

# Automatic 401(k) Plan Features

*Why Automatic Features Help Employers;  
Why Employees Like Auto Features*



Employers of all sizes are now adopting 401(k) Plans with Automatic Features. Automatic Enrollment, Automatic Increases, and Automatic Investment Choices are easy, they're popular, and they improve employee outcomes.

## Benefits for Your Employees –

### *What do the Employees say?*

- 85% of workers say Automatic Enrollment helped them start saving sooner.
- Plans with Auto-Increase average 8% deferral rate, compared to 4% elsewhere.
- Can help employees qualify for Federal Saver's Tax Credit.
- Most programs start at 3%
- Most increase by 1% per year, but some increase faster
- Most increase on pay raise date
- Overall enrollment averages increase from 62% to 87%. Participation in the mid-to-upper 90% range is common.
- Owners and Highly Compensated Employees have fewer refunds because of improved testing.
- It's really easy.

## Benefits for Employers

- Confidence in employees preparing for improved retirement security
- Improved testing results
- 97% of employers adopting automatic features said the advantages outweighed any perceived disadvantages.
- When choosing Qualified Automatic Contribution Arrangements (QACAs), employers have a safe harbor and no ADP refunds are required.
- When choosing Eligible Automatic Contribution Arrangements (EACAs),

employers have longer to pay required ADP refunds without penalty. The penalty deadline is June 30 rather than March 15.

- When selecting a Qualified Default Investment Alternative (QDIA) employers may minimize fiduciary liabilities for investment choices.

## Added Employer Duties

Are there any employer duties?

Yes, you have to monitor when new employees become eligible to participate and provide them a notice along with enrollment and investment forms. At your request JULY can assist you with printing and delivery.

## Added Employer Costs

Are there any added employer costs?

Matching costs may increase due to higher participation. This increase is usually modest and may be more than offset by improved retention / lower turnover because of the popularity of these 401(k) features.

## How Can I Begin?

To start automatic features for your plan, contact your JULY Regional Sales Director. We can walk you through your options and choices. Many employers like to begin automatic features at the start of a new year, although you may add these at any time.

Learn more about Automatic 401(k) Plan features from JULY at [www.julyservices.com](http://www.julyservices.com) or contact your JULY Regional Sales Director.