RISEN SON FINANCIAL

*Your Retirement Plan Partners*

# THE RETIREMENT TIMES

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## When It Comes to 401(k) Beneficiaries, Where There's a Will There Isn't Necessarily a Way

Beneficiary designations are a critical yet often neglected aspect of retirement plans. Many participants mistakenly believe that their retirement plan assets will be distributed according to their will or trust. However, retirement accounts are governed by their own rules, meaning the named beneficiary on the account will typically inherit the funds, regardless of other estate planning documents.

The Consequences of Neglected Beneficiary Designations Neglecting to update beneficiary designations can lead to unintended outcomes, such as an ex-spouse or estranged relative receiving the retirement savings. This oversight can cause emotional distress and financial complications for the intended heirs and may result in lengthy and costly legal disputes.

**Best Practices for Plan Sponsors.** Plan sponsors play a vital role in helping participants keep their beneficiary designations current and accurate. Here are key strategies to ensure that beneficiary wishes are honored.

**Educate participants.** Regularly communicate the importance of beneficiary designations to employees. Highlight that these designations override wills and other estate planning documents when it comes to retirement account funds.

**Offer clear instructions and regular reminders.** Provide straightforward instructions on how to designate beneficiaries when participants enroll in the plan. Send regular reminders to review and update beneficiary information, especially after significant life events such as marriage, divorce, or the birth of a child

**Simplify the update process.** Make it easy for workers to update their beneficiary designations. Offer both online and paper options, and ensure the process is clearly described in the summary plan description (SPD).

**Annual reviews.** Encourage participants to review beneficiary designations annually. This can be done as part of regular financial wellness programs or during open enrollment periods

**Leverage technology.** Use automated systems to remind employees to check and update beneficiary designations. An online portal where they can view and update this information can significantly reduce the risk of outdated designations.

**Promote consultations with financial advisors.** Encourage participants to consult with financial advisors to ensure their beneficiary designations align with their broader estate planning goals. This professional guidance can help address any potential oversights and provide reassurance.

**Emphasize the SPD.** Ensure that the SPD includes clear and concise rules for making and updating beneficiary designations. Communicate these rules effectively to both participants and their advisors to prevent misunderstandings and help ensure compliance.

**Protecting Participant Wishes**

Accurate and up-to-date beneficiary designations are essential for ensuring that retirement assets are distributed according to participants' wishes. Plan sponsors have a responsibility to educate and assist workers in maintaining these designations. By implementing best practices such as regular education, clear instructions, technology-driven reminders and emphasizing the importance of the SPD, plan sponsors can help safeguard the financial futures of their employees' loved ones, providing greater peace of mind for all involved.

Sources:
*https://www.morningstar.com/personal-finance/dos-donts-beneficiary-designations*

## The Magic Number Gap: Bridging the Divide Between Expectations and Reality

A troubling trend has emerged in the retirement planning space: The "magic number" — or amount of money Americans believe they need to retire comfortably — has surged to an all-time high, even as actual retirement savings have declined. This growing disparity or "magic number gap," highlights a significant and escalating challenge for both participants and plan sponsors.

Northwestern Mutual's 2024 Planning & Progress Study reveals that U.S. adults now believe they will need $1.46 million to retire comfortably, a 15% increase from the previous year's target of $1.27 million and a jump that far exceeds the current rate of inflation. Moreover, during the past five years, this magic number has ballooned a staggering 53% from the $951,000 target reported in 2020. Meanwhile, many Americans' actual retirement savings have failed to keep pace, widening the gap between retirement aspirations and financial realities.

**Why the Growing Disparity?**

Numerous factors may be contributing to this increasing discrepancy, including:

- **Persistent inflation.** People may have increased their retirement targets in response to lingering inflationary pressures and fears that their savings will lose purchasing power over time.
- **Longevity and health care costs**. With healthcare costs continuing to soar, individuals may anticipate needing more substantial savings to cover prolonged retirement periods and potential medical expenses.
- **Increased personal debt**. Rising levels of personal debt — including student loans, mortgages, and high-interest credit card debt — can limit the ability to save for retirement.
- **Social Security uncertainty.** Concerns about the long-term viability of Social Security benefits may cause people to feel they need to save more independently to ensure financial security in retirement.

**What Plan Sponsors Can Do**
Plan sponsors play a crucial role in helping employees navigate these challenges and help close the magic number gap. Here are some actionable strategies.

**Improved financial literacy.** Offer comprehensive financial wellness programs that educate employees about realistic retirement planning, long-term investment strategies, and the importance of regular retirement plan contributions.
Boosting contribution rates. Implement and promote catch-up contributions for employees aged 50 and older and consider increasing matching contributions and vesting schedules to incentivize higher savings rates.

**Auto-enrollment and escalation.** Introduce automatic enrollment in retirement plans for new employees and automatic escalation features that gradually increase contribution rates over time, helping employees build their savings more effectively.

**Tailored retirement planning support.** Provide personalized, one-on-one retirement planning sessions with financial advisors, helping employees set realistic retirement savings goals and adjust their strategies based on their circumstances.

**Health Savings Accounts (HSAs).** Consider the use of HSAs as part of the retirement benefits package. HSAs offer a tax-advantaged way to save for healthcare expenses, which can be a significant portion of projected retirement costs.

**Emergency savings assistance.** Offer pension-linked emergency savings accounts (PLESAs) to help employees manage unexpected expenses without dipping into their retirement savings or adding to burdensome credit card debt.

**Communication Gap?**
A person's magic number may — or may not — accurately map to their eventual retirement needs. The rapid rise of the magic number in recent years may be more a reflection of growing economic anxiety than financial reality. While using tactics to boost retirement savings will no doubt benefit many participants, it may be equally important to provide increased communication, clarity and confidence around achievable, data-driven retirement planning goals to help reduce financial stress and enhance financial wellness.

