

# Communicating the Benefits of 401(k) Plan Participation

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Friday, December 8, 2017

When deliberations began regarding the first tax reform legislation in over thirty years, many raised concerns that tax reform measures would adversely affect retirement savings programs such as the 401(k) plan. Now, as the tax reform proposals have become further vetted, the 401(k) approach to pre-tax retirement savings appears to remain intact and may actually survive “Rothification”. The IRS also recently increased the 401(k) pre-tax savings contribution limit to \$18,500 for 2018. Despite the confirmed importance of retirement savings vehicles such as the 401(k) Plan, many eligible participants for these employer-sponsored programs do not enroll in the plans, fail to contribute as much as they could, or do not fully understand how to maximize their benefits or select their investment options.

Multigenerational employees also have different financial needs and perceptions, and receive communications differently. Plan sponsors should take this opportunity, as passage of tax reform legislation appears imminent, to provide eligible employees and participants with an enhanced communications program touting the benefits of 401(k) plan participation.

## What Enhancements Can be Made to Existing 401(k) Plan Communications?

As plan sponsors know, certain plan communications are required and are already provided to plan participants through specific channels such as direct mail or e-delivery. These materials include summary plan descriptions, summary annual reports, and participant fee disclosures. In addition, there may be safe harbor notices, 404(c) plan disclosures, automatic contribution notices, qualified default investment alternative notices, fund change notices, blackout notices, and perhaps even investment education or advice materials distributed to participants. A re-occurring debate is that participants do not read, understand, or cannot even locate all of these materials. Plan sponsors might be well-served by considering the following when enhancing their otherwise required communications:

- Incorporate tools into a traditional communications program such as mobile applications that can deliver understandable information to those on-the-go, in short snippets, regarding the benefits of plan participation
- Issue periodic email, text message or other digital/social media reminders regarding increasing savings rates during the year and how a percentage increase can impact retirement savings over time
- Offer online short videos or podcasts (5 to 15 minutes) that explain 401(k) features and benefits in digestible segments
- Provide generic plan enrollment assistance either through on-site meetings, video-conference or on-line software
- Strategically time the issuance of communications well before the due date of a summary of material modification that will allow participants to fully maximize the benefit of a plan design change
- Connect the messaging with relevant events (such as passage of new legislation; a corporate acquisition)
- Consider a financial wellness program that can educate employees regarding their whole financial picture, including managing debt and how to allocate available compensation to employer-provided benefit programs

The foregoing suggestions are a starting point and should be tailored to the organization's needs and employee demographics. The idea is to develop a strategy that supplements the required communications, and does so in a brief and engaging manner without contradicting plan terms. The messaging can also refer the employees back to the longer, required communications and documentation which might be located on a company intranet for easy access. Further, these types of communications do not need to be personalized and should not include personally identifiable information, unless the mechanisms are fully compliant with cybersecurity policies including password protection and encryption. Also, these particular communications should avoid being fiduciary or advice-oriented in nature. Instead, the goal is to highlight, and educate employees regarding, the important plan benefits and encourage them to participate in a language they understand. This approach can also be duplicated for other types of employee benefits (i.e., the ones that survive tax reform).

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