

Employers Return to 401(k) Matching

Many employers are implementing 401(k) matching programs again. In recent years, matching was greatly reduced or eliminated in most businesses. While many are reinstating their matching programs, there are many who still have not started yet. In addition to this, some employers are matching at a lower percentage rate. Research shows that about 75 percent of employers that stopped matching have restored their plans. From this group, about 75 percent have implemented matching plans at the same rate they used before. Less than 5 percent increased their rate. Almost 25 percent lowered their percentage rate.

It's apparent that many employers want to reinstate their plans only when they can afford to do so. Since their ability to reinstate is dependent upon the economy, it's difficult to predict when that will happen for each individual company. It's no surprise that defined contribution plans that lack matching offers have a considerably lower rate of participation than plans that offer matching. This is likely the root of the many problems employers will face in the future when their older employees retire without saving enough money in an efficient and timely manner.

Research shows recent workforce statistics suggesting that approximately 40 percent of working Americans are 55 or older. This is a significant increase from the statistics gathered 20 years ago. When this recent statistic is considered from a financial point of view, it shows that older workers are likely to be less engaged in their work and are more expensive in general. Many of them may be staying at their jobs because they have to do so in order to collect retirement benefits. They often do not have a desire to be at their job aside from potential retirement benefits and a paycheck.

Older workers' entrenchment in the workforce often results in younger employees not receiving promotions. This fact should encourage more employers to push retirement benefits to workers of all ages by reinstating or implementing a matching offer. This will encourage participation for both younger and older employees. While this idea sounds like an excellent solution, many companies are still hesitant to implement a matching plan because they're worried about the economy falling into a recession again. Although research shows that many companies want to reinstate matches, many have still not followed through. This has also made employees nervous. However, there are still options to consider for retirement income. Be sure to discuss any concerns or issues with an agent.