

THE RETIREMENT TIMES

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Your Plan Fiduciary Must-Do and Should-Do Lists



When you're a plan fiduciary, you are, of course, prioritizing what ERISA law requires of you. You have a checklist of Must-Dos. But there is also a list of things that you can do proactively that will keep the plan—and plan fiduciaries—out of trouble. These tasks aren't required by law, but they are certainly worth deciding whether you want them to be on your Should-Do list.

So here are some things to remember that you *must* do and some related things to consider whether you *could* do as a plan fiduciary and the reasons we think they are worth considering.

1. You *must* have a named fiduciary.

ERISA requires one named fiduciary to be the plan's decision maker and to act in the best interest of the plan participants and beneficiaries. And a named fiduciary with expertise will be able to make prudent such decisions.

You *could* delegate to a plan, or investment, committee to support the named fiduciary in making those decisions.

This is especially helpful if the named fiduciary somehow lacks the expertise, or time, required to make prudent decisions. ERISA does not require you to make these decisions alone if you are not equipped or duly qualified to do so. ERISA does expect that in in such a scenario, those delegated the responsibilities will undertake them in a manner that leads to prudent decisions that are in the best interest of the plan's stakeholders.

Insider tip: Make sure that the committee members you choose are indeed able to contribute effectively and efficiently to the process.

If it proves to be more time consuming or cumbersome than helpful, maybe this committee isn't what you need. You can always remind committee members that there may be personal liability associated with failure to meet fiduciary responsibilities under ERISA; this prompts dropout from members who are not wholly competent and confident in their own participation.

2. You *must* have prudent decision making processes if you have a committee.

Now, if you do have a committee (and we think it's a smart choice to have one), it is important to convene periodic meetings and to document the outcomes of the processes undertaken at these meetings. A committee without regular, productive, organized meetings is bound to drop a ball, and this could be worse than not having a committee in the first place.

You *could* make your committee as effective as possible by following intuitive committee best practices.

Designate roles, organize meetings, take notes, and execute your action items. Forming a committee shows a concerted effort

that avoids any appearance that a plan is not being managed well. Following this intuitive process will keep everyone out of the ERISA spotlight.

Insider tip: Know that the meeting minutes prove a prudent process.

Minutes provide all past and present committee members with a record for when decisions were made, why, and by whom. Minutes are useful as a reflective vehicle for reassessing a choice when the times comes.

3. You *must* conduct yourself as though you have an investment policy statement established.

While the law does not mandate that you have a *written* investment policy statement (IPS), it's a wise move to put one in place. Many a fiduciary has been glad to have had a set of investment guidelines to refer to because ERISA does expect for the fiduciary to act as though there is a guidebook in place, to undertake a prudent process.

For example, when you conduct your regular review of a plan's investment options and see that one or more funds no longer meet the criteria established for the plan. Your IPS is going to be your guide in evaluating—and documenting—when and why to drop a fund or choose to leave it on the menu. In an audit, you will be able to show that you followed a set of preestablished guidelines to lead you to your prudent decision.

You *could* create a user friendly IPS during a downtime when perspective and learnings are well aligned.

A good IPS sets down prudent standards that are established either in practice or in writing when there is time to think *proactively* about what decisions should be made so that those decision don't end up being made *reactively*. The key to the winning IPS is that it is there for you when you need it—thought of, and written, long before you need it.

Insider tip: If you have an IPS, make sure you follow it.

The Department of Labor often requests a copy of the plan's IPS upon beginning an audit—even though, we mentioned above, one is not required by law. So if you do end up developing an investment policy statement, make sure the Committee refers to and abides by it because it will be considered by the auditors.

Sources:

<https://nevinandfred.com>

A More Nuanced 4% Rule?

In December 2022, Morningstar adjusted its recommended starting annual withdrawal rate for balanced retirement portfolios upward from 3.3% to 3.8%. The revision was based on an assessment of factors including recent equity valuations, bond yields and inflation. This new rate, however, is still less than the 4% figure commonly cited in financial planning literature.

The Backstory

The 4% “rule” was designed to provide a high degree of confidence that (with inflation adjustments) a balanced portfolio would last at least 30 years. It was developed in the 1990s by financial planner William Bengen, based on historical market returns and economic conditions, and published in a paper: *Determining Withdrawal Rates Using Historical Data* (link below). Since that time, the strategy has come under increased scrutiny with longer lifespans, volatile market returns — and changes in the interest rate



environment. It's also noteworthy that the model didn't take management fees into account.

A More Individualized Approach

Even with Morningstar's appreciable .5% increase (and even if the guidance preserves assets over the course of 30 years), retirees may still find themselves under financial pressure due to account balances that have depreciated by more than 20% over the past year in some instances. To illustrate, a first-year withdrawal of 3.3% from a \$500,000 nest egg would provide \$16,500 in income, while 3.8% of \$400,000 (portfolio amount after a 20% loss) reduces that figure to \$15,200 — less income at a time when goods and services cost significantly more than they did 12 months ago.

Back testing has determined the 4% rule would have prevented retirees from exhausting their funds over the course of 30-year periods that included the Great Depression and the Great Recession. Nonetheless, Bengen has on occasion increased and decreased his recommended withdrawal rate (and asset allocation) due to more recent economic conditions. It stands to reason that a more dynamic and individualized approach — accounting for market performance, inflation, asset allocation, sequence of returns risks and investors' specific circumstances — can help optimize withdrawal strategies to meet retirees' needs.

