

# Actionable Insights for Your Mobile Workforce

Portability Solutions Key to Improving Retirement Outcomes



an **RLJ** company

**Retirement Clearinghouse**  
Moving Retirement Forward

# The Presenters



**Warren Cormier**  
Founder, President of Boston  
Research Technologies (BRT)

- Co-founded the Behavioral Finance Forum with Dr. Shlomo Benartzi of UCLA. Recognized as the market research leader in the Defined Contribution industry; voted by DC professionals onto the Top 50 Most Influential People in the Industry.
- Author of the DCP plan sponsor satisfaction and market dynamics studies -- the standard for service quality and trend measurement in the 401(k) arena.
- Author of *Eliminating Friction and Leaks in America's Defined Contribution System*, drawing attention to the systemic issues caused by lack of retirement savings portability.



**Spencer Williams**  
Founder, President & CEO of  
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- Innovator, entrepreneur and leading industry advocate for plan-to-plan portability solutions, particularly for small-balance job changers.
- Influential amongst public policy makers and industry centers-of-influence, promoting systemic solutions that stem retirement savings “leakage” and promote retirement savings consolidation.
- Over 30 years of experience in the financial services industry, including numerous senior executives roles with leading financial institutions.

## About the Study

- First of its kind research that looks beyond the statistics to understand participant behavior and psychology associated with the retirement plan distribution decision
- BRT conducted the study in collaboration with Retirement Clearinghouse
- 5,000 participants in a retirement plan were surveyed
- Survey conducted from April 13 – April 24



BOSTON RESEARCH TECHNOLOGIES

## About Boston Research Technologies (BRT)

BRT uses a unique mix of Qualitative and Quantitative Market Research, Behavioral Economics, Business Strategy and Advanced Analytical Modeling to uncover deep embedded insights and shape winning business strategies and tactics. We've spent over three decades evolving and innovating market research methodologies, coupling them with business strategy, to drive highly successful initiatives for many clients.



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# Executive Summary

Increased mobility of workforce poses risks, opportunities for plans related to portability. Research exposes those risks and opportunities.

Research is the first of its kind to look beyond the stats and reveal participant thinking and behavior regarding the distribution decision.

## Key Conclusions

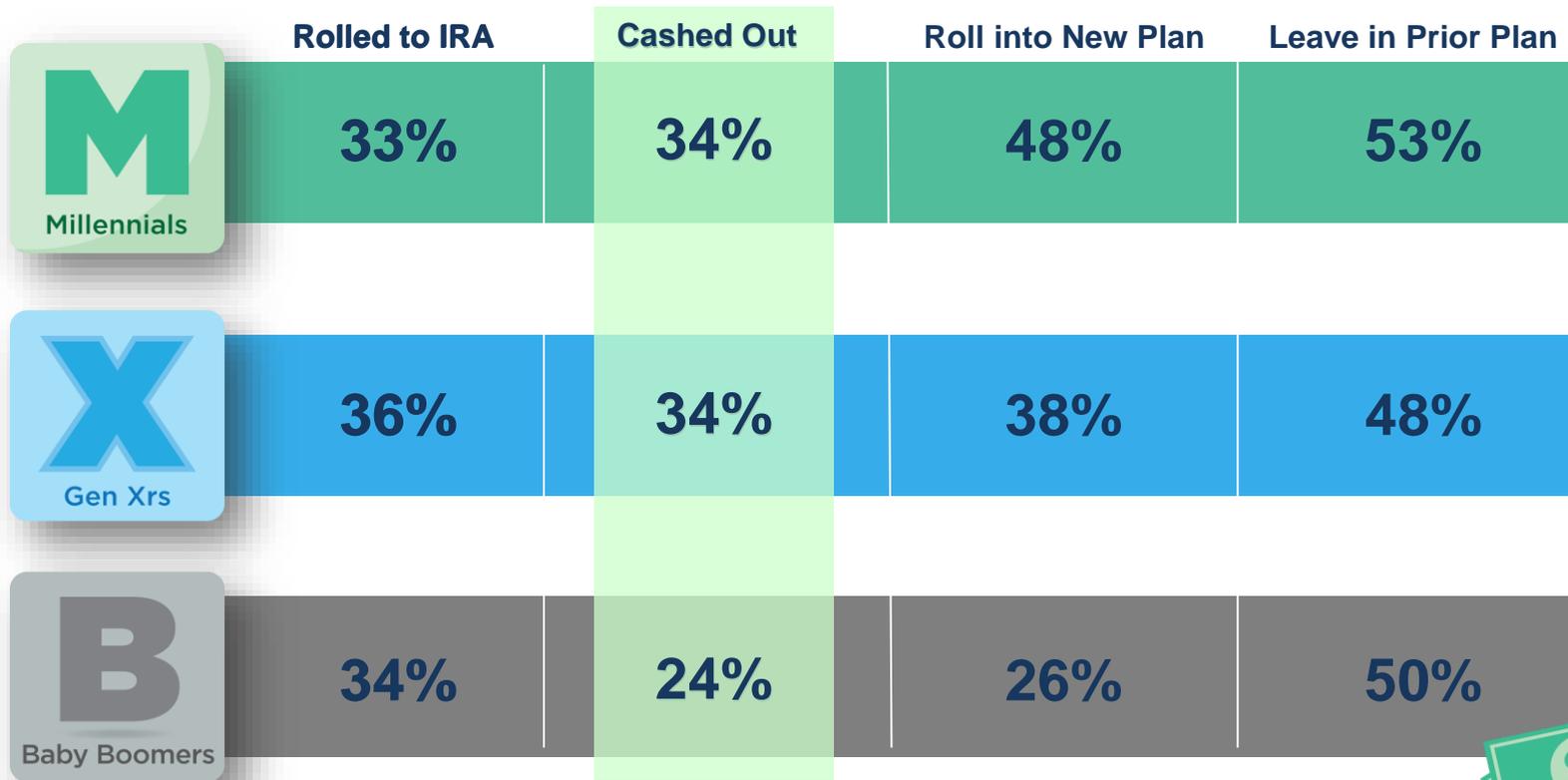
- A majority of participants are **basing their distribution choice at the time of job change on convenience** and thereby harming their retirement readiness.
- Participants are **overwhelmingly receptive to using their qualified plan as their primary retirement account** during their working careers.
- Participants rate employer-sponsored roll-in services as an **excellent and valuable benefit**
- **Portability solutions are needed to make in-plan consolidation the default option** for those segments of the participant population that are uncertain about their distribution decision



