



Falling 401(k) Participation Rates – Reversing a Negative Trend

By John Blossom, president of Alliance Benefit Group

Despite a recovering economy, participation rates in 401(k) plans continue to drop. According to the Profit Sharing/401(k) Council of America (PSCA), participation rates in the retirement plans have dropped from 80% in 1999 to 70% in 2003. But what does this mean for the plan sponsors and for the participants?

The media has been reporting for some time that the plans themselves are scrutinized for what they do not offer participants and the latest study indicates that participation may still be down due to the uneasy feeling by some investors in the state of the marketplace.

So what can companies do to rekindle the desire of employees to participate in 401(k) plans? Alliance Benefit Group, a leading provider of retirement plan administration and services recommends the following:

1. **Revisit plan options.** Not every employee is the same. Employees of your company vary in age, needs, short-term and long-term goals, etc. Be sure the right mix of investment options are available so every employee can best maximize their savings potential in your plan.
2. **Provide investment advice to participants.** The average 401(k) participant is not a savvy investor. Most view their plan as the cornerstone of their retirement and do not want to take a chance by making imprudent decisions with such a large portion of their retirement. Provide them with an opportunity to talk with an independent, third-party professional who can guide them in the right direction regarding their retirement plan.
3. **Ensure educational programs are available for employees.** There are employees who may not have the need to take direction from a financial professional. They may only have the need for a seminar or workshop, which will provide them with thorough details of the plan so they can best understand what is available to them.
4. **Open communication with employees.** Be sure you are communicating with your employees on a regular basis regarding the plan. Those who watch the news or read the newspaper are naturally concerned over the strength of the economy and our national recovery. Because everyone was stung by the events of the past three years, they need the affirmation that their employer is doing everything possible to provide the best plan available.

For more information on what businesses can do to help reverse the falling participation rates, contact Alliance Benefit Group at 800-224-4015, or Ben Lewis at Perception, Inc. at 301-963-7555. Visit Alliance Benefit Group at www.abgnational.com.