

# THE RETIREMENT TIMES

MARCH 2023

## The Retirement Reshuffle Is Impacting Plan Sponsors



Across the nation, more and more workers are expecting to postpone retirement. In fact, a survey by the Nationwide Retirement Institute shows that 40% of older employees plan to retire later than anticipated because of inflation. And delays don't just affect employees — more than a third of employers are concerned about increased health and benefit costs, negative impacts on their staff's mental health and barriers to hiring new talent.

### Employers Can Help

If you sponsor a retirement plan, you're already doing something important to encourage employees to retire comfortably and on time. And if it's part of an overall financial wellness plan, that's even better. However, while

68% of American workers have access to a 401(k), only 41% are actively contributing to it. Working with your advisor can help you design the right benefits package for your organization — and find ways to increase participation and contribution rates through access and education.

### Tailor Your Plan Design

Some organizations are turning to guaranteed lifetime income investment solutions to address this issue but several factors may weigh against adding them to a plan's lineup. These include potentially higher fees, employee knowledge barriers, the need for early participant adoption to provide sufficient income, vulnerability to inflation and disadvantages for beneficiaries in the absence of any death benefit.

Fortunately, there are many other levers plan sponsors can pull to encourage employees to save enough to retire, such as adding auto-enrollment and auto-escalation features. Increasing your match and actively encouraging workers over 50 to take advantage of catch-up contributions can also go a long way toward helping participants make up for shortfalls.

### Think Broadly

Offering an HSA gives employees another vehicle for retirement planning and saving for health care expenses. Allowing phased retirement options, sometimes referred to as "pre-tirement" — with reduced hours leading up to full retirement — can also help. Additionally, robust omnichannel financial wellness programming and employee assistance programs (EAPs) can help workers prepare for retirement and better maintain mental and emotional health in the face of economic stressors.

### Helping Workers Helps Your Bottom Line

If the trend toward delayed retirement continues, impacts could be felt far and wide. It's important for employers to be proactive

in helping employees retire comfortably to save on health and benefit costs and more easily usher in new talent. And if your workers are confident in their ability to meet their financial goals, they'll be happier — and more productive — while they're still part of your workforce.

Sources:

<https://news.nationwide.com/companies-struggle-to-hire-promote-amid-uptick-in-delayed-retirements>

<https://www.personalcapital.com/blog/retirement-planning/average-401k-balance-age/>

<https://www.napa-net.org/news-info/daily-news/has-interest-grown-guaranteed-lifetime-income-options>

## How Many Retirement Plan Committees Does Your Organization Need?

Retirement plan committees can help plans function more efficiently and effectively. They aren't a requirement under ERISA, though many organizations choose to establish committees for the many advantages they offer.

### A Host of Benefits

Committees can assist retirement plans in any number of ways, including:

- Delegation of plan responsibilities.
- Providing greater clarity about fiduciary roles and responsibilities.
- Promoting accountability.
- Allowing more diverse voices to weigh in on plan management.
- Establishing transparent procedures to maintain appropriate oversight and strengthen plan governance.
- Monitoring for ERISA compliance and providing documentation in the event of an audit.
- Helping ensure the plan benefits all participants.
- Serving as a vehicle for members to gather employee feedback to aid in decision-making.



### None, One — or Some?

According to Voya, 94% of plans with more than 5,000 participants have a retirement plan committee — but that number drops to only 53% for plans with less than 200 participants. Most committees have 5 to 10 members, which often includes representation from the finance, legal, HR, benefits and/or payroll departments.

Committee functions are occasionally divided up, with various areas of responsibility assigned to different groups. For example, an investment committee will provide ongoing management of the plan's lineup. Sometimes you may also find an oversight committee charged with monitoring the plan's service providers and advisors. And somewhat less common are settlor committees, which handle business-related decisions that don't fall under the usual rules of fiduciary duty.

But how many committees should your organization have? When it comes to ensuring the right amount of oversight and guidance, should it be one and done — or is more better?

### More Does Not Mean Better

While committees can help you run your plan more efficiently, too many can overcomplicate processes and produce the opposite effect. If you have employees or board members serving on several committees, it could become more challenging for them to meet all of their responsibilities.

Small companies with fewer resources likely won't have the time or personnel necessary to staff and run multiple committees.

And while it might seem that having several committees might especially benefit larger plans, too many cooks in the kitchen can hinder committee productivity and coordination. Communication may begin to break down, and it can take extra time and resources to ensure decisions coming out of multiple committees are consistent and mesh with organizational objectives. For the majority of organizations, one committee is often enough.

### Your Advisor as a Resource

Your advisor, often in consultation with an experienced ERISA attorney, can be invaluable in assisting plan sponsors with the setup and operation of your retirement plan committee. They can make recommendations regarding the size of the committee, and the staff and members of your workforce who should serve on it. They can also help draft the retirement plan charter and provide the necessary fiduciary training to committee members.

In the end, when it comes to how many retirement plan committees is best — one done right is usually all you need.