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# The Distribution Decision – Generational Differences

When changing jobs, respondents did this at least once.



# Cash Outs Putting Retirement at Risk Across All Age Groups

Cashed out **at least one account** over working life time



34%



34%



24%

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Cashed out **two or more accounts** over working life time



5%



9%



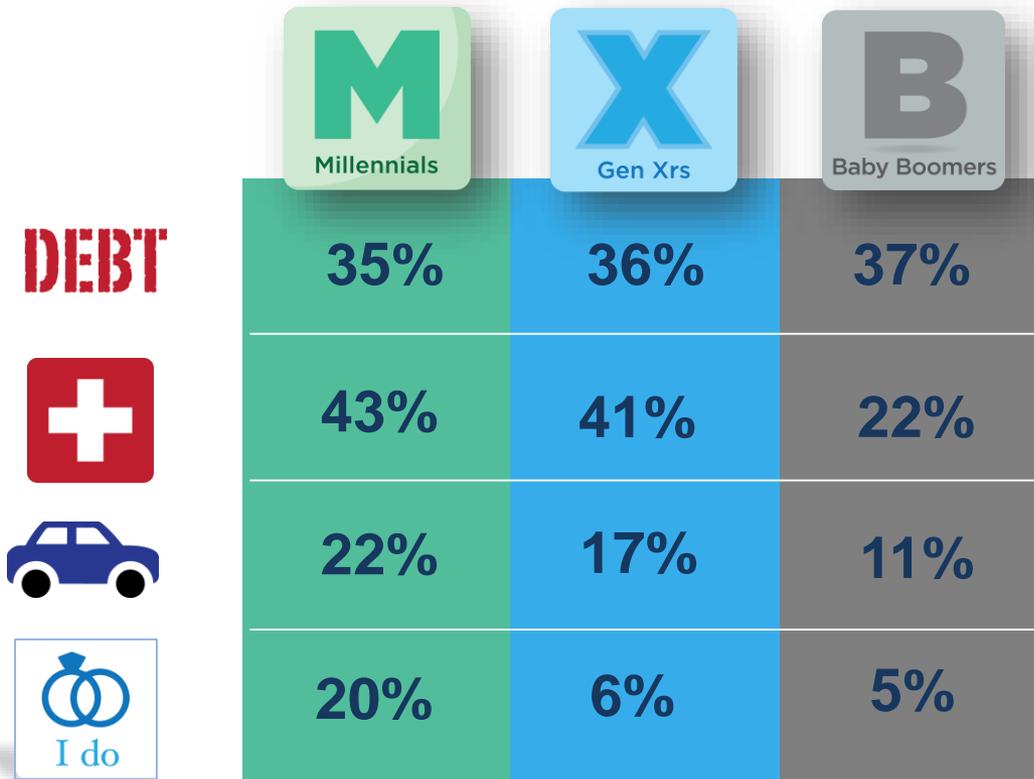
7%

# Older Participants Are Cashing Out Larger Balances

Amounts Taken (cashed out of a previous plan)



