An **Automatic Enrollment** Case Study:

Savings Inertia Leads to Successful Employee Outcomes

Automatic enrollment is a valuable retirement plan feature and employer best practice that optimizes an employee's early years of saving while also helping them prepare for their financial future in their retirement years.

How does automatic enrollment work?

- An employer automatically enrolls new employees to contribute to an employer-sponsored retirement plan during the first days on the job. (Employees are not required to take any action and can choose to opt out.)
- The employer sets a default contribution percentage that is invested in the plan's default fund — typically a Target Date Fund.
- Although employees are automatically enrolled in the plan's default fund, they have the option to make fund exchanges and/or future allocation changes at any time.

What are the benefits of automatic enrollment?

- It turns employee inaction into beneficial action.
- It starts their savings journey as early as possible in their career.
- It may increase retirement savings over the long term.
- It creates savings momentum with an automated contribution rate.
- It helps employees invest in a diversified and appropriate investment allocation.

"While participation rates in opt-in plans are typically around 70%, **participation rates in automatic enrollment plans are typically around 90%."**[1]

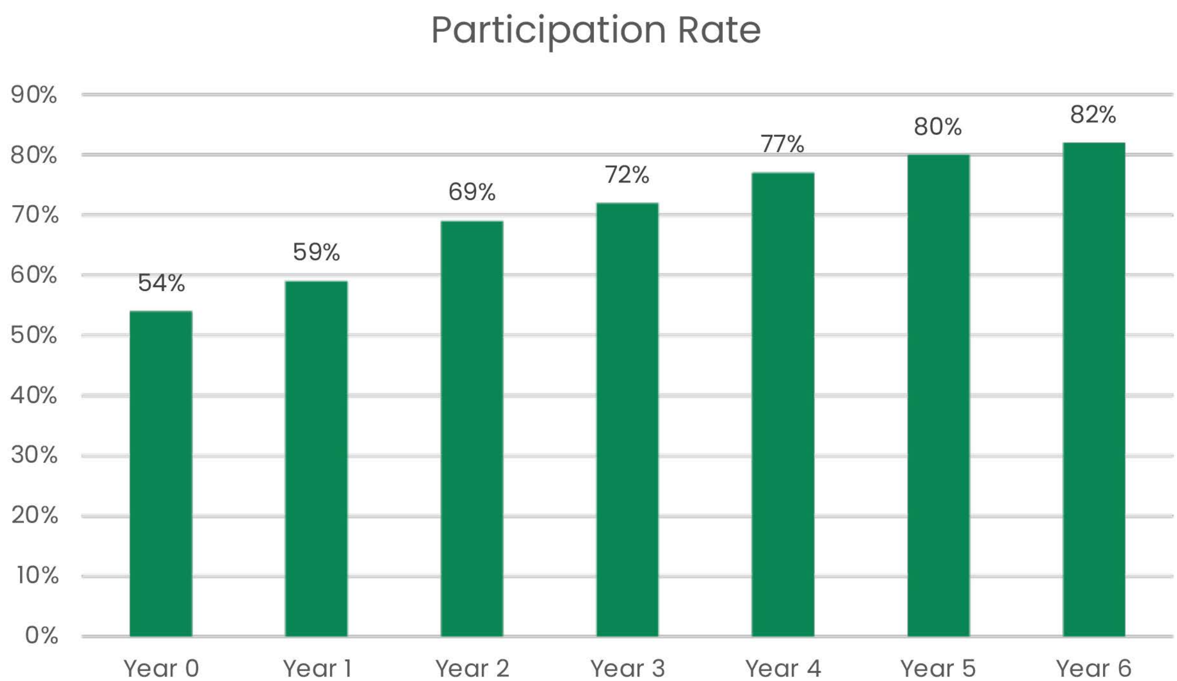
Automatic enrollment has become very popular in recent years. Approximately 58% of 401(k) employers have added this feature to their existing retirement plan.[2] Automatic enrollment has proven to be such an effective tool that SECURE Act 2.0 legislation requires new ERISA retirement plans, established on or after December 29, 2022, to implement an automatic enrollment feature by January 1, 2025.

[1]Congressional Research Service, In Focus Report, September 5, 2024, *https://crsreports.congress.gov/product/pdf/IF/IF12756*

[2]PSCA's Annual Survey of Profit Sharing and 401(k) Plans, 66th Annual Survey of Profit Sharing and 401(k) plans, October 9, 2024, *https://www.psca.org/industry-content/surveys/annual-401k-survey/*

An Employer Case Study

A GuideStone® ministry partner, referred to here as ABC Employer, was frustrated by low employee participation in their employer-sponsored retirement plan. ABC's desire to increase employee engagement and help their employees appreciate their total compensation led them to add an automatic enrollment feature for all new hires. Over the next six years, the percentage of employees making personal contributions to their retirement plan increased from 54% to 82%.



By engaging their employees in the savings process, ABC also saw total retirement contributions begin to grow, leading to stronger retirement outcomes. Over this 6-year case study, **total employee contributions increased by an average of 12.5% per year!**

As demonstrated by this case study, adding an automatic enrollment feature can significantly increase employee participation and contributions to your retirement plan. As a result, employees will gain a greater appreciation for their employer-provided benefits and will likely experience great financial resilience in retirement.

Automatic enrollment incorporates retirement saving as an up-front, built-in plan feature — meaning employees must make the mindful decision to opt out. It allows inertia to work for employees instead of against them — jump-starting individual success. Automatic enrollment accelerates the saving average of your current employees and helps new hires easily match the current employee pace.

GuideStone is here to help you implement and maintain your employer-sponsored retirement plan. We can help you in prescribing effective plan design solutions and aim to make this process as easy as possible.

Contact your GuideStone relationship manager today to discuss adding automatic enrollment to your plan.

GuideStone®