

Vanguard and RCH to offer 'auto-portability' service to plan participants

By Editorial Staff Wed, Sep 22, 2021

RIJ has been writing since 2014 about Retirement Clearinghouse and its effort, backed by the deep pockets of owner Robert L. Johnson, to bring 'auto-portability' to 401(k) plans. The service is now available to more than 10 million participants.

Vanguard, a leading retirement plan provider in the US, has engaged Retirement Clearinghouse LLC, to offer “auto-portability”—a service ensuring that job changers can easily “roll in” assets from old 401(k)s to new 401(k)s—to 4.7 million participants in the 1,700 plans it administers for 1,400 plan sponsors, starting in mid-2022.

Last November, Alight Solutions [announced](#) that it would offer RCH’s roll-in service to millions of participants in the Federal Thrift Savings Plan, which is administered by Accenture Federal Services.

Auto-portability enables the transfer of small-balance accounts so that fewer accounts are forgotten, cashed out, or left on the plans’ books. Cash-outs are a source of “leakage” and of savings inadequacy. All three outcomes can be costly for the plan, the participant or both.

“Together with RCH, we aim to help the most vulnerable plan participants combine their retirement assets, capture the vast benefits of a 401(k) plan, and enhance their overall financial wellbeing,” said John James, managing director and head of Vanguard Institutional Investor Group, in a release.

Retirement plan leakage “affects Black and Brown workers in particular and contributes to a systemic issue of savings insufficiency in these underserved demographics,” said Robert L. Johnson, founder of the Black Entertainment Network, chairman of The RLJ Companies and owner of RCH.

Plan participants with small balances often do not roll over retirement savings into their new plans or to rollover IRAs when changing jobs. Employers, for their part, have the right to move abandoned accounts with less \$5,000 into financial warehouses known as “Safe Harbor IRAs,” where fees may be higher than in the plan. Those “stranded” accounts, large or small, are easily forgotten.

The RCH Auto Portability program automates the movement of an employee’s 401(k) savings account from their former employer’s plan into an active account with their current

employer's plan. First piloted in 2017, the program completed the industry's first-ever fully automated, end-to-end transfer of retirement savings from a Safe Harbor IRA into an employee's active retirement account.

The service can also help simplify plan administration and improve plan compliance by reducing the instances of abandoned accounts and uncashed checks.

"Our partnership with Vanguard represents a giant leap forward in the campaign to make auto portability for small accounts the new 401(k) plan default process when participants change jobs," said Spencer Williams, founder, president, and CEO of Retirement Clearinghouse, LLC.

A leading recordkeeper for defined contribution plans, Vanguard has a long history of partnering with mission-aligned firms to provide groundbreaking solutions that help improve participant outcomes. Strategic engagements with industry-leading firms, such as RCH, enable Vanguard to augment its proprietary offerings and deliver comprehensive services, cutting-edge technologies, and best-in-class experiences to plan sponsors and their participants.

In the release, Vanguard said it supports key components of SECURE 2.0 legislation and endorses the Department of Labor's e-delivery rule, the Securing a Strong Retirement Act, the Retirement Security and Savings Act, and the Receiving Electronic Statements to Improve Retiree Earnings (RETIRE) Act in 2018.

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