



Improving Employee Contributions

There are three key areas where you can make improvements to your retirement plan to help make sure your employees are ready and able to make the most of their retirement benefits.

1

Maximize the Value of Employee Contributions Through Plan Design

Getting employees to increase their contributions is a great way to help maximize the value of their retirement plan. The following are a few plan design features to help make that easier.



Employer Match

Helps incentivize higher contributions to maximize the value of matching.



Automatic Escalation

Helps increase contributions by raising annual contribution rates.



Increase Default Deferral Rate

Helps employees save more by raising the default contribution rate.



Other Considerations

- Automating catch-up contributions
- Rate cap increases
- Add a Roth contribution option

2

Use Employee Engagement to Build Financial Confidence

Making sure employees stay engaged can help ensure their retirement benefits don't get left behind through the many stages and changes in their lives and priorities.

- Personalized Communications and Statements
- Education Materials and Seminars
- Plan Event and Milestone Reminders
- One-On-One Support

3

Automating Employee Enrollment

Automatic enrollment can significantly increase plan participation rates and has been shown to be particularly effective with younger and lower-income workers, who tend to have the lowest participation rates under voluntary enrollment structures.¹

Automatic Contribution Arrangement

- Can apply automatic enrollment to new hires only.
- No minimum contribution rate or required employer contribution.

Eligible Automatic Contribution Arrangement

- Must be adopted at the beginning of a plan year.
- All eligible employees must be automatically enrolled.

Qualified Automatic Contribution Arrangement

- Exempts the plan from ADP and ACP testing.
- Employer contributions are required.

Impact of Automatic Enrollment on Plan Participation Rates

Voluntary Enrollment

64%

Automatic Enrollment

94%

Participation Rate

Source: Vanguard 2025 "How America Saves" Report

Talk to your Morgan Stanley Financial Advisor today to learn how you can enhance your 401(k) retirement plan design.



¹ https://institutional.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025_How_America_Saves.pdf

When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), Morgan Stanley is a "fiduciary" as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Internal Revenue Code of 1986 (the "Code"), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", Morgan Stanley will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding Morgan Stanley's role with respect to a Retirement Account, please visit www.morganstanley.com/disclosures/dol. Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account.