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Your Retirement Plan Partners

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How Employers Can Help Close the Racial Retirement Wealth Gap

Recent research conducted by Economist Impact highlights a significant discrepancy between white and Black workers' retirement confidence. While half of white respondents feel confident about retiring by the federal retirement age, only 39% of Black survey takers share this sentiment.

Older Black workers (ages 51-64) face even greater uncertainty, as they're the least likely to participate in their employer-sponsored retirement plan. When they do participate, their portfolio balances are far smaller than similarly aged white workers. According to the Government Accountability Office: "Of those with a retirement account balance, white households had significantly greater median balances than households of all other races each year from 2007 to 2019. For example, in 2019 those white households had median balances of about $164,000, which were about twice that as households of all other races (about $80,300)."

Furthermore, AARP reports that approximately 53% of Black workers lack access to employer-sponsored retirement plans, compared to 42% of white employees. For Latino workers, the percentage of those lacking access is even higher at 64%. Additionally, just over one-third of Black adults reported having a financial advisor, compared to 44% of all Americans. This discrepancy is further compounded by the challenge of finding advisors with a shared cultural background and viewpoint with Black families, given that fewer than 2% of certified financial planners are Black.

To help address racial disparities in retirement readiness, there are several strategies sponsors can implement:

- Improve communication. Economist Impact found that poor benefits communication hindered utilization, with minority employees disproportionally reporting difficulty taking full advantage of available benefits.
- Provide targeted outreach and education. Offer targeted financial education programs that address the specific needs and challenges faced by minority workers.
- Promote one-on-one meetings with financial advisors. Encouraging personal meetings with financial advisors can build trust and provide tailored advice, enabling minority workers to better navigate retirement planning.

- Implement auto features and matching contributions. Instituting automatic enrollment in retirement plans and auto-escalation of contributions can significantly increase participation rates. Moreover, providing matching contributions incentivizes employees to save more by leveraging employer contributions, which compound over time to increase their retirement savings.
- Provide emergency savings support. Use pension-linked emergency savings accounts (PLESAs) to help minority households better respond to financial emergencies and avoid withdrawing funds from their retirement accounts to pay for unplanned expenses.

While these strategies are critical steps toward narrowing the gap, addressing this important and complex issue will require a comprehensive, multi-pronged approach with sustained commitment and collaboration across sectors to create a more equitable and inclusive financial landscape for future generations. This includes expanding access to retirement benefits, investing in community-based financial education initiatives and increasing diversity within the financial services industry. By recognizing the needs and challenges faced by minority workers and implementing inclusive solutions, employers can play a pivotal role in fostering greater financial security and retirement readiness for all employees, regardless of race or ethnicity.

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Boomer or Bust: Charting a Path Toward Retirement Security

A recent study commissioned by the ALI Retirement Income Institute has revealed a stark reality: A substantial portion of America's Baby Boomer population is ill-prepared for retirement. The study, co-authored by former U.S. Under Secretary of Commerce for Economic Affairs, Robert Shapiro, highlights the economic challenges faced by the greatest surge of retirement- age Americans in history. According to the findings, a significant majority of "Peak Boomers," those who will turn 65 between 2024 and 2030, lack the financial resources to maintain their lifestyles in retirement. In fact, more than half will rely primarily on Social Security for income, which on average replaces only 40% of pre-retirement income, the study reports.

As the retirement countdown begins for Peak Boomers, plan sponsors have an opportunity to implement impactful strategies that can help increase the financial security of employees entering their golden years.

Phased retirement options. Consider offering phased retirement options that allow employees to gradually reduce their hours and transition into retirement more smoothly while maintaining income and benefits. This approach can be particularly beneficial for employees who may not be ready or able to retire fully but wish — or need — to reduce their workload.

Catch-up contributions. Encourage employees age 50 and older to take advantage of catch-up contributions. This can help boost savings in the critical years leading up to retirement.

Health savings accounts. Offer health savings accounts (HSAs) as part of your benefits package, providing a valuable resource for managing health care costs. HSAs offer a triple tax advantage: contributions can be made on a pre-tax basis, earnings growth within the account is tax-free and withdrawals for qualified medical expenses are also tax-free. After age 65, funds can be used for any purpose — however, withdrawals are taxable as income.

Targeted education. Ensure your financial wellness offering covers topics relevant to this age cohort, including retirement income strategies, timing of Social Security benefits, post-retirement budgeting, estate planning and RMD general education. An individual turning age 65 today has almost a seven in 10 chance of someday requiring long-term care services.
Participants should be advised of Medicare's limitations in this regard as well as long-term care insurance options. Encourage older employees to schedule one-on-one meetings with a financial advisor to discuss their specific circumstances.

The Road to Retirement. For Boomers nearing the last exit on the road to retirement, the journey ahead may look like a steep climb. Social Security alone won't cut it, and navigating health care costs may seem overwhelming. Plan sponsors can provide critical assistance, helping Boomers navigate the complexities of retirement planning and helping to ensure they have the tools needed to reach their destination with confidence and greater financial security.

