RISEN SON FINANCIAL
Your Retirement Plan Partners

Retirement Times

SEPTEMBER 2020

Good News 401(k)

T. Rowe Price did a deep dive into its recordkeeping data and surfaced with a few important points.

Its "Reference Point Report is an annual client data benchmarking report so plan sponsors can review trends and benchmark their progress and participant behavior across the firm's client base… 'We continue to see the importance and significant impact plan design and financial wellness programs have on keeping participants on track with their financial priorities' by John Sullivan, Editor-In-Chief "

- Plan participation was greater than 79%
- Over 61% of plans at T. Rowe Price automatically enroll participants, with 37% enrolling at a 6% default deferral
- Average account balances rose to over $100,000, an increase of 8%, although over 34% of eligible participants did not contribute to their plans in 2019
- Employers are increasing match formulas from 3% to a 4% to 5% effective match rage
- Direct rollovers of plan assets increased to 76% in 2019 from 74% in 2018
- Lower rates for cash-out distributions and loans
- Participant usage of loans decreased in 2019 to 22.1%, down from the seven-year high of 24.9% in 2013, but the optional loan provisions included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act could change that trend
- Allocations to company stock investments increased more than 11%

For more information on 401(k) participant behavior and plan design trends, see the article in 401k Specialist.[1]

1 https://401kspecialistmag.com/7-trends-in-401k-participant-behavior-and-plan-design/

More Good News

Scoring the Progress of Retirement Savers, a recent report by Empower, shows that the median projected income replacement among participants in our study was 64%. In other words, Americans are on track to replace 64% of their current income in retirement.

"Plan sponsors can take several steps to help facilitate savings within a plan. The first is automatic enrollment. We find an 11-point difference in median income replacement percentages between participants who enrolled automatically versus those who opted into the plan. The difference may reflect an important benefit of auto-enrollment: Many participants begin saving earlier in their tenure, because enrollment begins as soon as they are eligible.

A second feature that correlates with higher median income replacement is auto-escalation. Our survey found that people who participate in a plan with this feature achieve a median retirement income replacement of 107%, a full 27 percentage points higher than participants in plans without it."

For more information, read Empower's report on Scoring the Progress of Retirement Savers.[2]

2 https://docs.empower-retirement.com/EE/EMPOWER/DOCS/Scoring-the-Progress-of-Retirement-Savers.pdf

Have you ever considered offering a Phased Retirement Program?

Phased retirement includes a range of flexible retirement approaches that would allow employees approaching normal retirement age the option to reduce the hours worked while phasing into complete retirement.

For employees, phased retirement may be seen as a benefit by many older workers. It allows them to gradually ease into retirement while maintaining a higher income than they would receive if they quit work entirely. It could also help employees prepare for greater retirement readiness.

"Changes in Social Security have made it easier for recipients to continue working after reaching full retirement age without losing their benefits; Americans are living longer, which means that retirees will need greater financial resources to support themselves. In 2020, the IRS allows for $18,240 of income per individual before affecting social security benefits (before reaching full retirement age)."*
For employers, phased retirement programs can be used to retain skilled older employees who would otherwise retire.

Employers can benefit from tenured employees knowledge and experience while reducing employer payroll and benefits costs. These employees may want to continue to make a meaningful contribution to your company, while working reduced hours. This concept may involve employees working remotely. During the Covid-19 pandemic, many workers are already becoming comfortable working remotely, and employers in some industries may derive continued benefits of a partially remote workforce.

Employers will likely be surprised at the number of workers willing to accept reduced hours or a lighter workload. A recent study from the Transamerica Center for Retirement Studies* found "that nearly three- quarters of employers polled at 1,800 companies of all sizes reported that many of their employees expect

to work past age 65 or do not plan to retire at all. In addition, 43% of working baby boomers are already contemplating a phased retirement. While 4 out of 5 companies surveyed said they plan to support senior employees who want to continue working, just 4 in 10 of the firms currently offer flexible retirement schedules."*

Working with retirement plan providers and benefit advisers can also help employees smoothly transition out of the workforce. They can consider the plan's distribution options, financial planning opportunities and individual financial consulting, where appropriate, on how to make savings last.

