RISEN SON FINANCIAL
Your Retirement Plan Partners

Retirement Times
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The Case for Investment Refresh

Investment refresh is an optional extension to automatic enrollment whereby participants would be notified that, as of a certain date, their current investment allocation will be transferred to the plan's qualified default investment alternative ("QDIA") investment. The QDIA is frequently an age/risk appropriate target date fund ("TDF"). Any participant may opt out of this action prior to or at any time after the transfer date.

The premise underlying investment refresh is that participants do not always make prudent investment decisions. We frequently find that, although the vast majority of participants are deferring into the plan's TDF, their prior assets often do not get transferred. This is an interesting but contradictory fact that can be attributed to a conscious act, simple neglect, or potential loss aversion, but the reality is, that it may be detrimental to the participant's actual intent or their best interest. In addition, we also know that there is often a mismatch between the level of risk participants tell us they are comfortable with and the risk level in the actual portfolio they have constructed.

Excessive Fee Litigation: The Best Defense is Compliance

Excessive fee litigation is increasing at a steady pace and all signs are it will continue to increase. The positive side of this situation is that we now have more caselaw to consider as we work toward compliance in creating a "best defense". Early caselaw did not reflect the consistency of court decisions. Some court rulings were in direct conflict with those of other courts, and some did not seem well reasoned.

Recent excessive fee caselaw does help us determine a more solid foundation for liability mitigation. Clearly, it is most important to have a robust process for making prudent investment decisions, as per ERISA "procedural prudence". This has always been the case, but now we have more clarity in how this process should be conducted. Courts want to see evidence that based on the information that the fiduciaries had at the time they made their decision; a robust structured process was followed. As always, it is crucial that you follow your investment policy statement and document your process and reasons for all fiduciary level decisions.

QDIA...
Why is it Important?

The qualified default investment alternative ("QDIA") is arguably the most important investment in a plan's investment menu. By far the most often selected QDIA investment is a target date fund ("TDF"). TDFs are typically the only investment selection that offers unitized professionally managed portfolios that reflect the participants' time horizon today and as they go to and through retirement.

TDFs are tied to the anticipated year of your retirement. Retiring in 2035? The 2035 TDF is the easy pick. This portfolio will be professionally managed to become more conservative as you approach your retirement. This de-risking is based on an investment "glide path" which contains more aggressive investments during the participant's younger years and utilizes more conservative investments as retirement approaches.

TDF QDIA selection is important for plan fiduciaries as well. The Department of Labor ("DOL") has indicated that if the TDF has been prudently selected and commensurate with the plan's participant demographics, the suite meets certain structure requirements, and required notices are provided, fiduciary liability mitigation would be available. Prudent process entails identifying your participant demographic needs. Your participant demographic need may tend towards a low-risk portfolio (e.g. participants are on track for a satisfactory retirement), or perhaps a more aggressively positioned portfolio (e.g. less savings so the need to obtain higher returns), or perhaps a multiple glidepath approach for a financially non-homogenous population.

Prudence of TDF selection is also determined by cost relative to other TDFs with similar risk levels, as well as the quality of underlying investments.

THIS MONTH'S PARTICIPANT MEMO:
PARTICIPANT CORNER:

TAX SAVER'S CREDIT REMINDER

You may be eligible for a valuable incentive, which could reduce your federal income tax liability, for contributing to your company's 401(k) or 403(b) plan. If you qualify, you may receive a Tax Saver's Credit of up to $1,000 ($2,000 for married couples filing jointly) if you made eligible contributions to an employer sponsored retirement savings plan. The deduction is claimed in the form of a non-refundable tax credit, ranging from 10% to 50% of your annual contribution.

Remember, when you contribute a portion of each paycheck into the plan on a pre-tax basis, you are reducing the amount of your income subject to federal taxation. And, those assets grow tax-deferred until you receive a distribution. If you qualify for the Tax Saver's Credit, you may even further reduce your taxes.

Your eligibility depends on your adjusted gross income (AGI), your tax filing status, and your retirement contributions. To qualify for the credit, you must be age 18 or older and cannot be a full-time student or claimed as a dependent on someone else's tax return.

Use this chart to calculate your credit for the tax year 2021. First, determine your AGI – your total income minus all qualified deductions. Then refer to the chart below to see how much you can claim as a tax credit if you qualify.

Filing Status/Adjusted Gross Income for 2021			
Amount of Credit	**Joint**	**Head of Household**	**Single/Others**
50% of amount deferred	$0 to $39,500	$0 to $29,625	$0 to $19,750
20% of amount deferred	$39,501 to $43,000	$29,626 to $32,250	$19,751 to $21,500
10% of amount deferred	$43,001 to $66,000	$32,251 to $49,500	$21,501 to $33,000

For example:

- A single employee whose AGI is $17,000 defers $2,000 to their retirement plan will qualify for a tax credit equal to 50% of their total contribution. That's a tax savings of $1,000.
- A married couple, filing jointly, with a combined AGI of $42,000 each contributes $1,000 to their respective retirement plans, for a total contribution of $2,000. They will receive a 20% credit that reduces their tax bill by $400.

With the Tax Saver's Credit, you may owe less in federal taxes the next time you file by contributing to your retirement plan today!

Contact your financial professional, Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com with any questions you may have.

Distributions before the age of 59 ½ may be subject to an additional 10% early withdrawal penalty. This is for informational purposes only; we suggest that you speak with a tax professional about your individual situation.

RISEN SON FINANCIAL
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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.

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