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## **Time To Consider Automatic Enrollment**

Automatic enrollment is a plan concept that plan sponsors can adopt that encourages worker participation in 401(k) retirement plans. Approximately one-third of eligible workers do not participate in their employer's 401(k) plan. The employees that do not participate in the plan can cause the plan to fail nondiscriminating testing and cause the highly compensated employees to received 401(k) refunds and not be able to save as much for retirement.

Plan sponsors can use automatic enrollment for new participants, existing participants that have not made an election and existing participants that are not deferring at the automatic enrollment percentage. Under automatic enrollment participants are automatically enrolled in the plan at a predefined percentage, normally 3 to 5%. Plan sponsors can annually increase the automatic enrollment percentage. Automatic employee contributions cannot exceed 10 percent of compensation in any year.

Participants can stop automatic enrollment by completing an enrollment form and making a zero election. The contributions are invested in a predetermined investment such as a target date or lifestyle fund.

Automatic enrollment is a great way to get everyone participating in the plan and saving for retirement. It simplifies the enrollment process, offers significant tax advantages and helps employees to begin saving for their future.

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