Sources:

<https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/reviewing-retirement-plan-committee-designs-and-practices.aspx>

<https://401kbestpractices.com/best-practices-for-401k-committees>

<https://www.plansponsor.com/psnc-2019-best-practices-retirement-plan-committee/>

<https://www.voya.com/voya-insights/heres-what-many-retirement-plan-committees-have-common>

<https://www.plansponsor.com/advisers-can-spearhead-retirement-plan-committee-setup-training/>

## What's in a Benchmark?

The designated benchmarks used within the Scorecard System were selected because they are the most appropriate and/or most commonly used indices in the marketplace (Russell 1000, MSCI EAFE, BC US Aggregate Bond, etc.). While both the Russell and S&P indices are commonly utilized, Russell employs a more quantitative approach to index construction. Below are some benefits of using the Russell benchmarks:

- Russell ranks each company in the investable universe according to its total market capitalization. The market cap is the primary tool to determine where a company belongs in the Russell Index. S&P uses a committee to make these decisions.
- Russell indices adjust each company's capitalization ranking to eliminate closely held shares that aren't likely to be traded. Using this float adjustment methodology, Russell creates benchmarks that most accurately reflect the market.
- Russell updates their indices' holdings on a regular basis. Russell reconstitutes its indices annually, which assist in a truer representation of the market.
- Russell indices objectively allow the market to determine the index composition according to clear and published rules. The market determines which companies are included, not the subjective vote of a selection committee.



As a reminder, the score is a starting point. For a complete picture of a score's performance, run an Asset Class Review report. Those several pages often vivify the fiduciary decision to keep, watchlist or consider replacement of a fund in question.

# PARTICIPANT CORNER



## PLANNING FINANCIAL FUTURES

Do you spend more time planning your annual vacation than you do thinking about your personal finances? If so, you're not alone. A lot of people put off financial planning or avoid it altogether.

Personal financial planning is an ongoing, lifelong process. If we break it down into small, achievable tasks, it's a lot less daunting and can pay huge dividends to you and your family.

Resolve to make yourself financially fit in 2023:

**The following personal finance calendar may help you get started.**

<p style="text-align: center;"><b>January</b></p> <ul style="list-style-type: none"> <li>- Manage your debt. Start by paying off all high-cost and consider establishing an emergency fund.</li> <li>- Create a cash flow statement of prior year income minus expenses. Calculate personal net worth.</li> <li>- Consider if your portfolio's original target asset allocation needs rebalancing.</li> <li>- Evaluate your contribution amount and save enough for your goals and take advantage of any available employer match.</li> </ul>	<p style="text-align: center;"><b>February</b></p> <ul style="list-style-type: none"> <li>- Review your insurance policies to be sure they are reflecting current needs</li> </ul>
<p style="text-align: center;"><b>March</b></p> <ul style="list-style-type: none"> <li>- Consider using any bonus or similar windfall to pay down debt and/or build an emergency fund.</li> <li>- Check your credit report as improvements may allow lower loan costs.</li> </ul>	<p style="text-align: center;"><b>April</b></p> <ul style="list-style-type: none"> <li>- File your income tax return by April 15 (unless extensions are available).</li> <li>- April 15 is the last day to make an IRA or Education Savings Account for the prior year.</li> <li>- Evaluate whether Roth after-tax or traditional pre-tax contributions make sense for your contributions.</li> </ul>
<p style="text-align: center;"><b>May</b></p> <ul style="list-style-type: none"> <li>- Create an inventory of your home and personal property for insurance or estate planning. Record a phone video of your valuable possessions and store the video in a secure, remote location.</li> <li>- Review your estate plan.</li> </ul>	<p style="text-align: center;"><b>June</b></p> <ul style="list-style-type: none"> <li>- Consider a mid-year review of your finances to confirm you are on track year-to-date income and expenses.</li> </ul>

July	August
<ul style="list-style-type: none"> <li>– Consider reading one book on personal finance or investing.</li> <li>– Designate or update your own beneficiary on your retirement plan.</li> </ul>	<ul style="list-style-type: none"> <li>– Compute if your vacation spending is as you projected.</li> </ul>
September	– October
<ul style="list-style-type: none"> <li>– Consider establishing a Christmas/Holiday spending budget.</li> </ul>	<ul style="list-style-type: none"> <li>– Consider beginning year-end tax planning.</li> <li>– Consider upcoming open enrollment season and any changes with your health insurance coverage and other employer benefits.</li> </ul>
November	– December
<ul style="list-style-type: none"> <li>– Keep your holiday budget in mind. Plan for any charitable giving and tax-deductible gifts.</li> </ul>	<ul style="list-style-type: none"> <li>– Consider rebalancing your portfolio allocations and contributions for the New Year.</li> <li>– Evaluate your past contributions into the Plan and decide if you can increase your contributions for the coming year.</li> </ul>

**For more information, please contact Kevin Donahue AIF®, CRPC® at [kevin@risensonfinancial.com](mailto: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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To remove yourself from this list, or to add a colleague, please email us at [kevin@risensonfinancial.com](mailto:kevin@risensonfinancial.com) or 813-512-2746.

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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.