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Women Call for Pension Reinstatement and Care Solutions

Many women have voiced their support for the reinstatement of pension programs and government assistance in lowering the cost of long-term care in retirement, given that they face a greater financial challenge.

80% of women have agreed that the U.S. is facing a retirement crisis, and an even larger percentage agreed that employers should be contributing a larger amount to workers' retirement plans, as seen from the data from Greenwald Research and the National Institute on Retirement Security.

Since, on average, women still earn less than men, spend more time throughout their lives taking time from the workforce to be caregivers, and typically have a longer life expectancy, they have a higher hill to climb when it comes to retirement savings.

Dan Doonan, executive director of NIRS stated that "if policymakers are serious about improving the financial resilience of women, they'll need to implement pragmatic retirement solutions that will help women shore up their retirement position." He further went on to say, "Women clearly see increasing pension coverage as part of the retirement equation, and they want to see action now on Social Security."

With various issues such as rising health care costs, rising inflation, debt, and fewer pensions, 76% of women believe that retirement is becoming more difficult overall, according to the NIRS. Of the women that were surveyed, 82% agree with the statement that "all workers should have access to a pension plan so they can be independent and self-reliant in retirement," and 75% also agreed that "the disappearance of traditional pensions has made it harder for workers to achieve the American Dream."

Someone will eventually contribute less to their retirement account with defined contribution plans if their income declines.
For instance, in 2020, the Government Accountability Office stated that the annual contributions made by women to retirement accounts were around 30% less than those made by men.

According to NIRS's analysis, defined benefit plans are likely more popular because they "take the complexity out of retirement."

Employees can count on a steady stream of income throughout retirement, and the plan sponsor oversees managing plan investments with qualified asset managers. There has been speculation that other firms may follow IBM's announcement last year that it was reopening its cash balance pension plan and stopping its 401(k) matching contributions.

The NIRS also refers to a town council in Trumball, Connecticut that recently unanimously voted to reinstate pensions for their police officers to address workforce shortages that the council claimed resulted from the officers' 2010 transition to a defined contribution plan. Due to the state's alarming staffing shortage in critical public service delivery, legislators in Alaska are also working to restore pension benefits for public employees. The NIRS found that, overall, more than 80% of Americans with pension plans feel certain they will have pensions when they retire. Workers with 401(k) plans, however, were worried that the ups and downs in the stock market might affect their plan balances.

The NIRS also discovered that women are worried about long-term care costs in retirement. According to the study, 81% of women express concern about the expenses associated with long-term care and only 38% express confidence in their ability to manage any necessary long-term care costs.

Many middle-class seniors are forced to liquidate their assets to qualify for Medicaid or other long-term services and support due to the lack of viable alternatives to pay for the rising cost of long-term care. This can raise demand for and the price of the publicly funded insurance program. The majority of women (86%) agreed that more should be done by the federal government to assist citizens in obtaining high-quality long-term care when necessary.

There is disagreement among Americans on the authority of the government to withdraw funds from workers' salaries to pay for long-term care, in an approach similar to Social Security and Medicare. One example of a state-run program is Washington State's WA Cares program, which provides qualified participants with up to $36,500 for nursing care and other related services. The program is funded by a 0.58% payroll tax. Meanwhile, 87% of Americans think that Washington, D.C. authorities are unaware of the difficulties that employees encounter when trying to save for retirement. A majority (87%), indicate growing public anxiety about retirement security, and want legislators to give retirement-related problems a higher priority on their agenda.

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PARTICIPANT CORNER

Estimating Your Financial Needs for Retirement

Financial planners who conduct pension consulting have been pointing out that you can find yourself in trouble when you reach retirement if you're saving without a goal. Many people have been saving for retirement without taking the time to figure out how much they'll need when they eventually retire. How do you know if you're saving enough if you don't know how much you'll need in the future?

There are many factors that one should consider when thinking about this. A great place to start is by identifying how much you're spending now, this can help you figure out how much you'll need for retirement. By figuring this out, you'll at least be able to see where you can start. However, one thing to keep in mind is that your expenses will change after you retire.

Some expenses that may decrease include income taxes, mortgage payments (if you downsize), utilities, and expenses regarding children. You could also save money one commuting expenses such as gas, tolls, car payments, and insurance; as well as other work-related costs like clothing.

Some expenses that could increase include travel and entertainment costs as well as health care. Although joining Medicare could reduce your expenses, there is still a possibility that you could need additional insurance which could lead to an increase in costs if your health declines.

Many financial advisors believe that you'll need approximately 80% of your current income in retirement in order to maintain your current standard of living.

Review Your Income. It's important to assess any income you may receive throughout your retirement, for instance, Social Security, rent from any properties you may own, a pension, or any other recurring income you receive.

After you have calculated your income and subtracted your expenses, you'll be able to identify how much you will need to save by the time you reach retirement.

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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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.