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Your Retirement Plan Partners

THE RETIREMENT TIMES

JULY 2023

Connection to Future Self Is Key to Retirement Readiness

The relationship we forge with our future selves can greatly impact financial decision making in the present. Research conducted by social psychologist Hal Hershfield using functional magnetic resonance imaging revealed that subjects with a stronger connection to their future selves were more likely to delay gratification and make more prudent financial choices. But how can plan sponsors help employees make the connection? The Consumer Financial Protection Bureau has a "Future Self Tool" with three self-guided exercises.

1. Letter from Your Future Self. A letter is written from the present self to the future self (in 10 years), addressing aspirations, achievements, any potential regrets and words of advice. This personal exploration of where participants see themselves a decade down the line offers a platform to express their deeply held hopes and dreams — and helps foster greater emotional connection to their future self.

2. Picture Your Future Self. Participants are asked to vividly imagine and visually represent in pictures or symbols both their current and desired future self (e.g., home, activities and accomplishments) to more clearly appreciate the long-term consequences of present-day financial decisions. This visualization serves as a potent reminder of why it's important to make forward-looking financial choices today, given their potential lifestyle impacts tomorrow. By painting a clear and vivid image of a desired future, participants will presumably be better motivated to do what's necessary to achieve it.

3. Conversation with Future Self. This exercise involves role-playing a discussion between the present and future self, prompting an open and honest dialogue about hopes, fears, expectations and plans on the horizon. By doing so, participants address current concerns and hear advice from a trusted source — themselves. The process can offer clarity regarding the path they should take to secure their future happiness and financial well-being.

Future Self-Visualization Workshop

So how can you encourage employees to foster a greater connection with their future selves? Several activities can easily be incorporated into existing financial wellness initiatives. Consider hosting a "time travel" themed interactive group workshop where participants are guided through future self-visualization exercises. Make it fun and engaging with a "future selfie" booth using one of the many available apps that show what you might look like at an older age. Or use virtual reality or augmented reality demos to let participants experience a vision of the future. Use LED lights, fiber optics or projection mapping to create some sci-fi ambiance alongside fun, futuristic food presentations.

In the end, our collective challenge is to help ensure that the needs of employees' future selves are recognized and acted upon in their current retirement planning strategies and decision making. Giving participants tools and resources to bridge this gap can help them avoid "future shock" and assert greater agency over their financial well-being in the here and now.

Sources:
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https://newsroom.ucla.edu/stories/the-stranger-within-connecting-with-our-future-selves

Beyond the Benchmark: Uncovering Additional Value in RFPs

When conducting three- to five-year live-bids, it can be tempting to hyper-focus on fees. After all, benchmarking is often a primary reason for performing an RFP — and maintaining reasonable fees is a core fiduciary duty of plan sponsors. But a thorough review of qualitative measures can be key to getting more of your organizational needs met. Here are some considerations to keep in mind when assembling — and evaluating — your next RFP.

Data security systems and privacy protections. Make sure bidders can cite not only cybersecurity measures, such as remote server backups and password-protected computers, but also physical security such as locking file cabinets, on-site shredding and maintaining signed employee confidentiality agreements on file. Ask whether they've received a SOC 2 certification, showing they've met the standard guidelines necessary for the Trust Services Criteria requirement of security as defined by the American Institute of CPAs.

Plans for introducing SECURE 2.0 provisions. Make sure the provider has given careful consideration to the new law and how it might affect your particular plan. How will they help educate participants about SECURE 2.0 and its impact on their retirement planning? What materials, educational resources and tools would they provide?

Direct experience dealing with regulatory agencies. Does the firm employ ERISA attorneys? What additional resources are available to assist with compliance issues? Evaluate the depth and breadth of their experience and their success rate in dealing with regulatory audits or inquiries. The ability to navigate complex regulatory landscapes can be a key differentiator among bidders.

Insurance coverage. Does the provider maintain professional liability insurance, errors and omissions or a fidelity bond? For each, ask for the name of the insurer and details about policy limits to ensure coverage is proportionate to the assets managed.

Experience with similar plans. Determine what expertise they bring to the table that's specific to your plan type and size. It may also be helpful to obtain — and contact — client references. Understanding the bidder's historical performance and success with similar plans can yield crucial insights into the effectiveness of their strategies and processes.

Client support, service and communication. Assess the provider's communication style and how they plan to collaborate with key stakeholders to achieve plan objectives. Inquire about communication frequency and preferred channels, as well as the firm's approach to sharing industry insights, regulatory updates, or best practices that may impact your retirement plan.

Is That Your Final Answer?
One last overall qualitative “metric” not to overlook is simply how well the bidder addressed all your questions. Did they follow instructions and provide sufficient detail for you to evaluate? Paying sufficient attention to both cost and quality concerns can lead to a more comprehensive understanding of how your organization's specific needs and objectives will be met by a given provider.

