

Behavioral Finance

Can enhanced active choice help increase participation?

Defined contribution programs typically offer open enrollment year-round. Employees can choose to participate when they feel ready and motivated to do so. This traditional enrollment method is known as the “opt-in” approach. However, many employers are moving to an “opt-out” or “enhanced active choice” approach where employees are asked to specifically indicate that they do not want to save for retirement.



How does this work? Consider distributing a memo that describes the benefits of participating in the retirement savings plan and asks employees to choose from a series of options:

- + I am already participating and do not need additional information at this time.
- + I am already participating and would like an account review with my representative.
- + I am not participating but would like to start and would like the representative to contact me.
- + I am not participating and choose not to do so. I understand that I may not have sufficient retirement savings and may have to work longer if I do not participate in this important benefit.

Note that the fourth option helps heighten employees’ awareness of the possible consequences of nonparticipation. Wording the option this way and encouraging them to consider one of the other options helps employees avoid regret aversion—the desire to minimize future regret from not participating in the retirement savings plan. The option is worded in such a way that it helps employees reassess their priorities.

Using enhanced active choice and asking employees to actively choose to participate or not is one of the great success stories in increasing participation rates in retirement savings plans.

If you are interested in discussing this in your plan, please don’t hesitate to reach out!

Let's Connect



For assistance with your retirement needs, contact an IMA Retirement advisor at retirement@imacorp.com or 877.305.1864.

SAFEGUARDS FOR YOUR RETIREMENT

Retirement Benefits Matter. We believe in the power of a wellplanned retirement. It's not just about numbers, it's about investing in the people who make your organization shine. We partner with you to design a retirement plan that speaks to every individual, from the moment they join your team to the day they wave goodbye – helping them blossom both today and tomorrow.

Investment advisory services provided by IMA Advisory Services, Inc. (IMAAS), doing business as IMA Retirement. IMAAS is an investment adviser registered under the Investment Advisers Act of 1940 (CRD #112091). Registration as an investment adviser does not imply any level of skill or training. IMAAS is also a registered insurance agency. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information please visit: <https://adviserinfo.sec.gov> and search for our firm name.