# Use of Cash Out Proceeds - Generational Differences



✓ Of those that gave a reason, making debt payments was the most popular reason given – 35.8% of those that gave a reason, indicated that debt payments was the use of the funds. This was consistent across all age groups.

✓ Millennials using cash outs for emergency at almost twice the rate of Boomers.

# Cash Outs A Function of Wealth, Not Income

## Cash Outs Lower at Higher Wealth Levels

At least one account cashed out over working lifetime



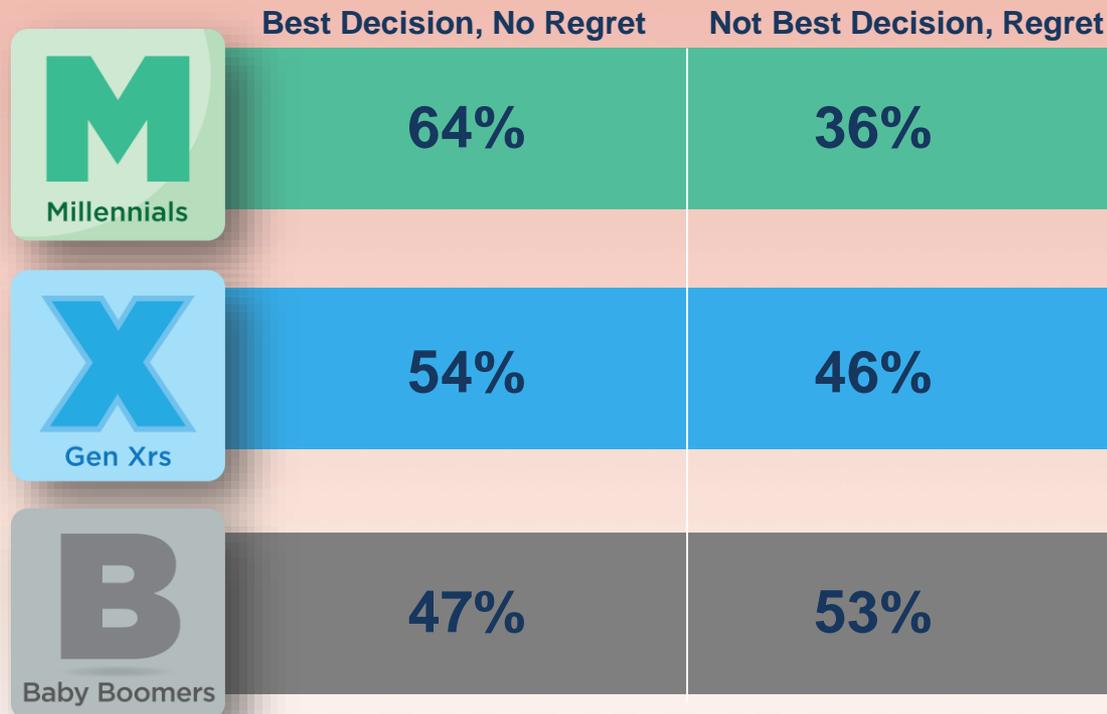
## Cash Outs Occur Across All Income Levels

