RISEN SON FINANCIAL
Your Retirement Plan Partners

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Cashing Out on Tomorrow: When Personal and Market Economies Diverge

You could say that the past year has been one for the record books. As of January 2024, total U.S. consumer debt reached a historic $17.33 trillion while credit card rates surged to unprecedented levels, topping more than 24%. An all-time-high number of American workers (3.6%) made hardship withdrawals from their 401(k)s in 2023, signaling escalating consumer distress within a persistent, near-record inflationary environment. Moreover, a 2023 study by Paycheck.org revealed that nearly eight in 10 Americans are living paycheck to paycheck. So as the Dow and S&P celebrated all-time highs, boosting participants' account balances, more Americans are — as The Wall Street Journal aptly put it — "treating their 401(k)s like cash machines." In doing so, they undermine the potential gains they could have realized and further imperil their financial future.

For plan sponsors, current market and economic conditions present a pressing imperative to educate participants on alternative strategies to help effectively manage debt and budgeting challenges — without jeopardizing retirement readiness.

Debt management workshops as part of a holistic financial wellness program, for example, can provide employees with practical strategies for managing debt. From prioritizing repayment of high-interest debt to understanding APRs and the impact of making minimum payments, structured learning experiences can offer actionable insights that workers can use to reduce debt faster. These initiatives can be supported by targeted content campaigns via emails, videos, webinars, social media content, and company intranets to provide ongoing assistance and reminders about staying on track with debt management goals.

For more granular information, employers can provide access to interactive debt-payoff calculators that enable employees to input their own specific financial details and receive personalized debt repayment information — or better understand the impact of various debt reduction strategies. Visualizing one's path to debt freedom in a concrete and individualized way can be an incredibly powerful motivator and help employees make more informed financial decisions.

Furthermore, some companies are beginning to offer employee-sponsored emergency savings accounts (ESAs) as an alternative method to pay for unanticipated expenses. This benefit can help employees avoid turning to high-interest credit cards during financial emergencies, while also potentially helping to sidestep retirement plan leakage.

Employers can provide invaluable assistance to those struggling to manage debt obligations, with an eye toward retaining — and building — their retirement nest egg. The unprecedented combination of economic pressures facing many employees today can easily lead to short-term thinking and reactive decision-making that can compromise long-term financial health. But by providing

targeted resources and assistance, plan sponsors can play a crucial role in improving their employees' financial resilience and retirement readiness — and help them live more happy and productive lives both within and outside of the workplace.

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Turning the Tide on Employee Engagement

A recent Gallup survey found that engagement at work has cratered among U.S. employees. According to the research, only 33% of workers were engaged in 2023, representing nearly $2 trillion in lost productivity. The findings show lack of engagement among nearly every group except Baby Boomers, with older millennials and Gen Zers described as being in "dramatic decline." Compared to four years ago, employees report feeling more disconnected from — and less satisfied with — their employers. They also express feeling less connected to the organization's mission and purpose.

With engagement on the decline, that can mean decreased productivity, higher turnover, lower profitability, and a host of other problems for the organization. With this in mind, the company's retirement plan can be leveraged as a powerful tool to help increase engagement and combat many of the negative sentiments among today's workers. A robust plan that incorporates some of the following elements can signify that the company values its employees beyond their immediate output.

- **Recognize individual needs.** Offer customizable plan options that cater to different life circumstances. For example, consider giving employees the ability to allocate matching dollars toward student loans, an emergency savings fund, or a college savings account, depending on their personal preference.
- **Build trust.** Plan sponsors may want to consider increasing their matching contributions or reducing a longer graded vesting schedule. In doing so, employees may perceive more immediate benefit recognition, which can cultivate a sense of being valued by their employer, boost morale, and increase loyalty to the organization.
- **Demonstrate long-term commitment.** Help employees prepare for retirement at all phases of their career progression, from onboarding and enrollment to retirement and beyond. Measures could include stepping up efforts to keep retirees in plan, when that makes sense for the organization, and offering life-stage planning tools.
- **Encourage dialogue.** Regular updates and education about the retirement plan can encourage ongoing communication between employees and management, making employees feel more heard, informed — and engaged.
- **Empower employees with more choice and clarity.** Offering HSA or Roth options can provide employees greater control over their retirement savings. At the same time, it's imperative not to give participants so many investment choices that selection becomes overwhelming for them. Include options that are tailored to participants' time horizons such as TDFs, and organize investment menus around clear, easy-to-understand categories that map to their stage of life and financial goals. Establish multiple channels for participants to access information that helps streamline enrollment and investment decision-making, including one-on-one advising, group sessions, written materials, and online education, as well as tools that cater to diverse learning styles.

