RISEN SON FINANCIAL
Your Retirement Plan Partners

THE RETIREMENT TIMES

August 2023

Employees Want Financial Planning Support — and Aren't Afraid to Ask for It

Financial stressors including stubbornly high inflation and historic levels of credit card debt continue to impact workers across a wide range of income brackets. Twenty-eight percent of full-time employees often or always run out of money between paychecks, as do 15% of those who earn $100,000 or more per year, according to PwC's 2023 Employee Financial Wellness survey. And among workers who carry balances on their credit cards, 44% say they struggle to make their monthly minimum payments on time.

PwC's online survey of 3,638 full-time U.S. employees found that 44% of financially stressed workers admit their struggles have been a distraction while at work, and 36% are actively looking to change jobs (versus 18% of their non-stressed counterparts). Moreover, nearly three in four employees say they would like assistance with their personal finances. Fortunately, stigma over financial difficulties appears to be somewhat less of an obstacle for receiving help — with only one-third expressing embarrassment about asking for the advice they need, down from 42% in 2019.

Professional retirement planning assistance in particular has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employee, according to Morgan Stanley's State of the Workplace III: Financial Benefits Study. The research also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed report their company is reducing employee financial benefits to cut costs. This despite the fact that 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

As financial pressures continue to significantly impact work and personal life for many Americans well into 2023, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing personalized financial benefits and resources that address workers' unique needs, organizations can create a culture of financial stability and empowerment, and help foster a mutually beneficial relationship where employees feel supported — and employers thrive in their business objectives.

Sources:
https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html
https://www.morganstanley.com/content/dam/msdotcom/atwork/state-of-workplace-financial-benefits-study-2023/state-of-workplace-study.pdf

Retirement Planning Assistance: A Must-Have Benefit

According to a recent survey by Morgan Stanley, whether an employer offers professional retirement planning assistance has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employer.

The research, State of the Workplace III: Financial Benefits Study, also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed say their company is reducing employee financial benefits to cut costs. Moreover, 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

The findings suggest a retirement plan may significantly impact not only talent acquisition, but retention as well. A vast majority of employees (89%) say they would be more inclined to remain at their company if it offered financial benefits that align with their personal requirements. And nearly the same proportion of HR leaders (90%) harbor concerns about employee attrition in the event their company fails to deliver benefits that adequately address employee needs.

A large majority of both employees and members of HR leadership — 95% and 98%, respectively — agree that their organizations should offer the best benefits available in their industry. A similar percentage concur that their company needs to improve its ability to provide resources that help maximize financial benefits offered to employees.

“We're seeing momentum on both the employer and employee side to engage more intelligently with financial benefits as a ballast against uncertainty,” says Brian McDonald, Head of Morgan Stanley at Work, in the report. “To meet this moment, companies are going to have to get even more creative and efficient in leveraging holistic benefits offerings to attract, retain and motivate their employees.”

As financial stressors continue to significantly impact work and personal life for many Americans, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing financial benefits and resources that address workers’ unique needs, organizations can create a culture of financial stability and empowerment, fostering a mutually beneficial relationship where employees feel supported and employers thrive in their business objectives.

Sources:
https://www.morganstanley.com/content/dam/msdotcom/atwork/state-of-workplace-financial-benefits-study-2023/state-of-workplace-study.pdf
https://finance.yahoo.com/news/more-workers-want-employers-offer-162551591.html

SECURE Act 2.0: Key Changes for 2024

To most, the SECURE Act 2.0 appeared to predominantly outline optional changes that go into effect over the span of 10 years. However, there are a few mandatory changes taking effect in 2024 that plan sponsors will need to comply with. These provisions require sponsors to work with their advisors, recordkeepers, and providers to develop a strategy for incorporating them into their plan design, as well as dealing with the cost implications that come with it.

The biggest mandatory change coming next year is the requirement that catch-up contributions made by high-income earners be treated as after-tax contributions. This means that starting in 2024, employees making catch-up contributions who earn at least $145,000, and are 50 years or older, must be contributing into a Roth account. For sponsors who don't currently offer employees a Roth, this poses a challenge. They will be faced with the decision of either establishing a Roth option to satisfy this provision or eliminating the catch-up contribution program for high-income earners. As most sponsors are choosing the first option, employees will be strongly encouraged to adopt a Roth 401(k) to begin with.

Other mandatory changes to look out for in 2024 are regarding required minimum distributions (RMDs). One new provision allows a surviving spouse to be treated as their deceased partner for the purpose of RMDs. This is crucial for a widow who is younger than the deceased. It means they can delay withdrawals to when they, themselves, are at the minimum age of RMD, rather than having to take RMDs out earlier, when their deceased spouse would've been the minimum age. Additionally, the SECURE Act 2.0 named Roth accounts in employer retirement plans exempt from RMD requirements starting in 2024. Previously, Roth 401(k) account holders who wanted to bypass RMDs would need to roll over their funds into a Roth IRA. Now, they can avoid dealing with a transfer of assets and the Roth IRA five-year rule by keeping their 401(k), RMD requirement free.

As we approach 2024, sponsors should also understand the optional changes going into effect and decide whether or not they can use them to optimize their plan designs. Examples of these include:

- Employee student loan payments matched with employer contributions to a retirement account;
- Introduction of the ability to transfer certain benefits between accounts (automatic portability); and
- Allowance of self-certifying emergency savings withdrawals up to $1,000 per year.

These provisions offer opportunities for plan committees to evaluate their current plan design and determine what changes can be made to support employee needs and help attract talent.

As each year brings more changes into effect, it's important that sponsors rely on their advisors and recordkeepers to stay up to date on the latest legislative changes. Recordkeepers will have a summary on the SECURE Act 2.0 provisions that are relevant to their particular plan. This will serve as a great resource for plan committees as they try to navigate upcoming changes.

Sources:
https://www.plansponsor.com/in-depth/plan-sponsors-have-lots-to-prep-for-secure-2-0-compliance/
https://www.cpajournal.com/2023/01/27/first-look-at-the-secure-2-0-act-of-2022/
https://www.fidelity.com/learning-center/personal-finance/secure-act-2

PARTICIPANT CORNER

Risk-proofing Your Future: Personal Protection Strategies

Are you prepared for a secure financial future? Discover some key aspects of a comprehensive risk management strategy.

- **Disability Income Protection:** Protect your income by obtaining disability income protection. Purchase it when you are young and healthy, considering factors like occupational specialty coverage, ensuring future income increases, and prioritizing individual plans over group coverage.
- **Property and Casualty Protection:** Property and casualty insurance (P&C) protects us against damage and protect against liability. Auto insurance, homeowner's insurance, renter's insurance, and personal liability insurance are all forms of P&C coverage. The higher deductible levels will lower your premium costs which should be redirected towards increasing your liability limits.
- **Personal Liability Protection:** Often overlooked, personal liability insurance provides extensive protection at a low cost. Consider obtaining umbrella liability protection equivalent to your assets' value.
- **Life Insurance Protection:** Life insurance serves various purposes, such as creating an instant estate, providing tax advantages, and offering cost-effective solutions. Don't wait too long to purchase life insurance; buy it when you are young and healthy.

By developing a risk management plan that encompasses these areas, you can safeguard your financial well-being and face the unexpected with confidence.

**Policy loans can become taxable should the policy lapse. Also, policy loans, if not repaid, will reduce the death benefit amount.*
Loans and withdrawals reduce the policy's cash value and death benefit and increase the chance that the policy may lapse. If the policy lapses, terminates, is surrendered, or becomes a modified endowment, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distributions of policy cash values.
Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.

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

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.