T. Rowe Price®
INVEST WITH CONFIDENCE

New research that opens doors and enriches conversations.

RESEARCH RECAP

Profits and plan performance go hand in hand. T. Rowe Price observed a statistically significant relationship between plan outcomes and company financial performance.*

20%–80% higher corporate profitability for great 401(k) plans compared with average plans

Up to 80% lower profitability for poor 401(k) plans compared with average plans

Correlations are found within and across industries, no matter the company's size

There's a connection between strong 401(k) plans and corporate financial performance.

! Other research supports these findings:

Engaged workers affect corporate profitability.
Up to 3.8% higher annual returns for companies that invest in employee satisfaction
Source: London Business School, 2012.

Employees want access to 401(k) plans.
94% say saving for retirement through the 401(k) plan is a major/minor objective
Source: T. Rowe Price, 2017.

This is key:
There may be additional value hiding in a 401(k) plan beyond talent acquisition/retention efforts.

*Correlation isn't the same as causality.

WHAT WE COMPARED

Corporate Financial Performances Measures:

- Gross margins
- Net income per employee
- Gross profit per employee
- Revenue per employee

401(k) Plan Success Markers:

- Company generosity
- Salary deferral
- Participation
- Account balance

The challenge:
Finance and benefits departments measure success separately

Connections between 401(k) plan performance and corporate profitability largely go unexplored.

! 75% of CFOs are open to further research into plan influence on profitability

YOUR OPPORTUNITY: Transform research into action

Step 1: Review the BrightScope® rating for your client's plan

- Go to brightscope.com
- Search for your client's plan
- Compare your client's results to its competitors'

No BrightScope rating for your client's plan? Contact your T. Rowe Price representative for a separate report.

Step 2: Analyze the results

Review the ratings for the four success markers.

- Great/above average ratings: Show clients how well their plans are performing—and for existing clients, the value you're bringing
- Poor/below average ratings: Make a case for enhancing the plan's design to improve outcomes, or for prospective clients, use the ratings as a starting point for a plan design pitch

Step 3: Make it your own

Support your conversations with plan sponsors on a variety of topics.

- Bring your BrightScope assessment to meetings with prospective clients
- Reinforce your plan design strategy with existing clients
- Challenge negative plan changes (e.g., stopping the match)

MAKING IT YOUR OWN WITH PLAN STRATEGY

In prospect meetings:
Demonstrate the strategic thinking you'll bring to the relationship by recommending specific plan features based on the plan's success markers on BrightScope.

With existing clients:
Reinforce your plan design strategy by making connections between the plan features you're recommending and the plan's outcomes from BrightScope.

Plan Feature	Success Marker on BrightScope
Increased match	• Account balance • Company generosity
Stretch match	• Account balance • Salary deferral
Auto-enrollment	• Account balance • Participation • Salary deferral
Auto-savings features	• Account balance • Salary deferral
Increased default deferral rate	• Account balance • Salary deferral
Reenrollment	• Participation
After-tax deferrals	• Participation
Roth deferrals	• Participation
Retirement income tools	• Account balance
Expanded distribution options (installments and partial withdrawals)	• Account balance
Financial wellness	• Account balance • Participation • Salary deferral

! Download the full toolkit

Digital and printable resources are just a few clicks away, including:

- Access to plan design research to further support your strategy
- Presentation graphics, a video, and other materials about the research you can share with clients
- Email templates for getting that big prospect's attention

troweprice.com/revealvalue

30-SECOND PITCH

"Many companies promote their 401(k) plan in talent acquisition and retention initiatives, because research shows that employees value the plan as a retirement savings vehicle. It's also worth exploring whether a great 401(k) can be beneficial for your company's profitability, as well. There's research that shows relationships between 401(k) plan design and corporate profitability. Correlation isn't the same as causation. But better 401(k) plan design correlates to higher corporate profitability—in all industrial sectors, and for all company sizes, big and small.

I looked at your plan's outcomes in four areas to help look at whether it could be influencing corporate profitability. I'd love to show you what I found."

YOUR PITCH

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Frequently Asked Questions

THIS STUDY ONLY LOOKED AT PLANS WITH MORE THAN $50 MILLION. WHAT ABOUT SMALLER PLANS?

T. Rowe Price's data set included plans with more than $50 million up to $36 billion in plan assets. The research team used publicly available information for its regression analysis, using data from BrightScope®, Compustat, and the publicly traded companies' Form 5500.

This data is not generally available for smaller plans. However, the regression analysis controlled for plan size, meaning that the correlations we report will hold irrespective of plan size. T. Rowe Price suspects that similar correlations exist for plans with assets below $50 million and over $36 billion.

DOES THIS RESEARCH COMPARE COMPANIES IN DIFFERENT INDUSTRIES? WOULDN'T THAT SKEW THE RESULTS TO COMPARE A TECHNOLOGY COMPANY TO A RETAIL COMPANY?

The research controls for industry sector. T. Rowe Price found significant correlations between 401(k) plan performance and corporate financial performance within and across industry sectors.

ARE THERE HIGHER COSTS ASSOCIATED WITH DESIGNING A BETTER 401(K) PLAN?

Sometimes. However, companies don't need to be solely reliant on funding company matches or other employer contributions to positively drive plan outcomes. There are many ways to strengthen a plan and improve its performance—for example, through plan design and smarter employee engagement—without necessarily increasing its cost structure.

WOULDN'T MORE PROFITABLE COMPANIES NATURALLY BE ABLE TO AFFORD BETTER 401(k) PLANS?

It's true that more profitable companies most likely are better positioned to invest more in their 401(k) plans, and that correlation does not equate to causation. The research demonstrates that a symbiotic relationship exists between plan performance and corporate financial performance. Put more simply, high-performing companies benefit from well-performing 401(k) plans, and poorly performing companies can suffer from having poorly performing 401(k) plans.

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