

A photograph of a diverse group of office workers of various ages and ethnicities smiling and looking at a laptop screen in a meeting. The image is partially obscured by a blue text box.

401(k) Plan Design for an Age Diverse Workforce

Promoting Retirement Readiness
Across Different Career Stages

Saving for retirement comes with its share of challenges, regardless of age. We find ourselves witnessing a generational shift in the workforce, with tens of thousands reaching retirement age daily.

While the entire Baby Boomer generation will be 65 or older by 2030, many are opting to delay retirement. In contrast, Gen Z is embarking on their careers, armed with the advantages of time and the potential for compounding interest in the market.

As an employer, navigating benefits for an age-diverse workforce may seem daunting. However, by recognizing and understanding the unique needs of your employees, you can tailor your retirement plan to empower them through various stages of their careers.

Assessing Retirement Readiness

In this guide, we'll delve into the unique financial needs of employees at different points in their professional lives: early-career (ages <25–34), mid-career (ages 35–54), and late-career (ages 55–65+).

Retirement readiness is often assessed by three key metrics: participation rate, deferral rate, and account balances. The chart below provides an example of engagement rates across each career stage, offering a useful benchmark for comparing your plan metrics.

	CAREER STAGE	AGE	PARTICIPATION RATE	DEFERRAL RATE	MEDIAN ACCOUNT BALANCE
Retirement Readiness Snapshot by Career Stage ¹	Early	<25	62%	5.2%	\$1,948
		25–34	83%	6.7%	\$11,357
	Mid	35–44	86%	7.0%	\$28,318
		45–54	86%	7.6%	\$48,301
	Late	55–64	86%	8.7%	\$71,168
		65+	78%	9.0%	\$70,620

Plan Design Options to Help Boost Retirement Readiness

GOALS

90%

Participation Rate

10-15%

Deferral Rate

10-12 times

Income at Retirement

CONSIDERATIONS TO HELP REACH GOALS

- > Automatically enroll employees
- > Conduct re-enrollment for employees not participating
- > Increasing default deferral rate
- > Automatically increase on an annual basis
- > Review match formulas
- > Employee education
- > Prevent loans & early distributions

¹ Vanguard. "How America Saves." 2023.

Early-Career (Ages <25–34)

Various factors may prevent employees early in their careers from saving for retirement. With lower participation rates and deferral rates, automatic features can greatly impact their financial future.

FINANCIAL HURDLES:

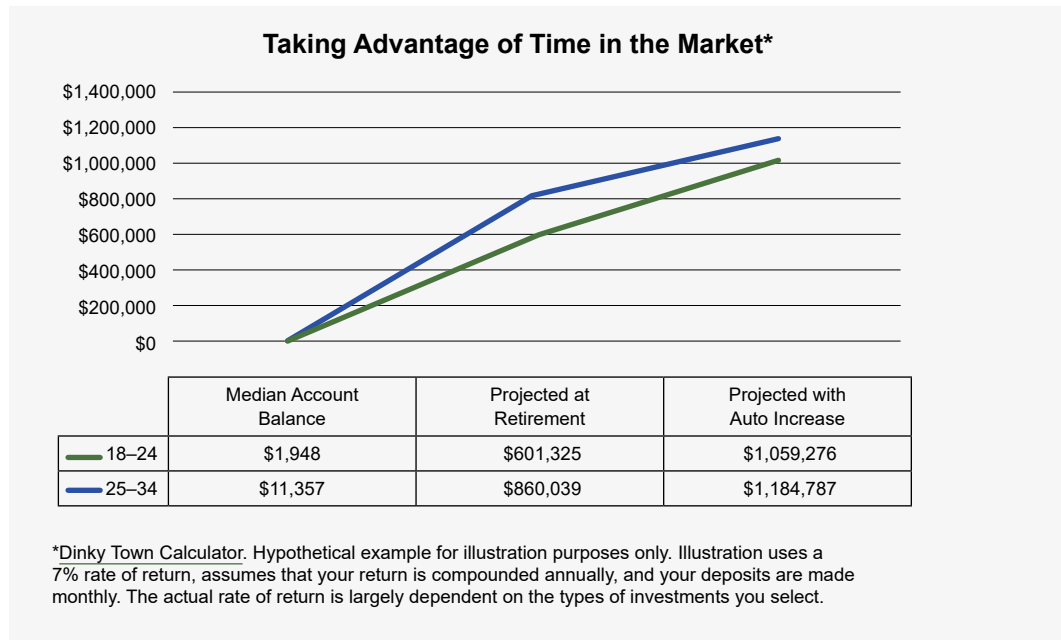
- > Student loans
- > Inflation & cost of living
- > Savings procrastination

