RISEN SON FINANCIAL
Your Retirement Plan Partners

The Retirement Times

AUGUST 2022

Keeping Retirees in Your Retirement Plan

According to T. Rowe Price, some sponsors may anticipate that their relationship with participants — as well as their responsibilities toward them — will naturally wind down at retirement, even though only about one in five sponsors prefer participants to leave their plans when they exit the workforce. Sponsors should carefully weigh the pros and cons of encouraging retirees to remain on board.

The Participant Perspective

Participants might be encouraged to linger in their company plan to take advantage of increased access to certain types of investment vehicles, such as stable-value funds and collective investment trusts. A 401(k) typically has lower fees than an IRA and often comes with complimentary advisory services. The increased fiduciary responsibility required of a qualified retirement plan also provides a greater level of investor protection than an IRA.

Pros for Employers

It's not just employees who may benefit from staying on a company's 401(k) plan after retirement — employers can too.

Lower administrative fees. The primary benefit for employers when retirees keep funds in their retirement plan account is the overall boost that these participants can give to total assets, which in turn assists in maintaining a healthy plan. Having higher pooled assets, bolstered by retiree funds, can help sponsors negotiate with financial service providers. This increased bargaining power could help sponsors lower their fees and administrative costs.

Greater access to institutional share classes. Keeping retiree dollars in plan can also increase access to more preferential share classes. This can lower fees even more for all participants.

Cons for Employers

Although sponsors can use retiree funds as leverage for lower fees, there can also be drawbacks to keeping retirees on your books. Before deciding how to proceed, employers should consider these factors.

Additional responsibilities and needs. The most noteworthy drawback to keeping retirees' assets in the plan is the continued administrate burden — tracking and monitoring retirees' accounts, providing disclosures and maintaining regulatory compliance. Additionally, sponsors should consider the need for specific communications with participants as they approach retirement. The inclusion of retirees in a plan may require the addition or expansion of resources, services, and solutions.

Risk and liability. In addition to having the responsibility to track and monitor plan funds, sponsors are potentially liable for them as well. Sponsors who invite retirees to stay active in their company's 401(k) should prepare for the risk and liability of these assets. This can be more difficult with retirees than current employees, as retirees typically have less direct contact than current staff — if participants become difficult to locate past retirement for disbursals and disclosures, the responsibility lies with the employer to make reasonable attempts to track them down.

Weighing the Pros and Cons

The decision to invite retirees to remain in a company's 401(k) plan depends on many factors, but the most important one is often the size of the plan itself. Sponsors who manage larger plans often have the resources to provide administrative services and cover participant fees, whereas sponsors of smaller plans may be more concerned with their administrative responsibilities. If you're considering whether to encourage retirees to stay in your plan, weigh the pros and cons carefully.

Sources:
https://www.troweprice.com/content/dam/retirement-plan-services/pdfs/insights/rfa_What_DC_Plan_Sponsors_Prefer.pdf
https://www.kiplinger.com/article/retirement/t001-c032-s014-what-should-401-k-plan-sponsors-do-about-retirees.html

Helping Employees Pay Down Student Debt

The ever-growing burden of student loan debt looms menacingly over many Americans, crippling their ability to save for retirement and other financial goals. According to Bankrate, around 60% of Americans who have student debt have delayed saving for major milestones because of it. While young people bear the most debt, they're not the only ones affected by far as roughly 25% of baby boomers are still paying down student loans. Some employers are taking a more proactive approach to investing in their employees by enacting programs that allow workers to direct retirement plan contributions toward paying down their debt.

The Problem with Debt

Student loans can be difficult debt to pay off. Tuition has skyrocketed in the last few decades, meaning many students have to borrow much more to earn their degree. Although interest rates for these loans are typically lower than they are for credit cards, the high principal means interest accrues quickly and sizably over time. They also can't usually be discharged through bankruptcy, and forgiveness programs have specific criteria for which only some workers will qualify.

The student debt crisis has a broad cross-generational impact. Many older Americans are delaying retirement because of the financial impact of their loans. Younger people are foregoing attempts to save money while they try to get out from under student debt.

A Flexible Solution

Some forward-thinking organizations are now offering solutions that can be tailored to their employees' needs, including an option to pay student debt using employer matching contributions. Thrive, for example, allows participants to allocate some or all of their employer match to student loan debt, a college fund or even an emergency savings account. This way, participants can take advantage of retirement plans by using matching contributions to help reduce debt or save money for other goals.

Thrive's turnkey solution helps provide debt relief without increasing your retirement plan's administrative workload. Employees simply enroll though Thrive's online portal to set up a payroll deduction. Thrive communicates with the existing payroll service to match the contribution and takes care of administration, reporting and payment to employees' registered account. And thanks to pandemic relief legislation, up to $5,250 in tax-free annual matching contributions can be directed toward student loan repayment through 2025. *

