

Workforce Strain: Retirement savings shortfall becomes growing burden for employers

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The advent of 401(k)s and the decline of the old-school pension have long since shifted the responsibility for retirement savings from employer to employee — a change that has contributed to a growing crisis in retirement readiness.

Some experts now say the issue is not just a problem for individual workers, but also for their employers.

A recent report from the National Institute on Retirement Security found that nearly half of Americans do not participate in an employer-sponsored retirement plan. The analysis also shows the median 401(k) balance for contributors is just under \$40,000, and the average worker has saved only about 18% of what is recommended for their age.

Connecticut-based **retirement adviser Michael Del Re** said people routinely spend far more time comparison-shopping for car leases or vacation deals than they do researching their retirement plan options.

“You’ll ask them how much time did you spend online last year planning for retirement?” he said. “And immediately everyone’s head goes down because the dog just ate their homework.”

That lack of preparation can create challenges for employers. As workers delay retirement, companies are left with older, more expensive workforces that tend to have higher health care costs.

Financial stress can also hurt productivity, as employees spend time during the workday addressing personal financial issues and are more likely to be absent, Del Re said.

As companies wake up to this reality, some are expanding retirement education and adjusting plan designs to encourage higher participation and savings.

Del Re is managing partner at **Prime Capital Financial of Connecticut** based in Milford, which provides plan designs and educational packages for companies. He said he sees some of his client companies now making employee retirement education mandatory.

“You know, put your tool belt down, stop what you’re doing at 2:30 and drive back to the office, because we’re going to do meetings. That’s how important they made this,” he said.

Overcoming complacency

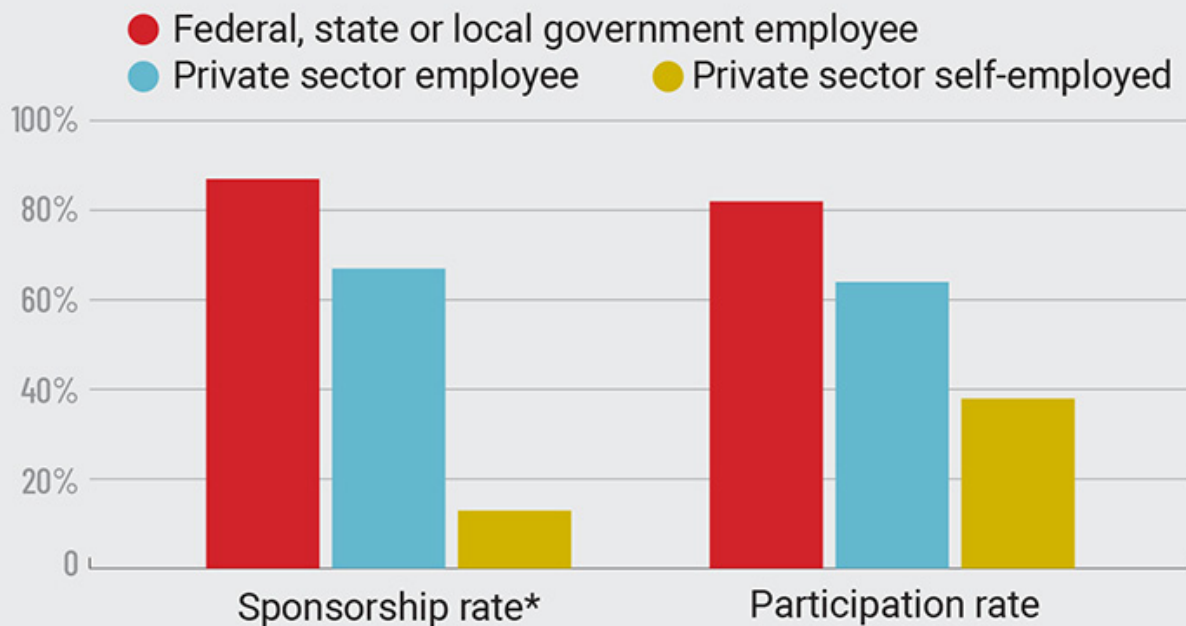
To meet that need, firms like Prime Capital are also rethinking how they engage employees. Del Re said his firm, with over \$39 billion in assets under management across numerous locations nationwide, focuses on delivering education in ways that fit different workplaces, rather than relying on a one-size-fits-all approach.

