CABLE HILL PARTNERS

2021

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ADVICE AT A HIGHER LEVEL

Sharing news and updates for your Retirement Plan

As we conclude a challenging 2020 plan year, here are some important updates and notices to be aware of for the upcoming year.

IMPORTANT NOTICE REGARDING 2021 RETIREMENT PLAN CONTRIBUTION LIMITS

If you are age 50 or older anytime in 2020, you may contribute an additional $6,500 for a maximum contribution of $26,000.

Please note that some employees may be limited in their contributions due to nondiscrimination testing.

Don't Miss Out!

Please see your benefits department to make changes to your contributions. All participants are strongly encouraged to maximize their retirement savings. Below are the new limits for 2021.

Plan Limits for Plan Year	2021	2020
401(k), 403(b), 457 Elective Deferral Limit	$19,500	$19,500
Catch-Up Contribution Limit	$6,500	$6,500
Annual Compensation Limit	$290,000	$285,000
Defined Contribution Limit	$58,000	$57,000
Defined Benefit Limit	$230,000	$230,000
Definition of Highly Compensated Employee	$130,000	$130,000
Key Employee	$185,000	$185,000
IRA Contribution Limit	$6,000	$6,000
IRA Catch-Up Contributions	$1,000	$1,000

INSIDE THE ISSUE:

Election Year Investment Volatility[1]

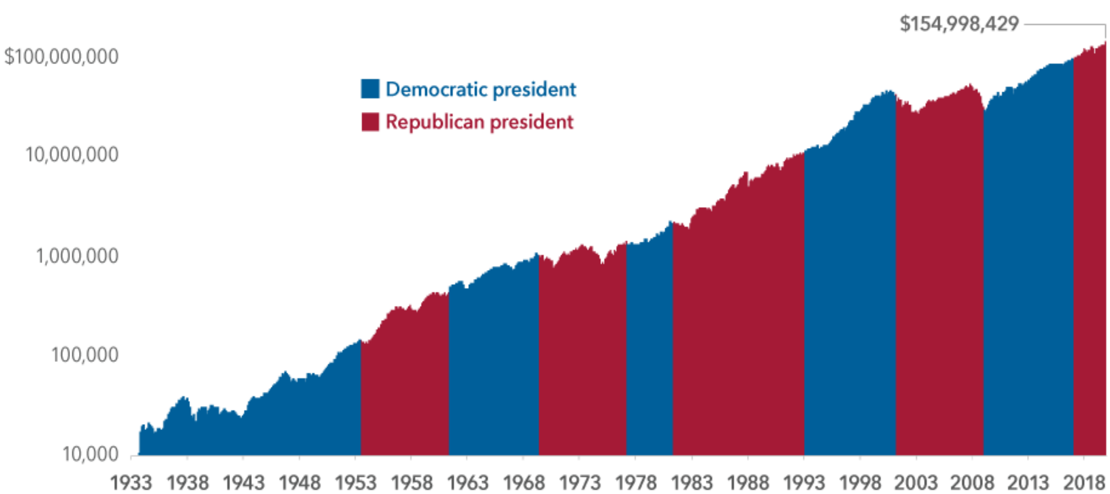
Election years, with their uncertainty and increased emotions, cause anxiety for investors. Certainly, there may be short-term market volatility around elections, but history suggests that over the long-term the economy and markets move higher regardless of election outcomes.

In fact, presidents often receive too much credit for strong economies and markets, as well as too much blame for weak economies and markets. Corporate earnings are the real driver of the market over time. Presidents have less impact on corporate earnings than many perceive.

Most recently, the market fell after the Trump election. However, it quickly reversed to a strong upsurge over the next few years. Investors that sold out of the market on Trump's election missed out on several strong years of returns. This has played out many times in history. Looking at the long-term effects of presidential transitions, as the chart below shows, markets have trended higher over the long term regardless of whether a Republican or Democratic president held office.

The key to investment success, as always, is diversification and a long-term investment horizon. It is important for investors to tune out the short-term noise and keep a long-term perspective.

Growth of a hypothetical $10,000 investment in the S&P 500 Index



Sources: Morningstar, Standard & Poor's. The start date is March 4, 1933, and the end date is August 31, 2020. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale.

Plan Documents… Save or Purge? 2

Many ERISA plan sponsors are unclear regarding a primary fiduciary responsibility concerning plan document retention (which and when documents may be purged). Most plan sponsors adopt an assumed "reasonable" amount of time to retain documents prior to purging them. Unfortunately, IRS rules may not always be complicit with what may be assumed to be "reasonable".

The purpose of this communication is to underscore the important plan record retention so that you may not fall prey to the type of fiduciary breach described in the following paragraph.

Recently a random IRS 401(k) plan investigation shed an uncomfortable light on the issue of plan document retention. When pressed to produce certain specific documents that were not readily available, the plan administrator decided to contact the plan's service provider. The plan administrator was informed that the Third Party Administrator (TPA) purges its files after each plan restatement and expects the plan sponsor to meet any document retention obligations under IRS or ERISA. This is actually standard procedure for many TPAs. (https://ferenczylaw.com/solutions-in-a-flash-to-purge-or-not-to-purge-that-is-the-question/)

Depending on the document category, there are different standards for how long documents need to be kept. For example: participant benefit records must be retained "as long as a possibility exists that they might be relevant to a determination of the benefit entitlements of a participant or beneficiary."[1] While the regulations were never finalized, the Department of Labor (DOL) has taken the position those record retention obligations apply beginning when the DOL issued its first set of proposed regulations under Section 209 on February 9, 1970 because employers were put on notice of the obligations. As such, plan sponsors should consider whether benefit plan records need to be maintained indefinitely.