At least one account cashed out over working lifetime



# Cash Out Regret – Grows Over Time

*Looking back, how do you feel about the cash out decision?*



# The Distribution Decision – Generational Differences

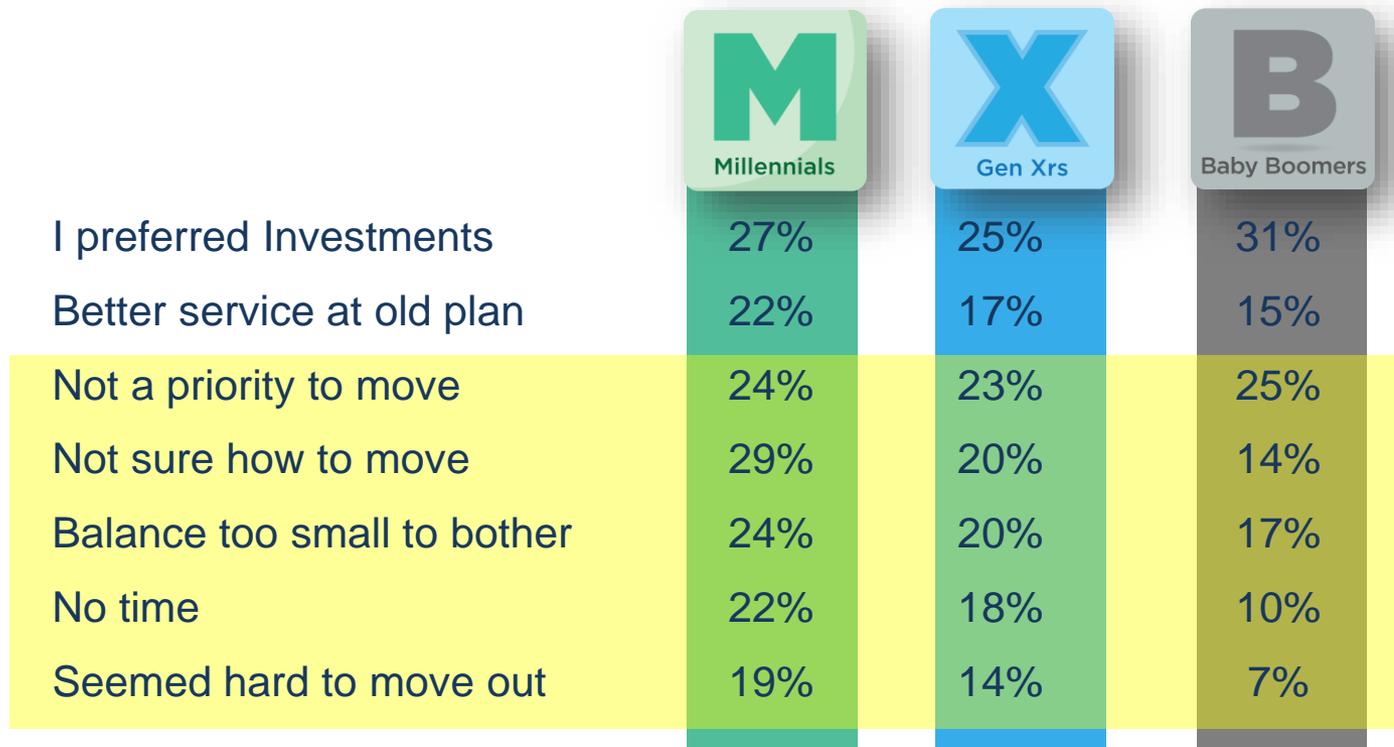
When changing jobs, respondents did this at least once.

	Rolled to IRA	Cashed Out	Roll into New Plan	Leave in Prior Plan
 Millennials	33%	34%	48%	53%
 Gen Xrs	36%	34%	38%	48%
 Baby Boomers	34%	24%	26%	50%



# Why Separated Participants Leave Balances Behind

*Why did you decide to leave your balance in your prior employer plan?*  
 (stranded at least 1 prior DC account)



# Separated Participant Intent - Generational Differences

*What do you plan to do with your balance in your most recent prior employer plan?*  
 (has 1 or more stranded accounts)



# The Roll In Opportunity – Participants Are Receptive

*Willingness to use an employer-provided, participant-paid roll in service\*:*



73%



66%



51%

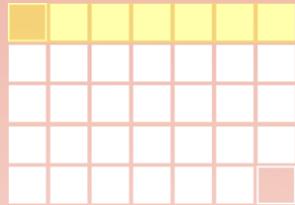
\* Average willingness to pay, across all price points tested

# The Roll In Experience

A majority of those that did a roll in indicated the process was time consuming....

