SIKICH®

RETIREMENT TIMES

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS & FIDUCIARIES

NOVEMBER 2021

3 TACTICS TO COMBAT **THE GREAT RESIGNATION**

During the pandemic, workers quit their jobs in record numbers across the U.S. According to the Bureau of Labor Statistics (BLS), four million employees (2.7%) resigned their positions in April 2021, the largest number ever recorded since the BLS began tracking the metric in 2000. This mass exodus has been dubbed "the great resignation," and it continues to rattle employers (3.9 million voluntary separations were logged in June). High turnover and loss of talent can seriously undermine an organization's productivity and profitability. But there are strategies you can use to help stem the tide.

1. **Consider remote, distributed and hybrid workforce solutions.** There's a saying, "you can't un-ring the bell." Many employees who had a taste of remote work during the pandemic have come to prefer it and are rethinking their ideal employment situation. Finding flexible arrangements to accommodate these workers may prevent them from jumping ship at the first opportunity. Not all positions lend themselves to this option, however, so it's also important that on-site workers don't feel overlooked. Consider offering this group additional perks such as flex work or casual Fridays.
2. **Support financial wellness.** Many employees have suffered from heightened emotional and psychological stress during the pandemic. Fear and anxiety about the health of family members, challenges helping kids with remote learning, social isolation and financial pressures have hit families hard. While COVID-19 continues to exert an outsized influence on many aspects of life, one area where plan sponsors can make a significant and meaningful difference is by supporting financial wellness.
3. **Proactively assess (and boost) morale.** Use performance reviews as an opportunity to gauge employee job satisfaction. Look for ways to support professional development by offering training and educational opportunities and encouraging appropriate lateral moves when possible. Don't wait until you have to make a counteroffer to retain a valued worker. Find ways to show your appreciation to individuals and departments with special lunches or dinners — and public recognition of contributions and achievements. Encourage upstream communication about any frustrations or difficulties to head off potential defections. Also, don't overlook the value of a 401(k) match in the eyes of your employees.

A tight job market fueled by low unemployment, record-high savings rates and soaring 401(k) balances suggests that the great resignation may continue into the future. This is not the time to adopt a wait-and-see approach when it comes to employee retention. Organizations that are nimble and well-positioned to provide flexible solutions to meet the changing wants and needs of their workforce are more likely to attract and retain top talent during this period of historic turnover.

FINANCIAL WELLNESS **GONE WRONG**

According to Forbes, a financial wellness program is the new "must-have" employee benefit. And it's not hard to argue that it's a must-have for plan sponsors too. After all, financial stress can hinder productivity and dampen employee morale, while financial wellness can help workers gain control of their financial lives and retire on time, saving companies money. But this is one area where less is definitely not more — and rubber stamp solutions can cause problems all their own. Here are four examples of financial wellness gone wrong.

1. **One-size-fits-all approaches.** Imagine going to a doctor who prescribed every patient the same medicine regardless of their symptoms or diagnosis. Cookie-cutter financial wellness programs make just about as much sense. And worse, unlike employees with no program at all, participants of poorly designed and implemented programs could end up overestimating their preparedness when important areas of financial wellness are neglected. Workers' financial needs and concerns can vary depending on many factors including age, gender, risk tolerance, life stage, educational level and socioeconomic status. And a sound financial wellness program must address these individual differences.
2. **Online-only (non)solutions.** Programs without in-person advisory support can leave some employees behind. Digital resources are necessary — but not sufficient — for a robust financial wellness offering. Without the option of face-to-face interaction, those not inclined or well-equipped to take advantage of online resources can be underserved. You want flexible options for both individual and group in-person interactions to enable more in-depth discussion of questions and concerns. Some employees need one-on-one assistance, and increasingly many are expressing the desire to avoid having to tackle retirement planning decisions alone.
3. **Limited scope and focus.** It can be easy for 401(k) service providers to emphasize programming around retirement plan contributions at the expense of a more integrative financial wellness approach, but they'd do so at the peril of participants and sponsors alike. When workers can't get a handle on debt, for example, it can be difficult for them to contribute enough to their 401(k) to retire on time. And if they haven't been educated about the necessity of an emergency fund, it's more likely they'll raid their retirement plan in the event of a crisis. The impact of delayed retirement on workforce costs are well-documented, and SHRM reports that workers under high stress are more likely to take sick days and miss work. Financial wellness programming that fails to cover all the bases — from budgeting to credit and debt to investing and long-term care planning — can leave participants and organizations vulnerable.
4. **Insufficient performance metrics.** If you don't gauge progress, how can you (or your participants) tell if you're making any? Find a tool that provides a global financial wellness score that can offer participants and sponsors metrics to evaluate progress.

A financial wellness program is increasingly growing in popularity. Talk to your Sikich advisor to learn more about using one at your organization.

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EMERGENCY **SAVINGS**

According to a recent WSJ article, more employers are adding emergency savings accounts to employee benefit programs, in an effort to attract and retain workers and help them better prepare for unexpected expenses.

In 2019, The Federal Reserve reported that 37% of adults lack the funds to cover a $400 emergency. Nearly a quarter of the 11,000 respondents to a November 2020 Federal Reserve survey said they were worse off financially than a year before.

Responding to demand from employers, workplace programs designed to help workers build emergency savings, often through payroll deductions, are becoming exceedingly popular.

Some programs offer an innovative approach to employer sponsored emergency savings program where employees can allocate their retirement matching dollars to their Retirement or Emergency Savings Account (or Student Loans and/or 529 Accounts). One of the reasons that this is such a game changer is that it doesn't require adding to a company's benefits budget, it utilizes already-budgeted dollars and empowers Employees to use it where they need it the most.

Regulators have been trying to make it easier for employers to automatically enroll workers into emergency savings accounts, something the 2006 Pension Protection Act did in 401(k) accounts.

Sen. Cory Booker (D., N.J.) introduced a bill to make it easier for employers to auto-enroll workers in emergency-savings accounts. (Workers would be able to opt out.) and a bill sponsored by Sens. James Lankford (R., Okla.) and Michael Bennet (D., Co.) would allow workers one penalty-free annual withdrawal of up to $1,000 from a retirement account for emergency expenses. However, with experts suggesting 3-6 months' worth of expenses in emergency savings account, a $1,000 withdrawal most likely won't cover the entire expense.

Sources

The New Employer Benefit: Matching Emergency Savings Pandemic has highlighted need for employees to have money set aside for a rainy day, Updated Aug. 27, 2021 8:12 am ET (https://www.wsj.com/articles/the-new-employer-benefit-matching-emergency-savings-11630065600)

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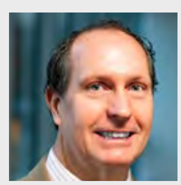

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