

The Design of Retirement Plan Match Schedules*

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Abstract

We use survey responses to hypothetical scenarios linked with administrative 401(k) data to investigate the efficiency and equity implications of employer 401(k) match formulas. We find that (i) survey responses can be used to accurately predict saving responses to both observed and hypothetical plans, (ii) saving is inelastic to the match rate, (iii) non-elective contributions do not crowd out saving. These patterns imply that (iv) plans combining lower match rates with non-elective contributions generate higher savings and more equitable match distributions, and (v) many existing plans—including safe-harbor formulas—are strictly dominated along both dimensions.

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