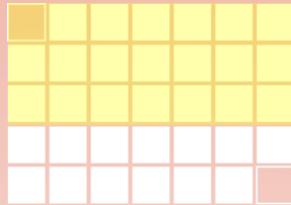
*How long did the roll in process take from beginning to end?*

(previously performed a roll in)



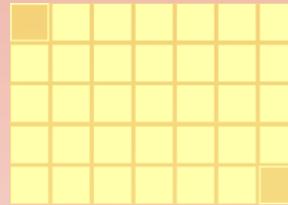
**15%**

1 week or less



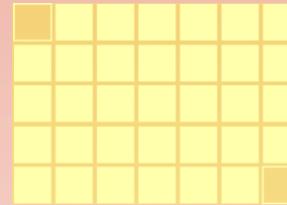
**33%**

2-3 weeks



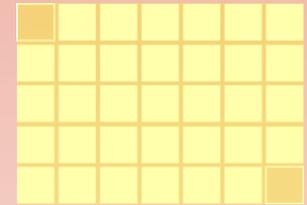
**25%**

4-5 weeks



**13%**

1-2 months



**27%**

More than 2 months

## ...and required assistance

Did someone help you move the money to your current employer's plan?

**Yes 62%**

**No 33%**

**Don't remember 5%**



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# The Roll In Perception

Participant expectations for the amount of personal time needed to complete the steps required to process a roll in...

<b>5 hours</b>	18%
<b>6-7 hours</b>	20%
<b>8-10 hours</b>	22%
<b>11-18 hours</b>	20%
<b>19+ hours</b>	20%

...and the value of those hours to the participant

<b>Less than \$50</b>	14%
<b>\$50-\$100</b>	21%
<b>\$100-\$500</b>	36%
<b>\$500-\$1,000</b>	15%
<b>\$1,000-\$5,000</b>	8%
<b>More than \$5,000</b>	6%



# The Roll In Opportunity – A Valuable Benefit

*Compared to other employee benefits you receive from your employer, would you say this is:*



# The Roll In Opportunity – As a Plan Benefit

*If you did not have to pay and your current plan paid it, how likely would you be to use the service?*



83%



83%



78%



# The Roll In Opportunity – Plan as The Primary Retirement Account

**Preference for plans as the primary retirement account declines as participants approach retirement.**

*Participants who would likely roll IRA balances into their current plan if the plan paid for it.*  
(Respondents who have an existing IRA and believe they can transfer IRA balances to DC plans)



91%



89%



65%

# Distribution Decision Opportunity

## *Key Findings*

- Younger workers more likely to cash out
- Older workers cashing out larger balances
- Majority of cash outs not used for emergencies
- Cash out rates influenced by wealth, not income
- Cash out regret increases with age

## *Implications for Plan Sponsors*

- Cash outs putting retirement at risk across all age groups
- Your plan's new hires are permanently harming their retirement readiness by prematurely cashing out

## *Action Items*

- ✓ Change participants' reference points -- penalties and taxes don't appear to be enough of a "loss"
- ✓ Translate the impact of a cash-out decision into longer term values (i.e., help them understand the true loss)
- ✓ Implement portability solutions (facilitated movement of balances in/out of plans) to reduce friction and prevent cash outs

# Distribution Decision Opportunity

## *Key Findings*

- A majority of participants across all age cohorts are leaving balances behind based on convenience, not conviction
- A majority of stranded accounts will eventually leave the plan
- Roll-in is confusing, difficult-to-decipher and time consuming, and requires assistance to efficiently complete
- Participants are highly-receptive to roll in services offered through their plan and would rate it as an excellent/very good benefit.
- A significant majority of younger workers with an IRA would consider consolidation in-plan

## *Implications for Plan Sponsors*

- Portability is a neglected plan feature; implementing portability solutions will improve plan metrics
- Your plan is a valuable resource for all retirement savings
- Tremendous opportunity to boost plan performance & assets through roll ins
- Age- and wealth-specific communications are critical to reaching key participant populations

## *Action Items*

- ✓ Promote and facilitate roll in services as an employee benefit to optimize participant retirement readiness
- ✓ Communicate roll in benefits to new hires and existing, active participants, leveraging age- and wealth-based messaging
- ✓ Consider paying for roll in service as a permissible plan expense



## Q&A



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# Thank You



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BRT is on the web at [www.bostonrt.com](http://www.bostonrt.com)



**Retirement Clearinghouse (RCH)** is the leading specialist in retirement savings portability services, with best practices designed to address the problems caused by small accounts. RCH provides plan sponsors with services that *move retirement savings forward* as participants change jobs, solving the small account problem. RCH's solutions deliver plan-to-plan portability, improve participant outcomes, increase average balances and promote retirement readiness.

Based in Charlotte, NC, RCH is on the web at [www.RCH1.com](http://www.RCH1.com)

For more information, contact RCH at (866) 827-9608, or via e-mail at [sales@RCH1.com](mailto:sales@RCH1.com)

**To obtain a copy of the Slideshow:** visit <http://info.RCH1.com/survey>



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