



## *memorandum*

Innovative Design and

Administration of Retirement Plans

### WHY DON'T SMALL EMPLOYERS OFFER RETIREMENT PLANS?

---

It is no secret that Americans are not saving enough for retirement. Surveys consistently show that workers view saving for retirement through an employer-sponsored plan as the best way. So why do so many small employers not sponsor a plan?

There are many decisions to make before setting up a plan. Also, a successful plan requires the services of various outside professionals. This can all become overwhelming for a business owner, particular for business owners who have numerous other pressing matters occupying their time.

The Illinois legislature has enacted the Illinois Secure Choice Savings Program that, beginning in 2017, will require Illinois companies with 25 or more employees to enroll them in a state-sponsored retirement program unless those companies already offer a plan to their employees such as a 401(k) plan.

Let's take a look at some of the reasons that are often cited as preventing a company from offering a retirement plan.

**Reason:** Retirement plans are too expensive.

**Response:** How much does it cost to have an employee? In Illinois, at least, a lot. Employers have to pay FICA, state and federal unemployment taxes, workers compensation taxes, just to name a few. Health insurance is another big cost. How much more, though, does it cost to be churning employees?

Small employers often say their biggest challenge is attracting and retaining motivated and skilled employees. Those employees, however, generally want to save for retirement. They understand an employer-sponsored plan is the best way to do that, particularly if their company is making contributions itself.

When compared to the other costs of payroll, a retirement plan is one of the most cost-effective employee benefits available.

**Reason:** Retirement plans bring additional liability to the plan sponsor.

**Response:** Companies sponsoring retirement plans have affirmative duties when maintaining the plan. Dana Consulting Group (and its affiliate Jennings Law Firm) is solely engaged in the business of advising companies and their owners in designing, setting up and administering retirement plans. We keep our clients' plans in compliance with the myriad of rules and regulations that govern these plans.

# memorandum

Page 2

We have on our website ([www.danaconsulting.com](http://www.danaconsulting.com)) an article in our Education Center tab called "Are You Ready To Go To Jail?" which is about how many of these so-called risks are overblown and ways that companies are reducing the real risks associated with maintaining a plan.

**Reason:** Companies think their employees don't want a retirement plan benefit.

**Response:** A U.S. Government Accountability Office (GAO) survey found that the vast majority – 84% - of workers who do not participate in a workplace retirement plan reported their company did not offer one. The number one reason employees don't participate is that they can't.

We regularly report in our newsletter *the dana report* on surveys by various organizations that poll the impact that a retirement plan has on employee performance and attitudes. These surveys consistently show that employees feel better about their financial security and their attitude about their employer when they have access to a company-sponsored retirement plan.

**Reason:** Companies don't know where to start.

**Response:** This is the easiest impediment to overcome. A successful retirement plan is a team effort and the members of that team "make or break" the plan. The members of the team are (a) the plan sponsor and its owners, (b) the third party administrator who designs the plan, sets it up and helps the plan sponsor administer it, and (c) the investment advisor who assists with the investment selection and educates the participants.

Dana Consulting Group is NOT a financial services firm. We do not sell investments or give investment advice, but we partner with many financial advisors who have built their advisory business around servicing retirement plans. We meet with the owners of the business (and other key employees) to determine their objectives and then design the most cost-effective plan that meets their objectives. If the business owner does not already have a financial advisor, we are pleased to offer referrals of one or more of our partners.

So how do you get started?

Call Lee T. Jennings at (630) 802-7644 or visit our website at [www.danaconsulting.com](http://www.danaconsulting.com).