

Small Employers with Plans

Those with Retirement Plans See A Number of Advantages

Unlike their counterparts who do not offer plans, small employers who do feel it not only is important for their employees, but also offers them a number of advantages.

Reasons for Offering a Plan

	Major	Most Important
Employees need retirement income	78%	41%
Competitive advantage in employee recruitment/retention	56	24
Positive effect on employee attitude and performance	68	16
Tax advantages for key executives	29	8
Tax advantages for employees	39	5
Employees demand or expect it	25	4

Defined Contribution Plans Dominate

Among small employers offering a plan, most are offering a defined contribution plan.

- 84 percent offer a defined contribution plan (plan in which employers and/or employees put in money, and the amount received is determined by contribution amounts plus investment returns).
- 7 percent offer a defined benefit plan (promises a specific lifetime benefit, the employer funds the promised benefit).
- 8 percent offer both a defined benefit plan and a defined contribution plan.

Among those offering a defined contribution, 401(k)'s and profit-sharing plans are the most popular

401k	61%
Profit sharing plan	31
SIMPLE plan	12
SEP	9
403b	8
ESOP	6
Money purchase	4
Thrift savings	4
Keogh	1

The Connection Between Education and Action Lags Among Small Employers

Less than one-half (45 percent) of small employers who sponsor retirement plans provided retirement savings education information on an ongoing basis. At the same time, only 6 percent think their employees are very well prepared for retirement (52 percent somewhat well; 29 percent not too well; 8 percent not at all prepared).

The 1998 Retirement Confidence Survey (RCS) Indicates that Education = Action

According to the 1998 Retirement Confidence Survey, many workers receiving retirement savings educational material say that it has impacted their behavior. Of all workers (large and small employers) receiving information through their employer in the past year.

- 43 percent changed asset allocation in a retirement savings plan.
- 43 percent changed the amount contributed to a retirement savings plan.
- 41 percent began to contribute to a retirement savings plan.