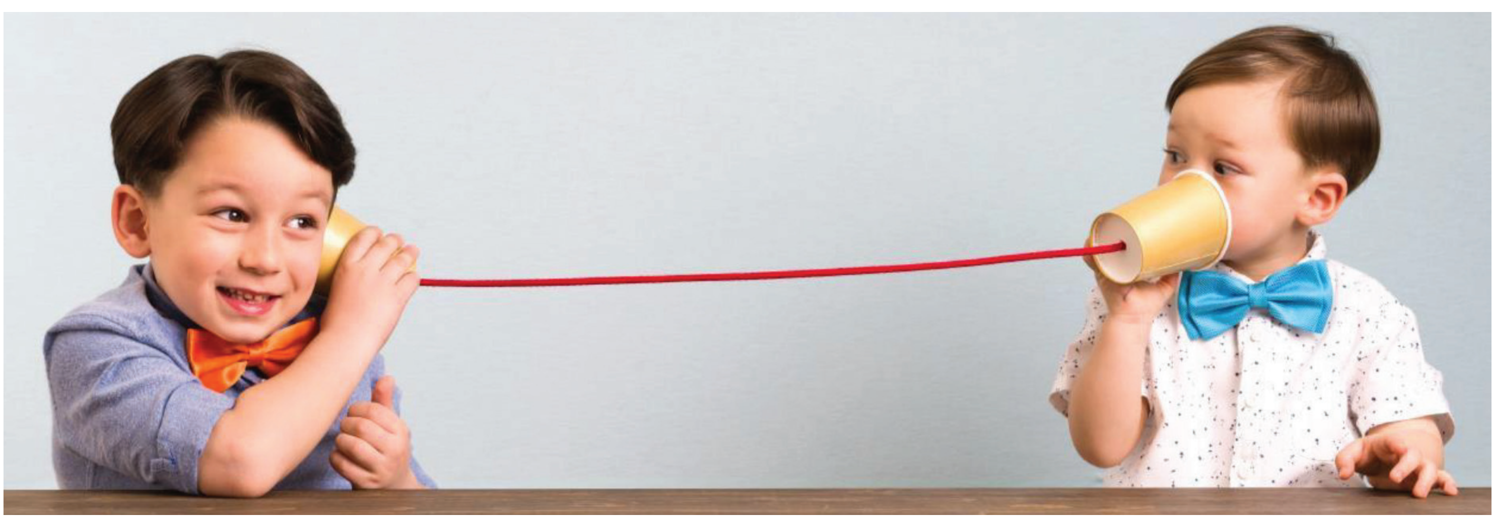
For more information on this topic, read Transamerica Center's 17th Annual Retirement Survey.[3]

3 https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2016_sr_retirement_survey_of_workers_compendium.pdf

Are You Hearing About Financial Wellness?

Employers have heard a lot about financial wellness. However, employers don't always recognize the connection between financial wellness and improved retirement savings behavior as well as a more productive workforce overall. All employees, no matter what generation they belong to, want to work in a friendly environment where they don't have to stress about their job. In particular, when it comes to finances. People tend to change jobs more often for one simple reason – money. As a result, companies experience a higher turnover rate and need to take extra efforts to provide their employees with stable and well-paid jobs. Because a happy employee is a productive employee.

A financial wellness program can improve employee productivity, increase employee satisfaction, reduce absenteeism and even help cut down on stress related health care claims. Comprehensive financial wellness programs reduce the disruptions in the employee's day from concerns over debt, collection calls, missed payments and poor credit scores. Surveys regularly show that finances are the leading cause of stress for Americans, above family obligations, health, and even work. An employee who is financially prepared for expected and unexpected eventualities will exhibit greater engagement at work with less to worry about in their finances.



Financial wellness programs helps employers realize the value of a workforce that is prepared for a successful and secure retirement. With a focus on employee engagement, the best of these platforms offer financial well-being resources that provide a foundation for goal setting, as well as educational material to enhance understanding of retirement planning strategies. With the best financial wellness tools, all employees – regardless of compensation or savings level – should also have access to financial planning support to assist them in achieving their retirement goals.

It is worth looking into a financial wellness program with your advisor, to provide stability to employees. Employees will feel appreciated and motivated. That will translate into higher productivity and better results. Perhaps today is the day to start an internal discussion about how a financial wellness program might support a healthy, focused workforce and the role it can play in affecting your organization's bottom line.

Speak with your financial professional, Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com, regarding the best programs that are available!

THIS MONTH'S PARTICIPANT MEMO:

Four Tips for Increasing Your Retirement Dollars

1. Don't Cash Out Retirement Plans When Changing Employment

When you leave a job, the vested benefits in your retirement plan are an enticing source of money. It may be difficult to resist the urge to take that money as cash, particularly if retirement is many years away. If you do decide to cash out, understand that you will very likely be required to pay federal income taxes, state income taxes, and a 10 percent penalty if under age 59½. This can cut into your investments significantly and negatively impact your retirement savings goals! In California, for example, with an estimated 8 percent state income tax, someone in the 28 percent federal tax bracket would lose 46 percent of the amount withdrawn. When changing jobs, you generally have three options to keep your retirement money invested – you can leave the money in your previous employer's plan, roll it over into an IRA, or transfer the money to your new employer's plan.

2. Take Your Time: Give Your Money More Time to Accumulate

When you give your money more time to accumulate, the earnings on your investments, and the annual compounding of those earnings can make a big difference in your final return. Consider a hypothetical investor named Chris who saved $2,000 per year for a little over eight years. Continuing to grow at 8 percent for the next 31 years, the value of the account grew to $279,781. Contrast that example with Pat, who put off saving for retirement for eight years, began to save a little in the ninth and religiously saved $2,000 per year for the next 31 years. He also earned 8 percent on his savings throughout. What is Pat's account value at the end of 40 years? Pat ended up with the same $279,781 that Chris had accumulated, but Pat invested $63,138 to get there and Chris invested only $16,862!

