

# Calculating the ROI of Your 401(k) Plan

Use this worksheet to help your HR team and 401(k) committee estimate the ROI of your 401(k) plan.

If you have questions, reach out to our team at [401k@betterment.com](mailto:401k@betterment.com).



# Enter the estimated costs to operate your 401(k) plan.

## Cost type

## Amount

### Start-up costs (one-time cost if starting new plan)

These can often range from \$500 to \$2,000 depending on if you are starting a new plan or converting a plan.

\$ \_\_\_\_\_

### Plan administrative & recordkeeping fees (required annual cost)

**Participant fees:** Often ranging from \$5 to \$10 per month. (You can often pass this fee on to the employee.)

**Compliance fees:** Includes Form 5500 and nondiscrimination testing.

**Administrative costs:** Monthly base fees, employee communications, statements, recordkeeping, investment management, transaction costs, approving loans and distributions, plan amendments, etc.

\$ \_\_\_\_\_

### Matching contribution costs (optional annual cost)

Matching contributions include both salary-based and qualified student loan payment matching contributions.

\$ \_\_\_\_\_

### 401(k) plan audit (potential required cost)

Generally, any plan that has 100 or more participants (so-called "large plans") at the beginning of the plan year requires an audit.

\$ \_\_\_\_\_

### Additional costs

Ancillary costs may include consulting, legal advice, or other costs associated with managing your plan.

\$ \_\_\_\_\_

### Total 401(k) Plan Annual Costs:

\$ \_\_\_\_\_

# Enter the estimated annual benefits from offering your 401(k) plan.

## Benefit type

## Amount

### Tax credits

Tax credits reduce your tax bill by the tax credit amount if you're eligible.

**SECURE 2.0 Startup Tax Credit:** Provides businesses with fewer than 100 employees a three-year tax credit for up to 50% of plan start-up costs. Increases the tax credit to up to 100% of the plan start-up costs for employers with 50 or fewer employees. The credit is based on the greater of \$500 OR \$250 per NHCE, capped at \$5,000.

**SECURE 2.0 Employer Contribution Credit:** Offers a new tax credit to employers with 50 or fewer employees, encouraging direct contributions to employees, as much as \$1,000 per participating employee with wages less than \$100,000 (indexed annually). The credit covers the first five years of the plan, allowing 100% of the employer contribution to be claimed in the first and second tax years, 75% in the third year, 50% in the fourth year, and 25% in the fifth year. The credit also applies to employers with 51-100 participants but the amount of the credit is reduced by 2% per employee over 50 employees earning less than \$100,000 per year.

**SECURE 2.0 Automatic Enrollment Credit:** Employers with new or established 401(k) plans that add automatic enrollment can take advantage of a \$500 tax credit. Employers can claim this tax benefit for up to three tax years, if they have 100 or fewer eligible employees.

\$ \_\_\_\_\_

Continue step 2 on following page

## Benefit type

## Amount

### Tax deductions

Tax deductions reduce your taxable income, not your tax bill directly. You'll need to estimate how much a deduction will save you in taxes. Subject to eligibility requirements.

**Employer contribution tax deductions:** You can deduct your contributions from your company's taxable income, assuming they don't exceed the IRS's limit of 25% of compensation paid to eligible employees.

**Deduction for plan administration fees:** These are tax deductible business expenses if not passed to the employee.

\$ \_\_\_\_\_

### Value of employee retention

This value is the cost savings from not having to replace lost employees and productivity. It is specific to each company and each position within a company. This value can be difficult to calculate but estimating it is crucial to understanding the value of retaining employees.

We recommend estimating an annual dollar amount that you feel is reasonable as a result of offering a 401(k). For example, "Firm ABC estimates their 401(k) helps reduce turnover by two FTEs per year, resulting in \$100,000 of cost savings and increased productivity."

