Back to Basics

Why Communication — Not Cost — Is the Real Barrier to 401(k) Participation

When employees fail to participate in their workplace retirement plan, the default assumption is often affordability. However, recent research from Ascensus challenges that belief — and points to a much simpler explanation: employees don't fully understand their plan or how to get started. According to the firm's 2026 Eligible Not Contributing Employee (ELND) Survey, lack of awareness and understanding accounts for roughly 60% of nonparticipation, whereas only 23% of employees cite affordability as the primary barrier.

The Knowledge Gap Is the Real Barrier

In fact, nearly one-third of employees (30%) report they do not know how their retirement plan works or how to begin contributing. For many, plan features like employer matching contributions, tax advantages and investment growth remain unclear. Without a basic understanding of these concepts, even well-designed plans can go unused. This lack of understanding highlights a fundamental disconnect: employers may believe they are providing sufficient information, but employees often find that information too complex, too infrequent or difficult to act on.

Why Early Engagement Matters

The survey also underscores the importance of timing. Employees who delay enrolling are significantly less likely to ever participate. If an employee remains unenrolled for just 24 months after becoming eligible, the likelihood they will never enroll doubles. This makes the initial onboarding window critical. Without clear, timely guidance early on, employees can quickly fall into a pattern of inaction that becomes harder to reverse over time.

Simple Communication Drives Action

Importantly, the findings suggest that improving participation does not require costly plan redesigns. Instead, it calls for a return to fundamentals: clear, simple and timely communication. Employees respond to straightforward explanations of how the plan works, step-by-step enrollment guidance and reminders at key decision points. When information is easy to understand and accessible, employees are far more likely to take action.

Back to Basics = Better Outcomes

For plan sponsors, increasing participation may be less about adding new features and more about making existing benefits easier to understand. By focusing on basic education, plain-language communication and consistent engagement, employers can help more employees move from eligibility to active participation.

Informational Sources: Ascensus: "New Ascensus Research Reveals Why Millions of Eligible Workers Do Not Contribute to Their Retirement Plans," (March 10, 2026).