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The Retirement Times

RISEN SON FINANCIAL
Your Retirement Plan Partners

Generational Influences and Behavioral Finance

Understanding generational attitudes toward investing and the cognitive biases that can lead participants astray is key to helping employees of all ages improve their financial wellness and prepare for a secure and successful retirement.

Boomers

Baby Boomers may be inclined to drop cognitive anchors based on early information that cements their opinions. Unfortunately, when anchoring reference points are arbitrary or uninformed, Boomers may find themselves overconfident in financial decisions that fail to serve them over the long term. And if these decisions lead them to take on excessive risk, the results could be disastrous as they approach retirement. Financial professionals can help Boomers avoid the anchoring bias and take a more objective approach to investing by using financial wellness assessment data to direct them toward individualized financial wellness resources to improve financial decision-making.

Generation X

Independent and self-reliant, this cohort came into adulthood as the first generation with a world (wide web) of information at their fingertips. However, Gen Xers may allow current events or recent experiences to have an outsized influence on their financial decisions and reinforce established perceptions — this is known as the recency bias. They may, for example, be tempted to make impulsive investing decisions during or immediately following volatile markets, without fully considering whether current conditions are likely to be short-term. The recency bias can also lead some Gen X-ers to take on bigger risks in bull markets, believing that recent gains will likely persist indefinitely. In this instance, financial professionals can help such individuals step back and take a broader historical view of markets, examine economic fundamentals, reassess personal risk tolerance and review investment goals.

Millennials

FOMO — or fear of missing out — can be top of mind for some millennials. And this can translate into a herding bias when it comes to their investments and the risk of jumping off a financial cliff by following the herd chasing the latest speculative investment trend. Financial professionals can help millennials fight FOMO by encouraging them to focus on investing fundamentals and creating a financial decision- making process that promotes long-term strategic thinking and prudent investing behaviors.

Gen Z

Gen Z values the control that knowledge and information gives them, having literally grown up knowing how to search for it online. As a result, they may be less reliant on more conventional learning settings and modalities. They came of age during a period of economic turmoil and (somewhat surprisingly) often value the stability of a traditional job over freelancing. And these young adults already recognize the importance of regular saving and investing. Time will tell whether this pragmatic and analytical tendency will turn out to be an asset for their financial decision-making over the long term. In the meantime, financial professionals can help Gen Z-ers take advantage of the benefits of investing early — and hopefully they'll be less susceptible to retirement challenges in the future.

Bottom Line
Even though there are generational components to behavioral finance, every employee is unique in their beliefs, attitudes and goals. An individualized assessment platform helps financial professionals tailor solutions to all employee needs, no matter their age or level of investment experience.

Sources
https://www.schwabassetmanagement.com/content/why-behavioral-finance-is-important-todays-market-environment

https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies

Measuring Financial Wellness

Establishing financial wellness metrics has become increasingly important over the last year. The COVID-19 pandemic has created economic hardships for many American families, depleting emergency funds for some and forcing others to take on additional debt to cover necessary expenses. At work, the resulting stress can lead to increased absenteeism, decreased productivity and greater health care costs for plan sponsors.

Helping employees improve financial wellness is key to mitigating a number of these risks. A 2019 EBRI survey found top reasons organizations provide financial wellness programming include: enhanced satisfaction (46%), reduced financial stress (42%), increased retention (35%) and improved utilization of employer benefits (35%). But in order to tell if what they're doing is making a meaningful impact, organizations need appropriate metrics to gauge the extent to which their financial wellness program is meeting both company and employee objectives.

Two Types of Financial Wellness Metrics
To assess the effectiveness of a financial wellness program, appropriate metrics tailored to program goals should be established for both individual participants and the organization as a whole.

Individual Measures. An assessment of financial wellness should not begin and end with a participant's 401(k) contribution rate — and according to the Retirement Advisor Council, it should be done periodically. A Financial Health Assessment could look at a wide cross section of financial behaviors above and beyond retirement planning, including: emergency savings, budgeting, asset protection, estate planning and debt management. Employees are encouraged to take the assessment periodically to monitor progress.