How Plan Sponsors Can Help

Employers can provide retirement income planning education in a variety of formats, and aimed at varying levels of financial literacy. Additionally, they can host group educational sessions for near-term retirees and encourage them to meet with their advisor during this critical time to tailor their retirement withdrawal strategies to current market conditions and their specific situation.

Even in a changing and often volatile financial landscape, plan sponsors can help participants better prepare for uncertainties that lie in their path. The foundation of this preparedness is robust financial wellness programming that empowers workers to take a more informed and personalized approach to their retirement planning, and recognition that when it comes to cookie-cutter financial advice, some rules are meant to be broken — or at least bent a little.

Sources:

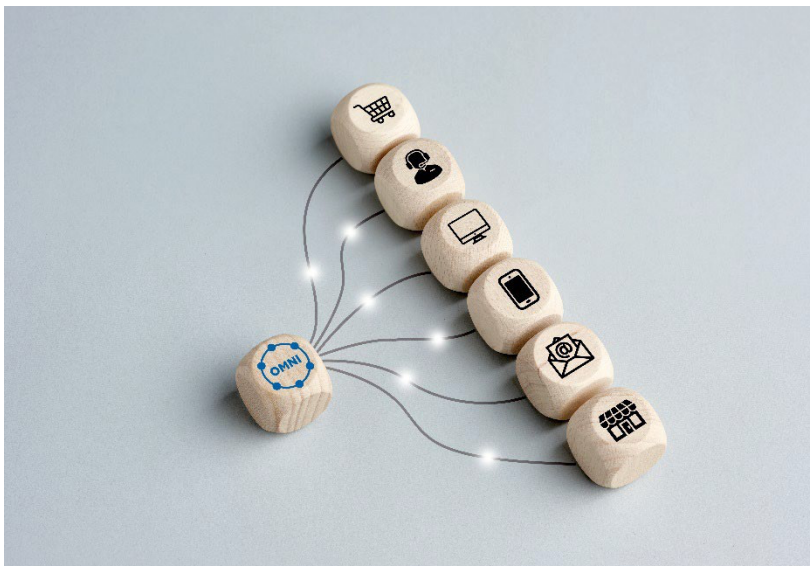
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Benefits of Omnichannel Financial Wellness



The advantages of financial wellness programming for employers are well-documented and may include: lower health care costs, higher worker retention, reduced absenteeism and increased productivity. But not all financial wellness plans are created equal, and boosting utilization rates can be an ongoing challenge. An effective omnichannel strategy can help plan sponsors engage more employees, regardless of their level of investing experience or financial literacy.

What Is Omnichannel Financial Wellness?

Omnichannel financial wellness is more than offering multimedia educational materials to participants. Instead, it's a holistic and integrative approach that

takes into account workers' specific needs and preferred modes of engagement. Messaging is geared toward each touch point

along the employee's path to retirement readiness, from 401(k) enrollment to offboarding. It's a more personalized, targeted and strategic approach than traditional models.

Many options exist for providing financial wellness support to employees, including online articles, long- and short-form videos, social media, email, infographics, podcasts, newsletters, brochures, group sessions and one-on-one meetings. In a diverse organization, how employees choose to consume information, and the most effective delivery modalities, can vary significantly. An omnichannel strategy segments participants along relevant dimensions, such as level of financial literacy, age/life stage and financial goals. Then content and resources are developed and deployed in ways intended to appeal to each group.

No One-size-fits-all Solution

There are no hard and fast rules for segmenting channels. Millennials, for example, may consume more social media messaging, Gen Xers might opt to read blog content and Boomers may want physical documents to peruse. But generational needs and preferences may vary from one organization to the next. You may also find you can reach more workers of any age with less advanced financial literacy through in-person, teleconference or prerecorded video presentations. Moreover, some concepts, such as the advantages of auto-escalation, may be illustrated more effectively in a simple infographic than in a long-form blog article. Giving employees an opportunity to log their preferences can allow you to steer them toward resources likely to be of value to them — and tracking engagement across channels is essential to optimize engagement.

Targeting messaging according to both needs and financial literacy is critical. Recommending content based on the results of a financial assessment is one excellent way to accomplish this. Creating an online information hub, where content is available in different formats and sortable by participant interests and needs, can help employees more easily find the best resources for them.

Boost Your Benefit

A well-designed and executed omnichannel financial wellness program can help bolster enrollment and broaden the number and range of financial tools and resources your enrollees regularly use — and magnify the potential benefits for organizations.

PARTICIPANT CORNER

Need a Tax Break?

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 2023. 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 2023			
Amount of Credit	Joint	Head of Household	Single/Others
50% of amount deferred	\$0 to \$43,500	\$0 to \$32,625	\$0 to \$21,750
20% of amount deferred	\$43,501 to \$47,500	\$32,626 to \$35,625	\$21,751 to \$23,750
10% of amount deferred	\$47,501 to \$73,000	\$35,626 to \$54,750	\$23,751 to \$36,500

For example: Jill, who works at a retail store, is married and earned \$41,000 in 2021. Jill's spouse was unemployed in 2021 and didn't have any earnings. Jill contributed \$2,000 to her IRA for 2021. After deducting her IRA contribution, the adjusted gross income shown on her joint return is \$39,000. Jill may claim a 50% credit of \$1,000 for her \$2,000 IRA contribution on her 2021 tax return.

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!

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.

Source: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>

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

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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.