Record retention rules are accessible in both the DOL regulations as well as ERISA statutes. Statutes of limitations on plan sponsor liability for administrative functions concerning retirement plans also are codified.

Due to the length of regulations on this topic we urge you to review the AICPA link below for a thorough list of document retention regulations.

https://www.aicpa.org/content/dam/aicpa/interestareas/employeebenefitplanauditquality/resources/planadvisories/downloadabledocuments/ebpaqc-plan-advisory-retaining-and-protecting-plan-records.pdf

Good News 401(k)[3]

T. Rowe Price did a deep dive into its recordkeeping data and surfaced with a few important points.

Its "Reference Point Report is an annual client data benchmarking report so plan sponsors can review trends and benchmark their progress and participant behavior across the firm's client base… 'We continue to see the importance and significant impact plan design and financial wellness programs have on keeping participants on track with their financial priorities' by John Sullivan, Editor-In-Chief "

- Plan participation was greater than 79%
- Over 61% of plans at T. Rowe Price automatically enroll participants, with 37% enrolling at a 6% default deferral
- Average account balances rose to over $100,000, an increase of 8%, although over 34% of eligible participants did not contribute to their plans in 2019
- Employers are increasing match formulas from 3% to a 4% to 5% effective match rage
- Direct rollovers of plan assets increased to 76% in 2019 from 74% in 2018
- Lower rates for cash-out distributions and loans
- Participant usage of loans decreased in 2019 to 22.1%, down from the seven-year high of 24.9% in 2013, but the optional loan provisions included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act could change that trend
- Allocations to company stock investments increased more than 11%

For more information on 401(k) participant behavior and plan design trends, see the article in 401k Specialist.

Four Tips for Increasing Your Retirement Dollars

Don’t Cash Out Retirement Plans When Changing Employment

When you leave a job, the vested benefits in your retirement plan are an enticing source of money. It may be difficult to resist the urge to take that money as cash, particularly if retirement is many years away. If you do decide to cash out, understand that you will very likely be required to pay federal income taxes, state income taxes, and a 10 percent penalty if under age 59½. This can cut into your investments significantly and negatively impact your retirement savings goals! In California, for example, with an estimated 8 percent state income tax, someone in the 28 percent federal tax bracket would lose 46 percent of the amount withdrawn. When changing jobs, you generally have three options to keep your retirement money invested – you can leave the money in your previous employer’s plan, roll it over into an IRA, or transfer the money to your new employer’s plan.

Take Your Time: Give Your Money More Time to Accumulate

When you give your money more time to accumulate, the earnings on your investments, and the annual compounding of those earnings can make a big difference in your final return. Consider a hypothetical investor named Chris who saved $2,000 per year for a little over eight years. Continuing to grow at 8 percent for the next 31 years, the value of the account grew to $279,781. Contrast that example with Pat, who put off saving for retirement for eight years, began to save a little in the ninth and religiously saved $2,000 per year for the next 31 years. He also earned 8 percent on his savings throughout. What is Pat’s account value at the end of 40 years? Pat ended up with the same $279,781 that Chris had accumulated, but Pat invested $63,138 to get there and Chris invested only $16,862!

Don’t Rely on Other Income Sources, and Don’t Count on Social Security

While politicians may talk about Social Security being protected, for anyone 50 or under it’s likely that the program will be different from its current form by the time you retire. According to the Social Security Administration, Social Security benefits represent about 34 percent of income for Americans over the age of 65. The remaining income comes predominately from pensions and investments. They also state that by 2035, the number of Americans 65 and older will increase from approximately 48 million today to over 79 million. While the dollars-and-cents result of this growth is hard to determine, it is clear that investing for retirement is a prudent course of action.

Consider Hiring a Financial Professional!

Historically, investors with a financial professional have tended to “stay the course”, employing a long- term investment strategy and avoiding overreaction to short-term market fluctuations. A financial professional also can help you determine your risk tolerance and assist you in selecting the investments that suit your financial needs at every stage of your life.

Happy Holidays

Here is a holiday breakfast favorite from Ryan Christensen

Aebleskivers (Danish Pancakes)

Krage Family Recipe :

- 1 cup flour
- 3 to 4 eggs
- 1/2 cup buttermilk
- 1/2 cup sour cream
- 1/4 tsp baking powder
- 1/4 tsp baking soda
- Dash salt

Mix dry ingredients. Add butter milk and sour cream. Separate eggs yolks from whites. Beat egg yolks light, fold in mixture. Beat egg whites stiff, fold in mixture. Bake in greased Aebelskiver plan , flipping once when golden brown.

Serve with powdered sugar, jam, syrup or whatever makes you happy!

Your Retirement Plan Team

1 November 2020. Election Year Investment Volatility. *Retirement Times. https://rpag.com/pmprichui/resourcecenter*
2 October 2020. Plan Document...Save or Purge? *Retirement Times. https://rpag.com/pmprichui/resourcecenter*
3 September 2020. Good News 401(k). *Retirement Times. https://rpag.com/pmprichui/resourcecenter*
4 September 2020. Four Tips for Increasing Your Retirement Dollars. Retirement Times. *https://rpag.com/pmprichui/resourcecenter*