

## **Factors Impacting Supplemental Contributions in a Retirement Plan**

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### **Abstract**

The money saved by an employee in an employer sponsored retirement plan will most likely be the largest single retirement saving of an individual. There is, however, widespread lack of financial education among employees about the different retirement plans offered by their employers. This lack of education may have prompted employees to pick a defined benefit retirement plan where the benefits paid in retirement are a function of the salary earned by the employee and the number of years of service and not the investment choices made or the returns generated by the investments.

More recently, however, there has been a steady decline in the use of defined benefit plans and a corresponding increase in the use of defined contribution plans which places the burden of making appropriate investment choices on the employee. In addition, many employers also offer their employees the opportunity to invest in supplemental retirement plans, which also requires an employee to make their own investment choices.

While it has been shown that an increase in financial awareness enables employees to make better investment choices there has been no research so far, to our knowledge, that has examined the impact of several variables, such as age, gender, marital status, number of dependents, education level, academic rank, academic discipline, salary earned, and years to retirement, on the amount of supplemental contributions made by employees.

This research will examine the impact of these variables on the supplemental investments made by employees at a regional comprehensive institution.

**Keywords:** Retirement, Financial Literacy, Defined Benefit Plans, Defined Contribution Plans, Supplemental Contributions