3. Don't Rely on Other Income Sources, and Don't Count on Social Security

While politicians may talk about Social Security being protected, for anyone 50 or under it's likely that the program will be different from its current form by the time you retire. According to the Social Security Administration, Social Security benefits represent about 34 percent of income for Americans over the age of 65. The remaining income comes predominately from pensions and investments. They also state that by 2035, the number of Americans 65 and older will increase from approximately 48 million today to over 79 million. While the dollars-and-cents result of this growth is hard to determine, it is clear that investing for retirement is a prudent course of action.

4. Consider Hiring a Financial Professional!

Historically, investors with a financial professional have tended to "stay the course", employing a long- term investment strategy and avoiding overreaction to short-term market fluctuations. A financial professional also can help you determine your risk tolerance and assist you in selecting the investments that suit your financial needs at every stage of your life.

For more information on retirement tips, contact Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com.

RISEN SON FINANCIAL
Your Retirement Plan Partners

Helping Employers Manage Their Retirement Plans with Confidence

Our Mission
Risen Son Financial strives to help employers reduce the cost of their retirement plans and the liability of their responsibilities by naming ourselves as fiduciaries to the plan and participants. We believe this builds the foundation to help employees reach their ideal financial future, through one-on-one education, risk analysis, and financial planning.

Why Us?
Based in Land O' Lakes, Florida, Risen Son Financial serves as retirement plan partners and investment fiduciaries for large and small businesses across the nation. Fulfilling the duties of good faith and trust, clients choose us knowing we will go above and beyond. As an Independent Financial Advisor, Risen Son Financial represents clients to the marketplace without any bias or conflicts of interest. We're accountable to you and your best interests. Risen Son Financial serves as a named fiduciary for both the plan and participants. As your Plan Fiduciary, we evaluate plan design, mitigate risks, conduct reviews, and offer solutions helping to improve performance. As Participant Counselors, we also serve as fiduciaries providing customizable advice and resources for the participants.

Our Process
At Risen Son Financial, our first step is to review the current cost and value being received by the plan. We can do this by reviewing the 404(a)(5) (participant fees) and 408(b)(2) (plan fees) disclosures that plans are required to distribute and receive from vendors. If these are not readily available, we can also review fund lineups and statements.

We meticulously review the retirement plan, including these 4 costs:

1. Recordkeepers – Receive funds from the employer and employee paycheck. Their main responsibility is to keep record of the contributions a participant receives and investment gains. Additionally, recordkeepers do the buying and selling of investments that the participant chooses, while also providing a website and quarterly statements.

2. Administrators – Make sure the plan meets the requirements set forth in the IRS code. They handle, testing, compliance, vesting, eligibility, loans, and withdrawals. Many times, administrators are "bundled" with the recordkeeper.

3. Investments – Contributions are deposited into investments. They have their normal expense ratio; however, these often come loaded with internal fees like 12b-1, sub-TA, concession and wrap. This is called "indirect compensation" or "revenue sharing." Often, an investment company will pay the recordkeeper a fee to be included in the investment lineup.

4. Advisors or Brokers – There is a difference. As a named fiduciary to the plan and participants, Advisors give advice, recommendations, and/or have discretionary control of investments, along with being the quarterback of the plan. This includes benchmarking all fees paid to vendors and shopping plan costs to keep fees reasonable. Advisors are held to the best interest standard. In contrast, Brokers are held to the suitability standard. Brokers can't give advice nor can they name themselves as a fiduciary to the plan. Brokers sell a product as a representative of a larger entity.

Once all fees are known, we benchmark those fees and services being received to the open market. We then use this benchmarking to get the cost of the plan reduced. We accomplish this by either going to the current provider to have them reduce the cost or moving the plan to a platform that will, along with providing for the needs of the plan. Being completely independent we can work with all providers which allows us to provide conflict-free and bias-free advice.

About Kevin Donahue, CRPC®, AIF®

Kevin Donahue is the owner of Risen Son Financial. After serving four years in the United States Navy, he graduated from Florida State University in 2004 earning a bachelor's in Computer Science and a minor in Mathematics. Seeing firsthand, the impact of retirement saving and planning with his own parents, Kevin entered the financial services business to pursue his passion of helping clients meet and exceed their financial goals and visions. During his career, Kevin has passed and/or currently holds the series 6,7, 63 and 65 exams along with obtaining Chartered Retirement Planning Counselor (CRPC) designation from the College for Financial Planning. This designation encompasses pre-and post-retirement needs, wealth management, estate planning, and the entire retirement planning process. Additionally, he holds the Accredited Investment Fiduciary (AIF), which empowers investment professionals with the fiduciary knowledge and tools they need to serve each client's best interests.

Kevin resides in Land O' Lakes, with his wife Brittany and their twin boys Andrew and Noah.

Investment advice offered through IFP Advisors, LLC, dba Independent Financial Partners (IFP), a Registered Investment Adviser. IFP and Risen Son Financial are not affiliated.