

Focus on Funds: 401(k) Disclosure Rules Meet the Modern Age

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For the first time since smartphones became common, the rules governing delivery of 401(k) disclosures are changing. In the November 1, 2019, edition of *Focus on Funds*, ICI assistant general counsel Shannon Salinas details how the rules are being modernized, and what it could mean for 401(k) account holders.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: There's new progress in the use of electronic delivery—or e-delivery, as it's known. ICI's retirement policy team has been working on this issue for years, and Assistant General Counsel Shannon Salinas is going to bring us up to date.

Shannon Salinas, ICI assistant general counsel: This is very exciting because the current rules were drafted in 2002. And to put it into context, that is five years before the iPhone was invented. So a lot has happened in technology since then, and we've become much more comfortable using technology.

Eighty-eight percent of households that own defined contribution plans engage in online banking, so that really shows how comfortable people are today engaging online for sensitive activities.

Ortvals-Tibbs: There are a lot of different benefits to e-delivery for investors.

Salinas: Members have given us a lot of data to back this up. Participants who are engaged online are saving more—they're saving 11 percent, on average, compared to 6 [percent] for participants who are not engaged online. They also have higher balances as a result. Average balances for that group are three times higher than participants who are not engaged online.

Participants are 12 times more likely to take action on a notice—so changing their allocation, visiting the website.

Ortvals-Tibbs: It sounds like this is a way where the fund companies can put the information before the investors and give them reminders in a way that might be a little bit more actionable.

Salinas: Right. You don't have to change channels—you can get the notice online, click on a link, and take whatever action the notice is discussing.

Ortbals-Tibbs: And there are other reasons why investors would also like e-delivery. For some people, it's a greener option.

Salinas: You also are able to provide simpler notices yet provide more information. So with layered disclosures, you can provide a simple, up-front disclosure with hyperlinks, where participants can get more information on the items that they want to learn more about without overwhelming the participant with a lot of paper.

Additional Resources

- [401\(k\) Plans Continue to Offer Millions of Workers a Reliable Way to Save for Retirement](#)
- [Report: American Views on Defined Contribution Plan Saving, 2018](#)
- [Focus on Funds: Learn the Latest 401\(k\) Trends](#)
- [ICI Comment: Electronic Delivery of Disclosure for Workplace Retirement Plans](#)