“We have a gentleman from our Houston office, he’s out on the rigs, out in that Permian Basin with his steel-toed work boots and his hard hat, and he literally will climb up the oil well to get folks enrolled” in a retirement plan, he said.

For other workers who aren’t at a computer all day — such as those in home care settings — tools like mobile apps can help keep retirement information accessible and top-of-mind.

Studies have found that this kind of outreach makes a difference. A 2024 survey from plan designer Human Interest found that 91% of employees enroll in retirement plans when employers offer financial wellness education, compared with 76% when no education is provided.

RETIREMENT PLAN PARTICIPATION BY EMPLOYER TYPE



**Sponsorship rate refers to the share of workers whose employer offers a retirement plan. Participation rate refers to the share of workers who are enrolled and contributing.*
Source: National Institute on Retirement Security

One hopeful data point Del Re has observed in recent years is that younger workers are more aware of the need to save than older generations. That aligns with research from Vanguard showing that Generation Z workers are currently the most likely to be on track for retirement, with nearly half saving at a realistic level.

Older workers, by contrast, are more likely to struggle with complacency, he said. Some employees assume that contributing a small percentage of their paycheck to a 401(k) is sufficient, without considering whether it aligns with their long-term savings goals.

“I think a lot of folks think, ‘well, gee, I’m in at 3%, I must be saving enough,’ as opposed to, ‘am I saving enough to hit my goal?’” he said.

He added that effective retirement planning increasingly requires a broader view of employees’ finances, including helping workers manage student debt to free up income for savings and better allocating investments within retirement plans to reach long-term goals.

Addie Williams is the vice president of human resources for Milford-based **Somerset Capital Group**, an independent capital equipment leasing company that’s been in business more than 40 years and has almost 150 employees, including at facilities in Texas and Arizona. She said some

employees remain hesitant to save, often prioritizing more immediate financial obligations like car loans.

“There’s a population of people who you just can’t convince,” Williams said. “Living, for lack of a better term, paycheck to paycheck, they’re just not ready to part with any of their funds.”

Williams said Somerset Capital started educational seminars for employees last year, an initiative spearheaded by **CEO and President Evan Bokor**, who is a certified public accountant.

The seminars have covered topics including budgeting, debt management, retirement plan features and tax-efficient saving strategies.

Williams said about 80% of employees participate in the company’s 401(k) plan. While that rate increased modestly after the education effort, the more significant impact was higher contribution levels. Fewer than 5% of participants now contribute below the company’s 4% match threshold.

She said HR staff also conduct quarterly outreach to employees to review their retirement contributions.

Government steps in

Government is also playing a larger role in retirement savings as the long-term risks of underfunding become clearer.

At the federal level, recent legislation requires most new 401(k) plans established after Jan. 1, 2025, to include automatic enrollment and automatic escalation features.

At the state level, Connecticut in 2022 became one of the first states to offer a retirement savings option for workers without access to employer-sponsored plans.

Through the MyCTSavings program, employers with five or more workers must enroll employees in the state-sponsored plan if they do not offer their own.

The program is overseen by the state comptroller’s office and administered by private firm Vestwell Government Savings. It allows workers to contribute to Roth individual retirement accounts through payroll deductions.

Kim Olson, a senior officer for retirement savings at the nonprofit public policy research firm The Pew Charitable Trusts, advocates for these programs, noting that 15 states now have active plans. She said their growth has been driven in part by demographic shifts and a growing recognition among policymakers that older adults with limited savings will rely more heavily on public assistance.

“What we found was approximately \$1.3 trillion of impact at the federal and state levels just by the increase in the amount of money we’re going to need for social services due to people under-saving,” she said.

Olson said state-sponsored IRA programs like MyCTSAvings help address procrastination by individual employees who previously would have had to start their own plan.

“Nearly half of American workers don’t have access to retirement savings at their place of employment,” she said. “And we also know that workers are 15 times more likely to save for retirement if they can do so at work through payroll deduction.”

The rollout of state programs initially raised concerns that employers might scale back their own retirement offerings. However, Olson said data tracked by Pew shows the opposite trend.

“You have a bunch of employers that said, ‘hey, I’m going to take this moment — this nudge — to go out and get my own private plan, which is a more robust and a better instrument for everybody involved,’” she said. □

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