KEYS TO SUCCESS:

- > Start early
- > Stay the course
- > Avoid cash outs

PLAN CONSIDERATIONS:

- > Automatic enrollment
- > Automatic increase
- > Student loan match

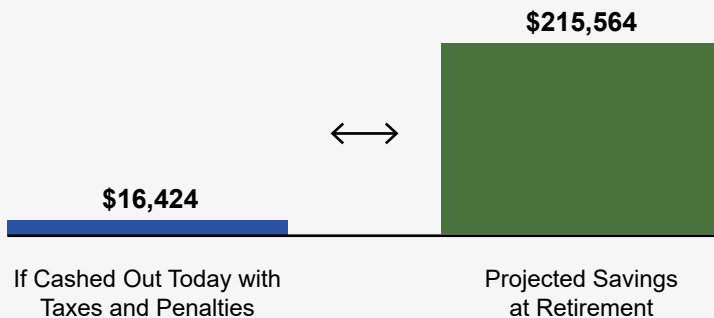


Mid-Career (Ages 35–54)

On top of universal financial stressors, many people in the middle phase of their careers identify as caregivers. They commonly feel sandwiched between caring for themselves, their children, and aging parents.

It Pays to Stay Invested**

What happens when a participant cash's out? If the median account balance of \$28,318 for a 35 year old is spent.



**Dinky Town Calculator. Hypothetical example for illustration purposes only. Illustration uses a federal tax rate of 24% and state tax rate of 8%. Illustration uses a 7% rate of return, assumes that your return is compounded annually, current age of 35, and retirement age of 65. The actual rate of return is largely dependent on the types of investments you select.

FINANCIAL HURDLES:

- > Inflation & cost of living
- > Caregiving expenses
- > Childcare & education expenses

KEYS TO SUCCESS:

- > Budget and cash flow planning
- > Boost contributions
- > Avoid cash outs

PLAN CONSIDERATIONS:

- > Emergency savings accounts
- > Loan provisions
- > Re-enrollment at higher deferral rates

Late-Career (Ages 55–65+)

As we see record number of employees reaching retirement age, many are extending their careers to make up for insufficient savings and healthcare in retirement. Baby boomers have a strong work ethic and may struggle with the mental and emotional aspects that come with transitioning into retirement.

HURDLES:

- > Healthcare in retirement
- > Outliving retirement savings
- > Understanding options

KEYS TO SUCCESS:

- > Maximize contributions
- > Manage retirement expectations
- > Leverage Social Security & Medicare

PLAN CONSIDERATIONS:

- > Health Savings Accounts (HSA)
- > Catch up contributions
- > Social Security & Medicare education

19%

of pre-retirees max out their 401(k) contributions.²

16%

make catch-up contributions.³

69%

of employers say they should play a role in educating employees about Social Security.⁴

We Are Here to Help

Your workforce is unique, and your benefits should reflect that. We can help you design and maintain a retirement plan that supports employees at every career stage. We offer education and consulting to help your employees, no matter where they are on their financial journey. Let's work together to make retirement planning straightforward and beneficial for everyone.



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Sources:

¹ Vanguard. "How America Saves." 2023.

² Vanguard. "How America Saves." 2023.

³ Vanguard. "How America Saves." 2023.

⁴ Bank of America. "2023 Workplace Benefits Report." 2023.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements, and you should consult your attorney or tax advisor for guidance on your specific situation.

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