

Publications

# Proposed IRS Regulations Provide Clarity For Automatic Enrollment Programs

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**SERVICES**

More Americans are funding their retirement benefits with their own savings by means of contributions to employer-provided retirement savings plans, such as plans established under Internal Revenue Code (Code) sections 401(k), 403(b) and 457(b). Recognizing the importance of encouraging employees to save for retirement, policy makers and employers have wrestled with how to encourage employees, especially lower-paid and younger employees, to contribute to these plans. Even with the lure of free money in the form of an employer match, the unfortunate fact is that many employees do not sign up to become participants. This is often due to inertia on the part of the employee.

The decision of how much to contribute to the employer's 401(k) plan, and how to invest the contributions, can be so intimidating that an employee may perpetually put off making the decision and, thereby, forego participation. In addition, saving for retirement may not be a priority for some employees, especially younger employees. Other employees, for example, lower paid employees, may believe that they cannot afford to save.

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