For reference, benchmarks for employee replacement costs include:

- SHRM<sup>1</sup> cites costs of six to nine months of an employee's salary.
- Gallup<sup>2</sup> cites costs of one-half to two times the employee's annual salary.

Consider hard and soft costs of replacing an employee:

- **Hard costs:** These are straightforward to quantify and include hiring costs like HR staff, technology, and job postings. For some roles, lost productivity can be easily measured, making it a hard cost. Once an employee is hired there are also hard costs like onboarding training, new equipment, and processing paperwork.
- **Soft costs:** These can be murky to measure but impact every hiring decision. These include the time of any employees that help with the hiring process, from interviews to position description reviews and onboarding planning. As a new employee joins the company, these costs continue with additional onboarding meetings and lowered productivity as the new team member gets up to speed.

\$ \_\_\_\_\_

**Total 401(k) Plan Annual Benefits:**

\$ \_\_\_\_\_

# Review cost/benefit estimations and examine potential 401(k) plan changes

## Questions to consider:

- 1 Do we feel our 401(k) is creating the value we expect it to? If not, why?
- 2 Are our 401(k) plan costs affordable compared to other plan recordkeepers and technology providers? Are there areas to reduce costs?
- 3 Is our 401(k) built with employee needs in mind to reduce turnover?
- 4 Do we need to consider new 401(k) features such as qualified student loan payment matching to attract and retain employees?



# A better (and scalable) 401(k) plan

Help your employees save for retirement with an easy-to-manage 401(k) plan. Explore our features and support to see which plan is right for your team.

## Essential

**An affordable, easy-to-manage 401(k) plan for your employees' retirement.**

\$100 per month base fee, billed annually at **\$1,200**

\$5 monthly record-keeping fee per employee

0.25% advisory fee for employees

- ✓ Simple payroll integration with Gusto, Zenefits, and other providers
- ✓ 3(38) and 3(16) fiduciary services with administrative, compliance, and investment support
- ✓ Ongoing email and chat support for plan administrators
- ✓ Getting started webinars and emails for employees

## Pro

**Enhance your 401(k) with additional support, benefits, and customization to meet the needs of a growing workforce.**

\$150 per month base fee, billed annually at **\$1,800**

\$6 monthly record-keeping fee per employee

0.25% advisory fee for employees

- ✓ Flexible plan design features such as vesting, new comparability, and more
- ✓ Expanded support including easy call scheduling with a specialist
- ✓ Guided support converting your existing plan
- ✓ Additional employee financial benefits: [Student Loan Management](#) and [529 Education Savings](#)
- ✓ [Financial Coaching](#) available as an add-on benefit

## Flagship

**Get dedicated white-glove support, compliance guidance, and our full suite of employee financial benefits.**

\$292 per month base fee, billed annually at **\$3,500**

\$8 monthly record-keeping fee per employee

0.25% advisory fee for employees

- ✓ Expanded compliance support covering mid-year ADP testing and projected allocations
- ✓ Dedicated support from a Client Success Manager
- ✓ Full suite of employee financial benefits: [Student Loan Management](#), [529 Education Savings](#), and [Financial Coaching](#)



Betterment was built to help people set goals, give purpose to their money, and build peace of mind into their financial future, starting with their 401(k). Start building a better financial wellness solution for your team with a Betterment 401(k) today—don't wait for the SECURE 2.0 Act's provision deadlines.

**Ready to get started or want to chat about the implications of SECURE 2.0?**

**[Email us at 401k@betterment.com](mailto:401k@betterment.com)**

<sup>1</sup> <https://hrshrm.shrm.org/blog/2017/10/essential-elements-employee-retention>

<sup>2</sup> <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>

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Student Loan Management by Betterment at Work is provided in partnership with Spinwheel.

529 accounts and their plans are held and managed by program administrators and managers outside of Betterment. 529s are only available as part of a bundled offering with a Betterment 401(k). Not available in the Essential plan.

For financial coaching services, additional fees apply for use in the Pro plan. Services not available in the Essential plan.

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