

Increasing Employee Good Will

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Give a Christmas Gift that Costs Nothing & Benefits the Recipient a Lifetime

“Give a man a fish and you feed him for a day; teach him how to fish and you feed him for a lifetime.” - Lao Tzu

Educating a person to fish is straightforward—explain how to bait the hook, throw the line in the water, and wait for a bite. On the other hand, educating someone how to optimally invest his 401(k) is more complicated. Further, after the education, the 401(k) seminar attendees largely don't follow through on good intentions (see my last blog entitled “A Christmas Gift for Your Employees”).

This means 401(k) participants, including those in doctor's offices, often shoot themselves in the foot regarding their retirement savings. Without the proper investment choices, their 401(k) returns are poor. This means their “golden years” will be gold-plated rather than 24-Karat. That is, they are fraught with more financial difficulty than would have been necessary had they invested their money more wisely.

There is something that physician groups can do, though. James Choi, David Laibson and Brigitte C. Madrian examined what they call “quick enrollment.” This procedure is meant to overcome the confusion related to the overwhelming choices associated with 401(k)s, as well as the inertia connected to selection and execution. The paper, “Reducing the Complexity Costs of 401K Participation through Quick Enrollment,” is forthcoming in *Developments in the Economics of Aging* (Chicago: University of Chicago Press) edited by David A. Wise.

In this plan, employees are given the option to elect to enroll in their 401(k) plan at a pre-selected contribution rate and asset allocation. Asset allocation refers to a mixture of asset classes meant to lower risk and increase return. This “Quick Enrollment” improved participation rates by combining several choices into a single decision. At one company, new employee participation tripled. In two others, previously hired non-participating employees increased enrollment by 10 to 20%.

Physician-employers have a large amount of control over their employee savings because they structure 401(k) plans in conjunction with their advisors. If choices that are optimal for the employee are easy to sign up for, the chances of participation are greatly multiplied. Ultimately, this Christmas gift can be the greatest a medical group can offer its employees.

If promoted properly by the physician group, it can directly help the doctors because the “good will” may well be returned in kind. Additionally, it decreases the likelihood that employees will be unhappy with their 401(k) results in the future.

When faced with many choices about something we know very little about, most of us choose not to choose. It's no surprise, then, that physician office employees behave the way they do about 401(k)'s. You can help them by offering default choices that embody both intelligent investing and low expenses. Furthermore, it costs nothing to do this except the time to direct the 401(k) advisor to implement this plan and to ensure it meets the intended goals.

It's a Christmas gift truly meaningful to employees immediately, and in years to come.

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