WILL YOUR EMPLOYEES SAVE ENOUGH TO RETIRE?

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Will your employees save enough to retire? Only 22% of retirement plan sponsors are currently benchmarking the Income Replacement Ratio for their participants.[1] And that can leave a major gap in participant retirement readiness.

Hi, I'm Brad Bonno, Director of Product Delivery at PNC Retirement Solutions.

Plan sponsors have compelling reasons to evaluate whether their employees are preparing adequately for retirement. They may feel responsible for ensuring that their employees have enough saved to retire comfortably.

They may also be concerned about increases in healthcare and wage costs associated with an aging workforce that can't afford to retire.

Historically, the industry has tracked retirement readiness by benchmarking three key metrics — the participation rate, the deferral rate and average account balance.

- The participation rate measures how many plan-eligible employees are investing money in their retirement plan as a percentage of the whole.
- The deferral rate measures the percentage of income plan participants are saving in their retirement accounts.
- And the average account balance compares how a plan participant's investment stacks up to the average account balance of everyone else in the plan.

But there is another useful strategy available. It's called the income replacement ratio. It's the percentage of pre-retirement income that an individual is likely to need to maintain the same standard of living in retirement. It is often a better benchmark for measuring a plan participant's retirement readiness than traditional metrics.

The Income Replacement Ratio is a useful tool for three reasons:

- It makes the information dramatic by demonstrating that participants who don't save enough for retirement may lose the standard of living they're accustomed to.
- It makes the information personal by showing how the decisions participants make today can affect their future.
- And it makes the information actionable by enabling the participant to track, measure and refine their retirement saving strategy over time.

Adding the Income Replacement Ratio to traditional benchmarking metrics can improve how plan providers, along with plan sponsors, communicate and educate plan participants. And it can give them the tools they need to stay on track for an enjoyable retirement.

For more information on the Income Replacement Ratio and other strategies to improve retirement outcomes, please contact me using the information on the next screen.

1 Plan Sponsor Council of America's 2016 59th Annual Survey of Profit Sharing and 401(k) Plans.

CIB ENT PDF 0617-0139-562701