Financial Pressures and Enrollment Misperceptions Prevent Employees From Contributing to Workplace Retirement Plans

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DES MOINES, Iowa--(BUSINESS WIRE)-- Nearly six-in-10 employees (59%) who are not contributing to their 401(k) or other workplace retirement plan think they are, according to the latest Principal®Retirement Security Survey. Three out of every four of those employees (77%) believed they started saving upon becoming eligible to contribute. This misperception, compounded by persistent inflation and elevated interest rates, makes it harder for Americans to reach their retirement goals, according to Principal®.

Among survey respondents who said they were not contributing to workplace retirement plans, despite being eligible, the top reasons cited for not saving included high monthly expenses (39%), paying off debt (36%), and insufficient income (34%).

“American workers are balancing a lot right now and it can feel overwhelming to employees who are trying to meet their needs today and invest in their long-term financial security,” said Chris Littlefield, president of Retirement and Income Solutions at Principal. “We are committed to working with employers to help their employees fully understand the retirement benefits available to them, the value of participating in the plan, and how investing in their retirement today can set them up for success in the future. Through good plan design features like automatic enrollment and regular communication, we have seen significantly improved savings and participant engagement.”

The Impact of Automated Features

Employers who leverage plan features that simplify and automate the enrollment process into retirement plans can produce better outcomes for their employees. Automated features include auto enrollment, auto increase of an employee’s contribution rate, and auto-sweep, which re-enrolls existing employees who are not contributing.

In the Principal®Retirement Security Survey, 62% of employees said they would continue to save in their workplace retirement plan if automatically enrolled by their employer.[1]Additionally, plans using automatic enrollment are at least twice as likely to achieve 90% participation versus plans that do not automatically enroll participants – with less than 10% of workers opting out of retirement plans when automatically enrolled by employers upon being hired.[2]

Employers utilizing automated features also help eliminate uncertainty around the percentage of pay workers believe is right to contribute, which can lead to inaction. One-third (34%) of employees surveyed have not thought about how much they need to save to maintain their standard of living in retirement. Of those who have thought about it, 44% believe they should be saving 10-25%.

“A good rule of thumb for the average working American is to save at least 15% of their income per year towards retirement, including the employer match,” said Teresa Hassara, senior vice president of workplace savings and retirement solutions at Principal. “We recognize this may not be possible for all people, but it is our industry’s shared responsibility with employers to ensure the access, tools, and plan features are in place to make it easy for people to start saving for retirement – and continue saving through different life moments.”

About the Principal®Retirement Security Survey

The Principal®Retirement Security Survey was an online survey conducted by Principal Financial Group. The research was focused specifically on eligible, not participating employees and why they are not contributing to their workplace retirement plan. The first survey was conducted from August 23, 2023, to September 6, 2023. A second survey was conducted similarly between October 20, 2023, and November 2, 2023. Respondents included nearly 2,050 workers.

Principal conducts periodic “pulse” surveys with customers and financial professionals to gain insight into timely topics. The survey findings reported here explore consumer concerns and possible actions surrounding saving and planning for retirement as well as financial behaviors related to market volatility and current events.

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[1] *According to employees who identified they were not saving from retirement; N=681.*

[2] *Principal ® proprietary data as of December 31, 2023; plan-level participation rates.*

[3] *As of March 31, 2024*

[4] *As of March 31, 2024*

[5] *Ethisphere, 2024*

[6] *Pensions & Investments, 2023*



Phillip Nicolino, 515-362-0239, nicolino.phillip@principal.com

Source: Principal Financial Group