

Case Study

What Will Your Company Do with 20% Health Care Savings? Create a 401(k) Program

Client Challenge: After HORAN did a thorough strategic review of a local financial services company's health care benefits it realized a 20% savings in costs, which placed the local financial firm in an enviable position. What should be done with the savings? Does it get reinvested in the business? Do you use it to grow?

The client decided to create a retirement plan for employees that would allow them to easily participate and have a meaningful way to save for retirement.

"64% of workers...report that they and/or their spouse have saved money for retirement. This level has slowly dropped since 2009, in which 75% reported having saved." – 2014 Retirement Confidence Survey, Employee Benefit Research Institute and Greenwald & Associates

HORAN Solution: Working with the client, HORAN realized it needed to create a program that used an employer match program and auto enrollment to increase contributions each year. The company also needed to create an alternative plan for highly-compensated employees.

How would the company pay for the administrative and match costs? The savings from the revisions to their health care benefits were enough to fully fund the 401(k) program.

The employee plan has

1. Employer match of up to 3% (3% of salary contributed by employee is matched with 3% of his/her salary by employer).
2. Auto enrollment feature that increases employees' contributions by 1% of salary each year.
3. Employees 100% vested within first year of contribution.
4. Highly-compensated employees use an alternative program that allows for the maximum contribution without incurring extra taxes.

This program was designed and implemented for the company by HORAN.

Direct Benefit to Client:

1. The company has peace of mind knowing that all employees have a meaningful way to save for retirement with little impact on their family budget.
2. The company is more attractive to potential new employees and supports retention of current ones by offering this benefit.
3. Through cost savings that HORAN achieved in managing the company's health plan, the 401(k) match and administrative costs were covered. HORAN also provides the company's Life and Health insurance.