Source
https://www.plansponsor.com/what-this-years-rfps-will-look-like/

SEC Unveils “Swing Pricing” Proposal for Open-End Funds

Public Response to Economic Threat Fuels SEC Proposal
The outbreak of COVID-19 in 2020 instilled a sense of financial fear in market participants. How are humans inherently hardwired to respond to threat? Panic. The threat of economic crisis in 2020 fueled the act of “panic selling” within the market. Massive volumes of individuals redeemed their market shares, causing the underlying value of large funds to be diluted. At a recent conference held by the Investment Company Institute, the SEC proposed the policy of swing pricing to combat the adverse effects of fluctuations in buying/selling activity within the market.

What is Swing Pricing?
When large amounts of people buy and sell at once, the net asset value (NAV) of a fund can be diluted. This is because the cost of such massive volumes of trading are reflected in the price of the underlying fund. Investors who remain in the market are left to bear this burden of price dilution. The goal of swing pricing is to reassign the costs of high-volume trading to those who are creating the problem of devaluation- the buyers and sellers.

How Swing Pricing Works
Swing pricing is only implemented when the number of purchases and redemptions of a fund exceed a maximum threshold. If the proposal is enacted by the SEC, each share bought or sold will adjust the NAV of a fund by a designated swing factor. As a result, individuals saving up for retirement may be adversely impacted by this pricing mechanism.

Additional SEC Proposal – Liquidity Limitations
An additional piece of the proposal that’s of great importance to retirement planners is a new set of liquidity classifications. A fundamental right of shareholders is the ability to redeem their shares at any moment in time. This redemption is only possible if funds can quickly turn their assets into cash – a property identified as liquidity. Currently, funds are classified into one of four categories depending on the liquidity level that reflects their portfolio. The proposal would not only mandate new minimum liquidity levels for open-end funds, but it would also require that 10% of a fund’s holdings are allocated to highly liquid assets.

A New Landscape for Retirement Planners
The SEC hopes to limit future Federal intervention in times of economic instability. During COVID-19, funds had to be bailed out by the Federal Reserve due to an inability to meet the redemption requests of their shareholders. Stricter liquidity classifications, while being a possible solution, would require many funds to endure a complete structural renovation. This means that Illiquid securities frequently used by retirement planners may have to be removed from their fund portfolios.

Future Steps: Staying Updated on Policy Reforms

The goal of the SEC's recent proposal is to protect the funds of long-term investors from dilution, as well as prevent federal intervention in times of economic crisis. While some investors will reap the rewards of such policies, these regulations may be detrimental to retirement planners.

Financial policy reforms have occurred throughout history to meet the changing demands of the economy. COVID-19 was just one historical event that led financial institutions to rethink the policies regulating our market. In a continuously evolving economy, it is vital that new policy proposals are thoroughly evaluated if those saving for retirement hope to foster a stable financial future.

Sources:
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PARTICIPANT CORNER

Build a Bright Retirement Future

Clear, achievable, and meaningful goals can lay the foundation for success. Vague aspirations may have limited worth without a well-defined plan. Depending solely on past performance or arbitrary investment rules may carry risks when striving to achieve your financial goals.

Time is a critical factor in goal setting that can shape your financial objectives. With each day that goes by without financial contributions, the cost of reaching your goals may increase. Along your goal-setting journey, you may encounter various obstacles.

Time's Value: The longer you have to grow your money, the better. Less time available could mean higher costs to achieve goals—known as "the cost of waiting."

Risk vs. Time: With ample time, money leverages compounding interest, reducing the need for higher returns and associated risks. However, assuming greater risks to compensate for lost time may impact your financial goals.

Inflation: Over time, inflation erodes money's true value, undermining purchasing power. Accounting for inflation is crucial when calculating the cost of achieving your retirement objectives.

Taxes: Taxes are a certainty that can impede progress toward goals. Proper planning and effective tools can help manage and reduce their impact.

Life's Surprises: Unexpected challenges often arise, requiring frequent goal review and adjustment to stay on track and navigate uncertainties with resilience.

Goals and objectives may become the compass for your investment decisions, potentially acting as benchmarks that measure your investment strategy's performance. Focus on your objectives, not on market returns that you can't control. This way, you can protect yourself from following the crowd, which may be influenced by emotions like excitement or fear

Remember, setting clear and meaningful goals is crucial in your pursuit of success. By understanding the impact of time, managing risks, accounting for inflation and taxes, and adapting to life's surprises, you can navigate the path to achieving your financial aspirations with greater confidence.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial professional prior to investing. All performance referenced is historical and is no guarantee of future results.

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal.

For more information on retirement planning, contact Kevin Donahue AIF®, CRPC®

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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.