth still had 401(k) accounts from former employers that they had not rolled into an IRA. Most are keeping them because of the perceived hassle of the rollover process, inertia and liking the current investment options and/or fee structures.



“I always maxed out my percentage up until I got married; thinking that since I was young, I needed to maximize my 401(k) so that time can work for me. Then when we got married one month after we bought our house, we needed to make sure we had enough money for our mortgage and that’s when my percentage went down.”

These findings were revealed via qualitative research in an online community of ~400 retirement plan participants, hosted by Communispace. Qualitative research is best suited for providing directional insights into behavior and attitudes. Data findings, quotes or anecdotes provided here should be viewed as exploratory and directional in nature and are not necessarily projectable to a larger population

Potential Applications:

- Budgeting advice is a critical companion to 401(k) education, since contributions are tied to a feeling of “affordability.” Financial education can boost participation levels in the plan.
- 401(k) borrowing is not well understood and it ranks low on the sources for emergency borrowing.

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