Sources:
*https://www.protectedincome.org/wp-content/uploads/2024/04/Peak-Boomers-Econ-Impact-Study-EXEC-SUMM-ALI-RII-Shapiro-Stuttgen-EMBARGOED-Apr-18-2024-041624.pdf*
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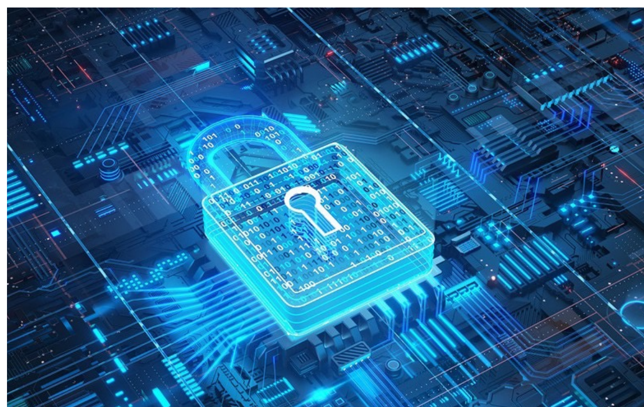
## Cybersecurity and How to Deal with Data Breaches as a Plan Sponsor



Retirement funds are a target for cybersecurity attacks and identity fraud more than ever before. For most people, their retirement account is one of their biggest assets and they rarely check it. This makes these accounts a prime target for cybercriminals. Data breaches with recordkeepers are common. Last month 1,833 Walmart participant 401(k) plans were leaked from a large financial institution's data breach caused by a single employee making an isolated email error. The risk of incidents like this can be lessened with proper precautions. Even with the best precautions in place a data breach can still occur, and having an established response plan in place with your recordkeeper is key to minimizing the damages.

A meaningful precaution sponsors can take to prevent security breaches is participant education. Cybersecurity defense relies on everyone and educating plan participants about common scams and digital attacks prevents data leaks. Updates on the latest cybercriminal attack methods as a part of ongoing participant education can help ensure digital safety going

forward. Additionally, plan sponsors should ensure that they work with record keepers that use technologies to secure participant accounts such as a two-factor authenticator application, requiring a photo ID upon login, or using advanced facial recognition software to flag suspicious login attempts.

Another precaution that could be taken is purchasing cybersecurity insurance. Plan sponsor considerations for this type of insurance include who is liable in the event of a breach, who is insured, how the plan will be purchased, and finally, what is covered.

Even with all of these precautions in place, it is still possible for a data breach to occur and plan sponsors need to have a plan established with their record keeper for cybersecurity attacks. When breaches occur, the first step for a plan sponsor is to work with IT to isolate compromised systems to make sure the entire database is not leaked. Once that happens, it's important to determine what type of data was compromised. If customer private information is leaked, it's important to prioritize the safety of their accounts. Increased surveillance of distributions in situations like these is key to ensuring that money is not being stolen. Finally, a communication plan should be crafted for customers who are affected in the event of a compromise.

By continuously updating security procedures and fostering a proactive approach to cybersecurity, plan sponsors can provide a strong defense against evolving threats. These efforts not only help prevent attacks but also establish confidence in plan participants regarding the protection of their digital assets. By staying prepared, the security of retirement funds can be effectively safeguarded, ensuring peace of mind for everyone involved.

Sources:
*https://www.plansponsor.com/how-should-a-plan-sponsor-respond-to-a-data-breach/ https://www.bdo.com/insights/assurance/retirement-plans-cybersecurity-insights-for-plan-sponsors*

# PARTICIPANT CORNER

## How Much Do You Know About Your Retirement Plan Quiz?

Many people often find that they know far less about their retirement plan than they thought. Test yourself with the quiz below and see how much you know about your financial future.

**1. What type of retirement account do you have with your employer?**

a. 401(k)
b. 403(b)
c. 457(b)

Depending on your industry your retirement account will look different. As a rule of thumb, for-profit companies tend to have 401(k)s while non-profits typically use 403(b)s. State government jobs tend to be 457(b)s. These are not hard rules however and it's important to reach out to your plan sponsor to find out what plan you are involved in.

**2. How risky are your investments?**

a. Aggressive
b. Moderate
c. Conservative

Once your money is in a tax-deferred retirement account, you need to choose how to invest it. Choosing how aggressively to invest that money is important. Depending on how much you contribute relative to your income as well as how close you are to your retirement, different levels of risk are best to maximize your retirement returns. If you are early in your career or make smaller contributions, a more aggressive strategy will grow your nest egg faster (albeit with more risk involved). On the other hand, if you are later in your career or are making bigger contributions, you do not need your money to grow as much to have a secure retirement, so a more conservative strategy is more suitable.

**3. Do you know the employer match limit for your retirement account (if they have one)?**
Finding out your employer's match limit is important. If you contribute less than that number, you are missing out on "free" money to put away for your retirement. Ensuring you contribute at least that much will allow you not to leave anything on the table.

**4. Who is your Beneficiary?**

a. Spouse
b. Child(ren)
c. Sibling(s)

Many people are unaware of who the beneficiary of their retirement account is in the event they were to pass on. If they are married, then the default is their spouse and if someone is single then the account is included in their estate. Naming a beneficiary is typically very easy to do and can save your loved ones a significant amount of time and money in their time of mourning. Questions like the ones above are important to know the answers to, to make the most of your retirement plan. Reaching out to your advisor or plan sponsor is a great way to get answers to these key questions. If you can't answer one or more of these questions, reach out to your advisor or plan sponsor.

**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.

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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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