

Automatic Plan Features, Planning Tools, Mobile Apps - What's Next in the US Retirement Industry?

Automatic plan features like auto enrollment, auto deferral increase (ADI) have put millennials on path to retirement readiness[#] is a recent claim by the PLANSPONSOR® magazine. When we compare participation rates, saving rates, equity allocation percentages from a voluntary enrollment plan to those of an automatic enrollment plan, they are looking promising. In the PLANSPONSOR® study, 3.6% was the average deferral rate in a voluntary plan, and in the automatic enrollment plan it was 4.2%. For a plan with employer match, the deferral rates are 5.1% and 6.6% for voluntary and automatic plans respectively. Looking at these percentages, one can say by far automatic plan features are having positive impact on retirement savings. But, as the adage goes leading a horse to the water is easy, but the challenge is making it drink the water. With the automatic features we are getting employees in to the retirement plan, but the question is whether these automatic plan features are helping participants in achieving their retirement goals. The real work for plan providers and plan sponsors starts after getting participants on board and taking them to the next level – educating, engaging with them and making them achieve their retirement goals without leakages through unnecessary loans and withdrawals.

Technology is playing a vital role in this initiative of making participants retirement ready. Mobile apps and mobile optimized websites from sponsors and providers are playing pivotal role. ADP, Fidelity, Transamerica, Principal Financial group, Milliman and a few other providers released several apps and tools with varying capabilities ranging from enrollments, account balance checks, projections, gap-analysis to loan requests and W2 form downloads, for enhancing the sticky factor of participant education. Edu(k)ate^{#3} has experimented even with gamification for the participant education. As next step, a few providers are even expanding the scope of participant education. Vanguard took up the pain of combining technology, behavioral economics and decision making^{#2} to track the participant behavior towards their retirement readiness - like tracking their deferral percentages, analyzing their goals, education levels on retirement savings, participation in educational workshops. Voya has released a dashboard to connect the accounts and holdings^{#4} – such as checking, saving, credit cards, mortgage, insurance and retirement accounts to give a holistic understanding of financial well-being. This level of business intelligence from the participant data has helped plan providers and plan sponsors in customizing their communications to early, mid and late-career plan participants.

In spite of all these initiatives, a majority of plan participants are still in a passive mode, without a holistic understanding of financial well-being after their retirement. So, what's the next step for the US retirement plan providers and plan sponsors? Digitalization? Should they follow the footsteps of global insurance and pension players and invest in digitalization initiatives – leveraging analytics, decision management, the Internet of Things and smart machines to supplement manual efforts to re-emphasize the importance of retirement savings? Will this help the US retirement industry in driving growth and differentiation for adaptable and personalized customer experiences for plan participants and boost their retirement savings? How prepared are plan provider and plan sponsor organizations' existing technology landscape? We have to wait and watch!

[#] <http://www.plansponsor.com/Auto-Features-Put-Millennials-on-Path-to-Retirement-Readiness>

#2 https://pressroom.vanguard.com/content/prhess_release/

#3 <https://my.edukate.com/consultants>

#4 <https://corporate.voya.com/newsroom/news-releases/ing-us-launches-new-online-personal-financial-planning-and-budgeting-solution>

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