



401(k) Providers: Participants' Go-To for Help

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KEY INSIGHTS

- For many employees, the 401(k) recordkeeper is the employee's preferred source for help and advice—even for financial decisions not related to retirement.
- Most participants want help, and their appetite for it is growing
- While different generations evaluate and approach advice differently, all generations want it, and all turn first to their 401(k) plan's recordkeeper.



Sudipto Banerjee, Ph. D.

*Senior Manager, Thought Leadership
Retirement and Financial Education*

The 401(k) recordkeeper increasingly is playing a central role in a participant's financial life. With more participants than ever seeking help and advice in financial decisions from their 401(k) plan's provider, the recordkeeper is becoming the go-to source for tools and support—not just for retirement planning, but for all the participant's financial decisions.

First Source of Advice: My Plan

We asked participants where they turned to for advice. Among the options, there are five that participants most often said they relied on “somewhat” or “a great deal.” (See Figure 1.)

Three of the top five are directly related to the participant's current 401(k), suggesting that the workplace

(Fig. 1) Where Participants Turn For Advice



64%

The company that manages your workplace retirement plan.



52%

Friends, family members, and coworkers



56%

Tools, calculators, and educational material available through a workplace retirement plan



48%

A human advisor available to you through a workplace retirement plan



55%

Digital tools and calculators you access outside a workplace retirement plan

71%

would like some type of advice to help save for retirement through their current workplace plan.

retirement plan is where participants most commonly turn to first for help. As a result, the choice of the plan's service provider can be a critical success factor to an employee's overall financial well-being.

Interestingly, participants report the least interaction with third-party "robo-advisors," which provide financial assistance with little or no human intervention. Fully 70% of participants say they do not or seldom use robo-advisors available through a source outside of their 401(k) plan.

Growing Appetite

In 2017 and 2018, we asked 401(k) participants to share information about their financial objectives. We found that the appetite for advice is strong and growing.

Figure 2 shows financial objectives that were cited as major or minor objectives by more than 75% of respondents in 2018. Between 2017 and 2018, demand for help has increased in all objectives except for "saving for retirement through current workplace plans," where demand for advice remained steady at 71%. All other

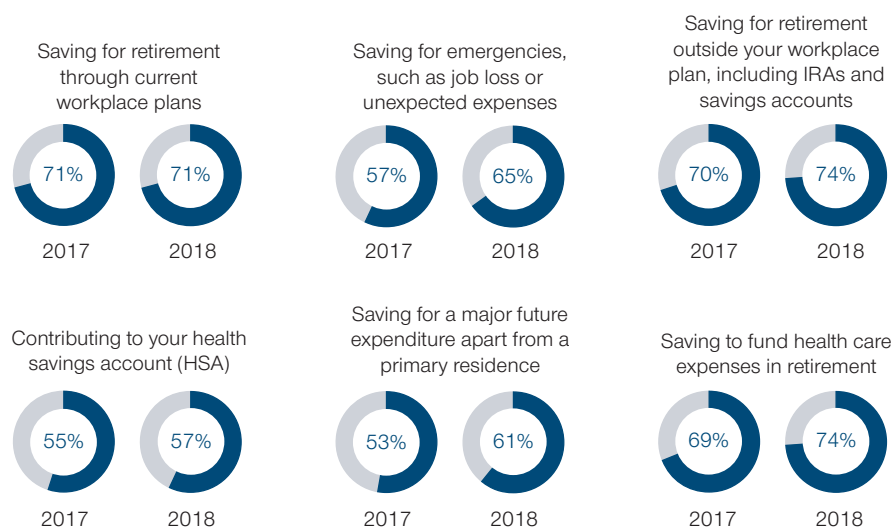
objectives posted increases from 2017. In addition, most respondents ranked more than one financial objective as major or minor, indicating that having multiple, competing financial goals may increase their need for advice.

Advice by Generation

Attitudes about advice differ widely between generations. Not surprisingly, younger workers are more comfortable with digital tools and calculators they access on the Internet rather than through their workplace retirement plans: 64% of Millennials use these resources "somewhat" or "a great deal," compared with only 42% of Baby Boomers. Likewise, 67% of Millennials turn to family, friends, and coworkers, compared with just 31% of Baby Boomers.

There are interesting generational differences in how participants value the delivery mechanism. Millennials put a premium on accessibility of the advice via their mobile devices, while Generation X participants want to make sure advice services fit into their busy schedules. For Baby Boomers, ease of use is more important.

(Fig. 2) Percentage Wanting Help or Advice on These Top* Objectives



* Objective cited as major or minor financial objective by more than 75% of respondents

43%

who don't receive professional advice assume fees are too high.

What's Important Varies by Generation

Millennials



Accessible on the go

Gen X



Convenient and time-saving

Baby Boomers



Easy to use

Regardless of how advice is delivered, all three generations cite their 401(k) as the top source for the advice. Among the 64% of all workers who turn first to their 401(k) plan, 68% of Millennials, 66% of Gen X, and 55% of Baby Boomers seek out help somewhat or a great deal through their plan's provider.

We've uncovered deep insights into other generational differences in retirement and savings behaviors and attitudes. Consult our findings on [Millennials](#) and [Gen X](#).

Cost Perceptions and Other Selection Factors

Despite a growing appetite for advice, 60% of 401(k) participants aren't

receiving any, and cost appears to be the biggest impediment. A full 43% of those not getting advice assume that fees are too high to get help with money management decisions. Furthermore, for all participants (those using an advisor or not), the top criterion for advisor selection is competitive fees, cited as somewhat important or very important by 86% of respondents.

Figure 3 shows the top five factors respondents said are somewhat or very important when choosing an advisor.

(Fig. 3) Top Five Factors When Choosing An Advisor

("somewhat" or "very important")

Your advisor charges competitive fees	86%
You are able to call your own advisor instead of being directed to others in your advisor's firm	81%
You can communicate online with your advisor	78%
Your advisor is referred by someone you trust	77%
You are able to have face-to-face interaction with your advisor	76%

Actions for Plan Sponsors and Advisors

The 401(k) seems to have become the focus for planning all aspects of a participant's financial needs, not just retirement, and the plan's provider is their preferred source for help and advice. As a result, an employer's choice of recordkeeper can greatly influence not just retirement readiness but their employees' overall financial health.

As participants' appetites for advice increase, embedding that advice within the plan will be central to good plan design. There are many approaches plan sponsors can take—from choosing a recordkeeper with an abundance of tools, to establishing a partnership with a firm that can provide access to a human advisor for employees searching for extra help.

For plan advisors, there's value in helping plan sponsor clients understand the increasing importance of selecting the right recordkeeper. Given the potential misperception of the price of advice services, advisors also have an opportunity to work with plan sponsors to help participants identify the costs and benefits of advice in their overall financial wellness.

About Our Participant Research

T. Rowe Price engaged NMG Consulting to conduct a national study of 3,005 adults aged 21 and older who have never retired and are currently contributing to a 401(k) plan or are eligible to contribute and have a balance of at least \$1,000. The online survey was conducted from July 24 to August 14, 2018. This is the fourth in a series of participant surveys, and data from prior surveys is used in this report for comparison purposes.

For more information on this and our other extensive research on retirement savings and spending, please contact your T. Rowe Price representative.



FINAL THOUGHTS

As employees juggle their many financial objectives, they've come to realize that they need help and advice. And while preferences vary by generation on how advice is delivered, all generations turn to their 401(k) plan's recordkeeper for help. Employers who understand the importance of financial wellness should use their 401(k) plans as the best vehicle to support employees' needs for help and advice on financial matters beyond just retirement.

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