Charting a New Course

With employee engagement on the decline, taking proactive steps to increase it can be important to maintaining productivity as well as recruiting and retaining talent. A good first step in determining which of these strategies may be most beneficial is soliciting feedback about the plan directly from employees — both formally and through informal conversation — to ascertain where there

might be room for improvement.

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Millennials Redefining Retirement

According to a recent survey by retirement finance company IRALogix Inc., Millennials are changing the way people think about retirement. According to over 50% of Millennials surveyed, obtaining "financial independence" is a more significant indicator of retirement than simply turning 65.

While some Millennials hope to retire at age 65, many see retirement as a stage of greater freedom in their lives rather than a total absence from the workforce.

Based on a study conducted in February, targeting millennials of various household incomes between the ages of 28 and 43, when it comes to retirement plans, 22% of Millennials want to work longer because they "enjoy" their jobs or don't have enough money saved for retirement, while 47% want to retire as soon as they can afford it. The results show that Millennials have a moderate level of confidence, about 47%, in their ability to save enough money for retirement. However, 29% say they are not confident in their ability to save enough money. More than half of Millennials hold themselves accountable for making sure they have enough money saved for retirement; however, 25% place this on their employers, and 20% think the government should pay for their retirement.

Nearly a quarter of those who think their employers should be responsible for retirement savings want a standard defined benefit plan, in which the company assumes all financial risk and agrees to pay a specified monthly amount upon retirement, with investments handled by experts.

Another recent study done by personal finance company Credit Karma also addresses "money dysmorphia," a term describing what happens when people, regardless of the circumstances, feel insecure about their financial condition; it’s been used to describe the distorted financial perception that is common among Gen Z and Millennials. Credit Karma reports that 43% of Millennials and Gen Z encounter this issue. It was found that 59% of respondents said they felt financially stable, despite the fact that many admitted to feeling behind. This shows how people's perceptions of their financial stability are often different from their actual circumstances.

Money dysmorphia has a detrimental effect on financial decisions; 40% of those who experience it have difficulties saving money or avoiding overspending and debt buildup.

In contrast to these financial challenges, Millennials manage their debt well. Most have reasonable debt levels; of those with debt, 55% have debts ranging from $0 to $20,000 (not including mortgages).

When it comes to financial priorities, 62% of Millennials try to strike a balance between long-term goals like retirement savings and short-term ones like buying a house. Additionally, 61% of workers consistently make contributions to employer-sponsored retirement plans, like SEP IRAs, SIMPLE IRAs, 403(b)s, and 401(k)s.

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PARTICIPANT CORNER

Navigating Health Savings: Your HSA Guide

Health savings accounts (HSAs) have surged in popularity over the years. You may have encountered them, possibly as part of the benefits offered by your workplace. This memo attempts to answer frequently asked questions about HSAs.

What is an HSA?
An HSA is a type of specialized savings account where you can deposit pre-tax funds to pay for approved medical costs.

Who is eligible for an HSA?
Enrollment in a qualified high-deductible health plan (HDHP) is required for opening an HSA.

What are HSAs' triple-tax benefits?

1. All contributions are tax-deferred and could be future tax-free (see #3).
2. Investment opportunities exist for contributions, providing tax-free growth (see #3).
3. When withdrawals are made for approved medical costs, they are tax-free.

What happens to my HSA if I switch employers?
HSAs are completely transferable, so you may take them with you when you potentially change jobs.

Do HSA funds expire at year-end?
No. You have the option to invest the remaining amount or let it roll over and accumulate annually.

What expenses can I cover with my HSA?
Those that are classified as "covered charges" by your insurance plan—including ones that your health insurance does not cover because of co-pays, deductibles, or coinsurance—may be paid with HSA funds.

Please access your retirement plan provider's website or consult with your financial professional, Kevin Donahue AIF®, CRPC at 813.512.2746 or email kevin@risensonfinancial.com

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To remove yourself from this list, or to add a colleague, please email us at kevin@risensonfinancial.com or 813-512-2746. ACR# XXXXXXX 04/24

RISEN SON FINANCIAL
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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.

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