RISEN SON FINANCIAL
Your Retirement Plan Partners

THE RETIREMENT TIMES

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Offboarding Employees from Your 401(k) Plan

A full two-thirds of employees don't receive guidance on managing their retirement plan benefit while offboarding. Leaving 401(k) or 403(b) balances behind can result in orphaned accounts that sit unmonitored and unmanaged by participants for years — as opposed to remaining an active part of their retirement planning.

But this type of neglect can also hurt organizations, which are required to continue servicing such accounts — and pay for those services. And a fiduciary's obligations can increase significantly should a participant eventually "go missing." While there are reasons an organization may prefer retaining past employees' funds, such as access to lower fees for larger plans, it's nonetheless important to advise participants appropriately about managing their retirement accounts upon termination for reasons you may not have even considered.

Offboarding Options

In 2021, the average amount of money left behind in 401(k) accounts by former employees was more than $55,000, and the total amount of neglected funds across the U.S. exceeded $1.35 trillion. While there are reasons a departing employee might choose to leave their money in an old retirement plan (such as lower fees, better creditor protection or access to advisory services), it also happens when they don't realize that the funds can be rolled into an IRA or another employee-sponsored plan.

Others may be confused about how to begin the process of moving their money to a new retirement account and don't want to risk a misstep. And some offboarding employees mistakenly view their retirement plan funds as "free money" when they leave a company and seek a termination withdrawal — not realizing the hefty penalties they'll face.

Have a Retirement Benefit Offboarding Plan

The rise in popularity of auto-enrollment may increase the number of retirement accounts that fall under participants' radar over time. A strong offboarding protocol should include a clear set of guidelines for accessing, managing and transferring 401(k) balances, including contact information for plan sponsors and fiduciaries as well as an overview of benefits. It may also be helpful to provide a summary statement of account balances.

The Relationship Continues

Guiding former employees toward better management of their retirement benefits isn't just a way to make sure they get their money —

and get you off the hook. Care and attention to this important aspect of employee benefits at the conclusion of their tenure can leave a lasting impression on someone you've forged a relationship with for years.

The relationships we build don't simply dissolve when employment changes, and demonstrating continuing concern for workers' financial well-being as they exit can help cement your organization's reputation — and even help attract future talent. Show your employees you continue to value the investment they've made in your organization — and not just in their retirement account — by assisting them during this critical time.

Sources:
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https://401kspecialistmag.com/401k-advice-a-key-part-of-offboarding-process/
https://www.aarp.org/retirement/planning-for-retirement/info-2022/find-forgotten-401k-and-other-money.html#:~:text=How%20would%20you%20like%20to,their%20employer%2Dsponsored%20retirement%20assets.

Three Risk Considerations for Utilizing Retirement Assets

Various solutions exist to reinforce retirees' ability to manage the drawdown of the wealth and effectively use their assets and maintain a comfortable standard of living. The portfolio management can be guided and informed by plan sponsor, but the participant has some key considerations regarding longevity and liquidity risks. Below, we break down these areas and provide a piece of communication for you to share with your participants to get them thinking their long-term plans for prudent utilization of the retirement assets.

Investment Risk
To support participants and help provide retirement income, there must be diversified portfolios (through lifecycle) alongside prudent investment management. Managing the risk level of their portfolio in retirement is a very important step.

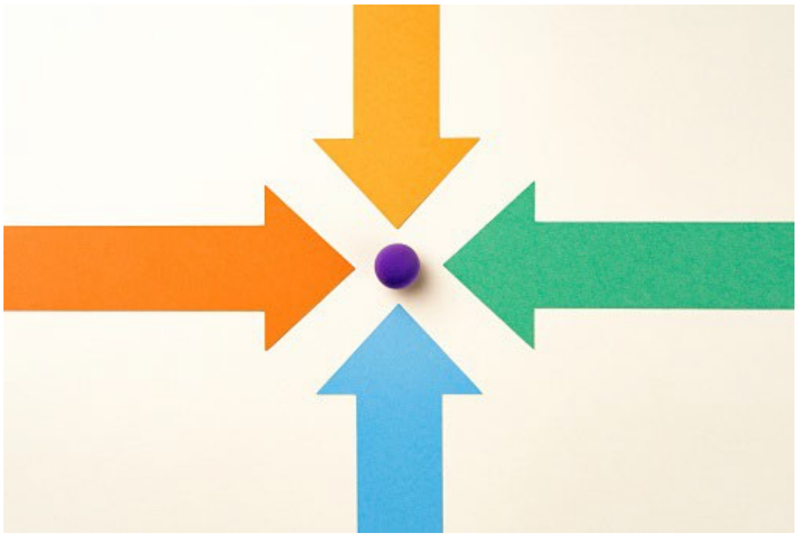
If the risk is too high, they may end up in a market downturn that could be deleterious to their assets. Conversely, if they de-risk excessively, they might not have the ability to grow their assets for the length of time that they need to. Many personal advisors would recommend an equity exposure at about half of assets or less. But this will vary based on a participant's personal financial situation and risk tolerance.