Advantages for Employers

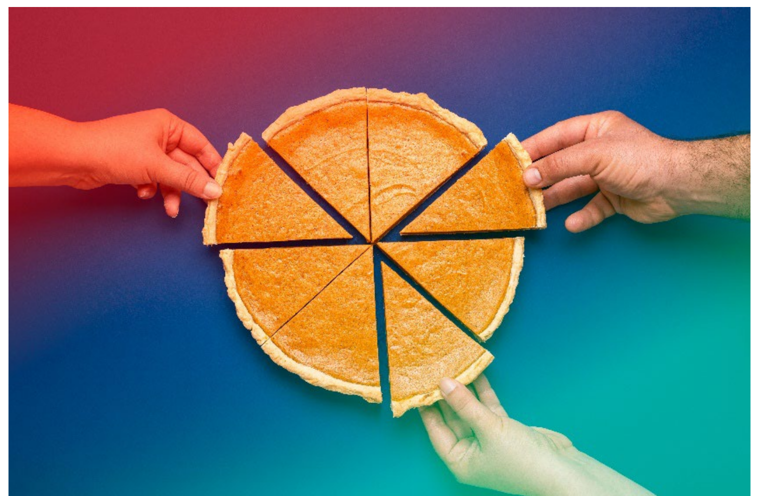
According to *Forbes*, happy employees are up to 20% more productive at work than unhappy ones. Considering that student loan debt is a major contributor to stress, allowing employees to take charge of their finances in this way may help alleviate a significant stressor for many workers.

Plan sponsors who seek a unique way to invest in their personnel may want to consider a flexible contribution program like Thrive. By helping employees pay down their debt with match dollars, organizations can provide proactive, actionable, and concrete solutions to enhance their workers' financial wellness. In turn they can enjoy increased employee satisfaction and productivity — and even bolster recruitment and retention efforts. After all, a job that helps you take charge of your financial future is one worth staying at.

Sources:
https://www.bankrate.com/loans/student-loans/financial-milestone-survey-2022/
https://www.forbes.com/sites/forbescoachescouncil/2017/12/13/promoting-employee-happiness-benefits-everyone/?sh=65d3210f581a
*Thrive is not affiliated with Risen Son Financial.

Revenue Sharing Decisions

As a result of the significant rise in revenue sharing litigation it behooves plan fiduciaries to confirm and document the prudence and appropriateness of any revenue sharing arrangement.



Revenue sharing is the sharing of fees from one service provider (e.g., an investment fund manager) to another service provider (e.g., your record keeper). Revenue sharing may be built into a fund's asset-based expense ratio if a plan utilizes a higher cost share class. The revenue sharing is often used to offset plan-related expenses rather than having the plan sponsor or participant making direct payment for specific plan services.

A growing number of lawsuits allege that fiduciaries breached their duties of prudence by utilizing investment share classes with "excessive" revenue sharing. It is important to understand that ERISA does not prohibit plans from using revenue sharing to pay plan

fees, but plan fiduciaries must be prepared to verify that their compensation arrangements are reasonable and prudent, as these fees are being paid from plan assets. Plan sponsors should be ready to show the prudent process utilized to justify the use of revenue sharing and the ongoing monitoring they undertake to ensure they do not become excessive with the growth of a plan. In the event that a plan sponsor cannot show the prudence of using revenue sharing it is important to know that the Department of Labor (DOL) may find issue with its use and issue directives to plan sponsors to make a plan "whole" via threatened legal actions. In addition, plan participants may initiate class action lawsuits against plan fiduciaries as well.

According to a recent survey from Vanderbilt University, the National Bureau of Economic Research (NBER); and the Board of Governors of the Federal Reserve System more than half the plans surveyed utilize revenue-sharing arrangements with at least one fund on the menu*.
The strongest position for a fiduciary is to have a documented and deliberate decision-making process that considers all relevant factors documenting prudence and the rationale for utilizing revenue sharing.

*A copy of the research paper is available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3752296

Participant Corner

BACK TO SCHOOL

POP QUIZ: HAVE YOU DONE YOUR HOMEWORK ON RETIREMENT?

1 In order to maintain living standards in retirement, what percent of annual income do financial professionals think people should save?

A. About 3%
B. About 6%
C. About 9%
D. About 12%
E. About 15%

2 If an investor could set aside $50 each month for retirement, how much might that end up becoming in 25 years, including interest if it grew at the historical stock market average?

A. About $15,000
B. About $30,000
C. About $40,000
D. About $50,000
E. More than $60,000

3 Roughly how much do many financial professionals suggest people think about saving by the time they retire?

A. About 2-3 times the amount of your last income
B. About 4-5 times the amount of your last income
C. About 6-7 times the amount of your last income
D. About 8-9 times the amount of your last income
E. About 10-12 times the amount of your last income

4 Which of the following do you think is the single biggest expense for most people in retirement?

A. Housing
B. Health Care
C. Taxes
D. Food
E. Discretionary expenses

Check your answers at the bottom right corner of the page. Did you miss any of these questions? Are you still unsure about any of these topics? If so, don't let this pop quiz burst your bubble!

Contact your financial professional, Kevin Donahue AIF®, CRPC® at 813.512.2746 or kevin@risensonfinancial.com and schedule an appointment!

This quiz was created by Fidelity Investments.

Answers:
1. E. About 15%.
2. C. About $40,000.
3. E. About 10-12 times
4. A. Housing.

This material was created by a third party to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

To remove yourself from this list, or to add a colleague, please email us at kevin@risensonfinancial.com or 813-512-2746
ACR# 4835107 07/22

RISEN SON FINANCIAL
Your Retirement Plan Partners

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 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.