HEAD INVESTMENT PARTNERS

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The Power of Small Data for Retirement Plan Sponsors

As a plan sponsor, you probably spend a fair amount of time dealing with it one way or another — whether you're gathering, analyzing, or reporting it. And for good reason, given the intrinsic value of data-driven decision making.

Much of this data exists on a macro level, including market trends, economic reports, white papers published by asset managers, and industry benchmarks. But how well are you leveraging small data available right within your own organization?

Small Data, Big Opportunities

Data doesn't have to be big to be meaningful. Plan-level insights derived from participation and deferral rates or financial wellness utilization metrics are likely to be more relevant and actionable to you than broad industry statistics like the median U.S. retirement account balance. After all, your participant data may differ significantly from industry or national averages, and it's what matters most to you as a plan sponsor.

But what about even more specific data? Take, for example, the employee who tells an HR rep they adjusted their contributions after a financial wellness seminar, or the retiree who informs a benefits manager that they keep assets in the plan because of strong service? While a single comment shouldn't dictate major plan decisions, evaluating participant-level qualitative data can reveal not just what is happening with plan performance, but why it's happening.

Where Can You Uncover Small Data?

Small data is often hiding in plain sight, embedded within everyday interactions and operational details. Key sources, keeping in mind anonymous collection to protect privacy, might include:

- Utilization metrics, such as the most-read financial education blogs or most-accessed online retirement planning tools.
- Employee feedback collected from HR and benefits surveys, onboarding sessions, and exit interviews.
- Questions employees ask during retirement planning sessions. Even casual encounters can yield meaningful information, such as when an employee mentions delaying retirement due to worries about inflation or expresses confusion about their investment choices.

Using Small Data

Small data can help you form hypotheses about new type(s) of financial education and support to offer. It can also help shape participant "personas" or cohorts based on shared financial needs or attitudes rather than broad generational labels. If you notice a trend in small data, the next step could be conducting micro-surveys – or brief one-question pulse surveys — to get real-time feedback from a larger subset of employees. Insights from these assessments, combined with other small data points, can help you refine messaging, adjust plan features, and develop targeted interventions to boost engagement.

Plan sponsors should also consider sharing small data with their retirement plan advisor, who can then explore findings more directly in group and individual sessions. Advisors can provide additional context, validate trends, and suggest adjustments that may be beneficial. By thinking beyond benchmarks and zooming in on small data, organizations can better gauge participant needs and take relevant, meaningful action to help improve plan outcomes.

Sources
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The Retirement Planning Gap Affecting Two in Three Investors

Despite the importance of retirement planning, a staggering 67% of investors admit to spending no time at all working on it in a typical month, according to a recent survey conducted by the Nationwide Retirement Institute. That's a vast majority of investors failing to take even small steps toward securing their financial future. For plan sponsors, this presents both a challenge and an opportunity

Not Just a Problem for Younger Generations

One might expect pre-retirees to be more engaged in retirement planning, yet the data shows that 53% of investors ages 55 to 65 still spend zero time in a typical month on it. While 47% of pre-retirees are taking action, the fact that more than half remain disengaged is concerning. This group is at a critical point where informed decisions on saving, Social Security, and investment strategies can make or break retirement readiness.

Plan sponsors can play a key role in bridging this gap by facilitating regular retirement readiness check-ins and retirement planning workshops, as well as promoting the benefits of catch-up contributions. Employers can also initiate targeted communications and provide resources to support retirement income planning, including guidance on timing Social Security benefits and implementing retirement distribution strategies.

Shifting Expectations

The Nationwide study indicates that the past five years have reshaped retirement expectations for 61% of investors, potentially a reflection of economic turbulence. Additionally, 46% of investors surveyed say they've delayed, changed, or canceled retirement plans due to economic conditions.

This means many participants may be rethinking their timelines and financial goals. Employers can provide critical support by offering flexible retirement options, recognizing that retirement doesn't have to be an all-or-nothing decision. Phased retirement programs can allow employees to gradually transition out of the workforce, giving them more options as their retirement window starts closing.

Meeting Participants Where They Are

With so many investors neglecting retirement planning, engagement efforts need to be proactive, frequent, and accessible. Plan sponsors can leverage a variety of strategies, including personalized omnichannel communications that speak to different life stages and financial concerns. Tailored messaging based on career stage, income level, retirement goals and timelines can help ensure relevance and boost engagement.

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Sources

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A recent Fidelity report reveals that over 80% of plan sponsors prefer to allow employees to keep their assets in-plan and withdraw them over time. The number of workers aged 55 and older has increased by 74% over the past two decades, prompting plan sponsors to focus more on how participants transition from saving for retirement to living in it.

60% of retirees using Fidelity's platform stayed in their employer-sponsored plan within the first year after quitting their jobs as of December 2022, a 10% increase since 2013. Pre-retirees (those between the ages of 50 and 59) exhibit a similar pattern, with record-kept assets for those over 50 tripling in the last ten years.

According to the report, "[Retirees and pre-retirees] may be choosing to stay in plan for a number of potential reasons... The simplification and consolidation of their retirement accounts, familiar and well-priced investment options, potentially lower fees, access to managed portfolio services and advice, educational content, or recordkeeper familiarity."

Additionally, 62% of plan sponsors consider offering retirement income options at least somewhat important. In order to give retirees a steady income, many are looking into target-date funds with guaranteed income through annuity purchasing choices.

These products gained traction following regulatory changes in 2019. In fact, a separate report from Sway Research found that target-date collective investment trusts with annuity components now exceed $22 billion in assets. Fidelity is among the recordkeepers offering BlackRock's LifePath Paycheck products, which hold the largest share of these assets. Fidelity also found that 23% of plan sponsors currently offer guaranteed income options within defined contribution plans at retirement. Less common are managed payout funds, annuities participants can purchase during their working years, and guaranteed income marketplaces outside of defined contribution plans, which allow participants to allocate rollover assets.

More than half of plan sponsors offer ad hoc withdrawals, while about a third provide managed accounts designed to help generate retirement income. To analyze defined contribution trends, Fidelity examined data from 25,000 corporate retirement plans covering 23 million participants, 10,000 403(b) plans, and plan sponsor surveys conducted last year.

Sources:
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