Longevity Risk
Given that life expectancy continues to expand, participants will periodically want to reevaluate their risk level. This evaluation should be commensurate to the retiree's age and health conditions (and maybe even hobby engagement, in case they plan to do a lot of skydiving or mountain biking in retirement). Every stage may carry some different risk, so it's worthwhile to set a yearly calendar reminder to think about longevity risk.

Liquidity Risk
Liquidity risk deals with a participant's immediate access to cash. Some investment products are not immediately able to be turned into liquid assets—or they cannot be liquidated without a financial penalty—and this can restrict participants' access to their wealth and cause some stress. When retirees have investments, some of them are easy to turn into cash and some are not. Typically, the majority of investments in a 401(k) menu are mutual funds, which are liquid. The only nonliquid component in a 401(k) plan is either a fixed income portfolio or an annuity, which makes liquidity risk less of a factor in 401(k) programs than in outside portfolios because of the different types of possible investments.

We stand ready to take a deeper dive into risk consideration and management at any time you feel the need. We hope you find the attached communication useful for passing along to your participants to help them think about how they can feel confident and educated when it comes to considering risk and managing their retirement income.

Four Plan Design Features to Help You Attract and Retain Talent



According to Morgan Stanley at Work's September Plan Sponsor Research Results, plan design is a fast-rising differentiator that's driving employee enrollment and supporting talent strategy in many companies.

401(k) plans remain a strong essential workplace benefit, as you well know. As plan sponsors see other benefits evolving to meet the more complex scenarios presented by the changing economic climate, they are emphasizing the need for a competitive plan with a range of features to meet the evolving financial needs of a diverse workforce.

So what exactly does that look like? What range of features can make your 401(k) plan stand out among other retirement benefits that might entice your top talent to stick around?

1. **The plan design.** Employees are more likely to participate when the plan shows evident strategy and thoughtfulness in its design. Features such as match, profit sharing, and Roth encourage enrollment because it allows a participant to feel closer to their entire paycheck.

2. **The match amount.** If you're matching 5% or more, you're going to see significantly higher participation rates. If you're matching at 3%, it can still feel like a warm benefit. 2% and below feels a little like the company could take it or leave it, and that will be how the participant feels about the benefit—and possibly their long-term status at the company.

3. **The auto features.** Autoenrollment points them to the benefit. Automatic employer contribution increases the value of the benefit. Automatic escalation raises awareness about the power of savings (and compounding). Automatic reenrollment reminds them of the benefit in case they waived contributions early on and might like to reconsider after becoming more established in the company.

4. **The education.** How do you feel about your education program? Do participants have access to an advisor? When there is a financial advisor available and involved, participation goes way up.

Morgan Stanley at Work's full [Plan Sponsor Research Results 2022] is chock full of insightful charts and data that can give you more ideas on how your plan design can boost your attraction and retention rates.

We'd love to hear how you're feeling about your plan design and how we can work together to make it a stellar part of your talent strategy.

Sources:
https://www.napa-net.org/news-info/daily-news/plan-sponsors-prioritizing-401k-plan-design-part-talent-strategy
https://www.morganstanley.com/content/dam/msdotcom/atwork/pdfs/plan-sponsor-research-results.pdf

PARTICIPANT CORNER

THE IMPORTANCE OF NAMING A BENEFICIARY

Do you know what will happen to your retirement savings if you were to pass away? Here are some things you should know about naming beneficiaries that could save your loved ones' time, money and frustration.

Facts about beneficiary designations

48% of people don't have a named beneficiary.[1] Generally, if you are married, your retirement account will automatically go to your spouse. If you plan on leaving money with your children or another person, your spouse would need to sign off on the change. If you are single, your savings becomes a part of your estate. This means the courts will decide how your estate is distributed. Keep in mind that this process can be long and expensive process for your grieving loved one.

Types of beneficiaries

Primary, Contingent, and Charities can be chosen as beneficiaries.

- Primary: This is a person/entity you designate as first in line to inherit your assets. More than one can be named.
- Contingent: This is your backup to your primary beneficiary. If your primary beneficiary has passed away prior to your death, the contingent will be next to receive the specified share of your account.
- Charities: Charitable organizations can be listed as primary or contingent beneficiaries, although they must have the legal ability to accept your assets. Information on the charity will be needed as well as knowing the charity's instructions on who should be the contact person.

Wills

While a will can be a great estate-planning tool, this doesn't cover your retirement assets. Naming your beneficiary designations in your retirement plan would help your loved ones avoid more paperwork and stress.

Life changes

You should review your beneficiary designations when you have life changes, like marriage, divorce, children, or death, in the family. We suggest reviewing your beneficiary designation annually.

Minors

If you designate a minor/child, nominate a custodian to manage the money with you/your beneficiary's interest.

You can designate your beneficiary in a matter of minutes

To designate your beneficiary online, sign in to your 401(k) account on your provider's website. Locate the beneficiary section and add or update your beneficiary. If you are married and opt not to designate your spouse, additional signatures may be required.

For more information, please contact Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com or call 813.512.2746.

Sources:
1 Fidelity analysis of 18.9M active plan participants with a balance as of November 2021.
Beneficiary Flyer; Transamerica, June 2022

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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 twin boys Andrew and Noah.