

Automatic Work\$

by vcmorris - Thursday, October 07, 2010

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Since everyone's trying to figure out a sustainable way to recover from the deep trauma of the recession – it's important that you know there are new 401(k) rules.

The IRS and Treasury department have updated and streamlined 401K and IRA rules under the guidance of the Obama Administration. The changes are aimed at encouraging Americans who haven't been participating in setting aside money in private accounts to save for retirement.

Small businesses can now automatically enroll employees in savings programs when they are hired; the employee must manually opt-out if they choose not to participate. "Automatic enrollment has made a big difference in participation rates by making it simpler for workers to save," President Obama said in his weekly radio and Internet address. "And that's why we're going to expand it to more people."

The IRS is helping by providing approved language for employers to use when amending their retirement-savings plans to include automatic-enrollment. With the pre-approved language for auto-enrollment, employers will be able to more quickly and easily adopt the feature. I'm a big supporter of this new rule because it tends to improve participation rates. In general, about 70% of eligible workers participate in workplace plans such as 401(k) s, but that figure rises to more than 90% when companies adopt automatic enrollment.

These new options are part of President Obama's plan to improve the nation's sub-par savings rate and help the more than 78 million Americans, or about half the workforce, that don't participate in a retirement plan at work.

Boston-based Fidelity Investments, the largest U.S. provider of workplace retirement plans, did a study released in July that found automatic enrollment helped younger and lower income employees the most – many who otherwise have not saved.

As I always say, it's never too early to get a financial life and start saving for retirement. ***It's your money so take it personally***™.

Here's to your health and wealth.

My new book **MIND OVER MONEY MATTERS: *It's Your Money So Take It Personally***™ is now available on Amazon.com for pre-orders.