Organizational Measures. These can include company-wide retirement plan participation rates as well as various program engagement measures such as web portal activity, webinar enrollment and registration for group and one-on-one consultations. Aggregate quantitative participant data allows plan sponsors to determine the efficacy of financial wellness programming on a broader scale. According to the Society for Human Resource Management, complementary qualitative data can also be readily obtained through informal surveys, employee focus groups and exit interviews.

Utilizing Financial Wellness Data
More important than merely collecting financial wellness data, however, is using it to benefit workers — and the organization. Upon completion of a financial assessment, a participant's overall score is broken down into four components based on employee reports of their needs and goals: retirement readiness, protection planning, personal finance behaviors and investment planning.

Armed with this information, financial professionals can develop a customized action plan based on identified priorities. Resources tailored to a participant's financial wellness assessment might include group workshops, one-on-one meetings and online educational materials. Aggregate employee data can help sponsors more effectively evaluate their program's efficacy, utilization and ROI.

As areas of concern are identified, additional resources should continually be developed and deployed to address them.

Sources
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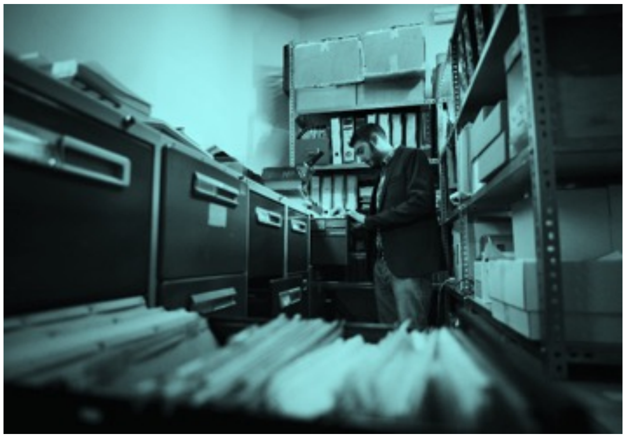
https://www.ebri.org/docs/default-source/fast-facts/ff-338-fwrc2019-10oct19.pdf?sfvrsn=cbe03c2f_8
https://www.plansponsor.com/measuring-success-financial-wellness-programs/ https://www.retirementadvisor.us/pdf/Research_Rpt_Employee_Engagement_R5.pdf

Retirement Plan Document Retention: What Should Fiduciaries Keep?

ERISA requires employers to retain certain documents. These records are critical if your plan were ever to be challenged by the IRS, DOL or plan participants.



We recommend saving the following in some type of fiduciary briefcase:

- Agendas
- Fiduciary Investment Reviews
- Meeting Minutes
- Plan Governance Documents (such as):
    - Board Resolutions
    - Charters
    - Acceptance/Resignations
- Plan Reviews
- Educational Materials

In addition, we recommend that you include other important documents for future retrieval such as:

- Plan Documents
- Amendments
- SPDs
- SMMs
- Plan Policies
- Participant Educational Materials
- Third Party Contracts

Participant Corner

Save Early, Aim for Your Goal

Contributing to your employer's retirement plan as soon as you're eligible is crucial to meeting your retirement goals. The earlier you start saving, the more time compounding interest has to work on your behalf. Putting off contributions today means increased contributions to reach the same goals tomorrow.

For example:

Shane, Maria and Nadia are each beginning their retirement savings journey today and each wish to accumulate $300,000. How much do they need to contribute to meet their goal?

Shane
25 years old

Needs to save:
$93/month*
(480 months)

Maria
35 years old

Needs to save:
$210/month*
(360 months)

Nadia
45 years old

Needs to save:
$520/month*
(240 months)

For more information on your company's retirement plan, please contact your financial professional, Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com or call 813.512.2746.

*Assumes an average rate of return of 8%. These examples are hypothetical in nature, do not represent any specific investment, and do not account for any fees or expenses associated with an actual investment. Investing involves risk, including the possible loss of principal.

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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 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. Kevin has passed and currently holds the Series 65 license 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