June 2019

# ADVICE AT A HIGHER LEVEL

***NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS***

With sunny weather on the horizon, now is the time your plans for summer fun come to fruition! You may be noticing a surge in activities to add to your calendar and with that comes a surge in upcoming expenses. There are just a few short months of clear skies in the Northwest and no matter your interests, there will be plenty of opportunities to get out and go! Now is the time to prioritize and plan.

One idea for summer organization from your Retirement Team at Cable Hill Partners is to set up a group Google calendar with some of your closest friends and family. Or maybe you like to kick it old school and use a wall calendar to write out who's where what they're up to. However you organize your life, there is bound to be a bit of "Fear Of Missing Out" (FOMO) over missed events and a few drive-thru meals while rushing to the next activity.

While we hope you enjoy your summer plans in the short term, we also want you to think of your long term goals for retirement. Just as you visualize your summer fun, sit back and visualize your retirement. Is that jet ski really worth another year of work? On page two we look at how participants see themselves spending their time in retirement.

Speaking of summer fun, many of us will take trips to the movie theater to beat the heat. Turn to page 6 to see what actor the Cable Hill Partners' Retirement Team could see playing themselves in a movie. After you check out who we chose, we'd love to hear who would play you!

Cheers,

*Your Cable Hill Retirement Team*

**For more information about this newsletter or our advisory services, contact: retirementteam@cablehill.com**

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INSIDE THIS ISSUE

# VISUALIZE RETIREMENT
## WHAT ARE YOUR PARTICIPANTS SAVING FOR?
### PUBLISHED MARCH 2019 [1]

All too often, retirement planning success is measured purely by financial metrics: savings amounts (15 percent per year), income replacement ratios (75 percent of preretirement income), or withdrawal strategies (4 percent per year). And the most critical part of planning for retirement is forgotten: the plan itself.

Put another way: how can an employee know how much money they're going to need in retirement if they don't know what they're saving for?

**74%** of 50-59-year-olds have made a serious effort to plan for financial aspects of retirement.[1]

Only **35%** of 50-59-year-olds have made a serious effort to prepare for the emotional aspects of retirement.[1]

**Visualize Retirement** addresses the one planning need that many preretirees don't even know they have: preparing for the nonfinancial side of retirement.

Three key areas that studies and actual retiree responses, indicate are key drivers of happiness in retirement are:

**1. Lifestyle:** How participants will spend their time in retirement (family, leisure, travel, work, etc.)

**Workers' Visions for Retirement:**[1]

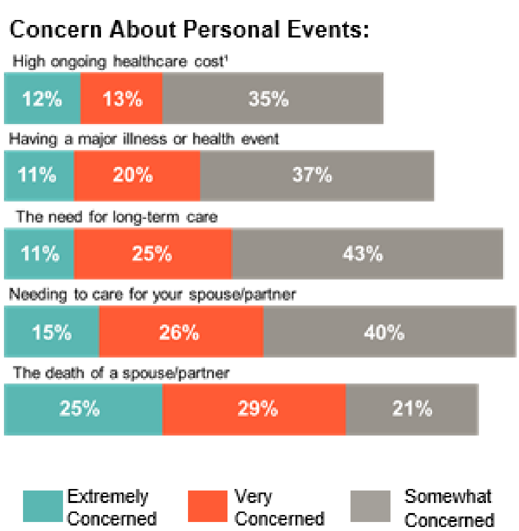
**70%** want to travel

**57%** want to spend time with family and friends

**50%** want to pursue hobbies

**30%** say they want to work

**2. Health Care:** How participants want to give and receive needed care




**3. Meaning:** How participants will create a sense of purpose fulfillment

**Following almost 1,000 people, a study found that people with "high purpose" were:**[1]

**2.4x Less Likely** to be afflicted with Alzheimer's

**Less Likely** to develop mild cognitive impairment

**Less Likely** to develop disabilities or die young

**Benefits for Plan Sponsors**

Workforce Management Flexibility:

- Large amounts of time, money and resources go to offer and maintain benefit programs that help prepare employees for the next phase of their lives (retirement plans, company matching money, physical/financial wellness programs, healthy incentive programs).
- What happens when the employee, due to a lack of emotional and psychological preparedness, doesn't end up retiring?
- That backlog can create recruitment and retention issues – as younger talent may seek opportunities elsewhere if A) there is no "foot in the door" position open, or B) they see minimal opportunities to advance internally.

**Food for thought:** Even if widespread workforce management issues are not prevalent, consider the type of employee that may have a difficult time moving on: the "career-minded executive" whose identity is wrapped up in their achievements and stature within the organization.

Long-term Cost Mitigation:

- As a workforce's age and tenure increase, so do the costs related to keeping that employee.
- An aging demographic – many of whom may not be emotionally prepared to retire – could impact organizational costs such as increased health care, payroll, or worker's compensation.

To learn more about the Visualize Retirement program and plan sponsor and participant resources associated with it, please contact your plan advisor.

The monthly participant memo companion piece to this newsletter is the Visualize Retirement workbook that helps participants visualize their retirement and define their purpose in retirement.

*[1]Retiree Insights 2018 Survey of Consumers Ages 50-59. Greenwald & Associates/The Diversified Services Group.*

## A FIDUCIARY FOCUS: 5 STEPS 401K PLAN SPONSORS SHOULD RESOLVE TO TAKE IN 2019

### PUBLISHED JANUARY 2019[2]

A new world of fiduciary is upon us. This cannot be denied. What does this mean for 401k plan sponsors and the financial professionals that serve them? How should this new fiduciary atmosphere change their focus? In many ways, 401k plan sponsors might be surprised to discover the path has never been clearer. In fact, the journey can be described in these five easy steps.

**Step #1: Outsource Fiduciary Liability**

This has always been an option for 401k plan sponsors. Holly Verdeyen, Director of Defined Contribution Investments with Russell Investments in their Chicago office, says, "401k plan sponsors should focus on reviewing their fiduciary responsibilities in light of their internal resources and expertise, in order to determine if delegating certain fiduciary functions—such as selecting investment managers, to an experienced third-party co-fiduciary with greater buying power and extensive resources—makes sense for them. 401k plan sponsors have outsourced other functions such as plan legal services and plan administration for decades. There are additional time-consuming fiduciary functions that can be delegated to reduce the complexity of oversight and gain an expert point of contact as an extension of staff for all DC issues. The notion that a plan sponsor can't transfer fiduciary responsibility and reduce legal exposure is incorrect. In fact, the Employee Retirement Income Security Act (ERISA) allows an outsourcing provider to accept most of the fiduciary liability for a DC plan."

Many expect the rise of a viable 401k MEP option to accelerate outsourcing. The 401k MEP represents a tried and true alternative versus the riskier (and untested) state-run private company retirement plan options. Even without access to the 401k MEP, plan sponsors have always had a reliable method to outsource fiduciary liability. "Instead of continuing to use a financial adviser to help select the funds for their 401k, plan sponsors will increasingly choose to adopt a 3(38) investment manager to select the investment lineup for their 401k plan as doing so can reduce overall fees and reduce fiduciary liability exposure," says Brad Creger, President & CEO of Total Financial Resource Group, Inc in Glendale, California.

**Step #2: Remove All Conflict-of-Interest Fees**

Remember, the real name of the DOL's "Fiduciary" Rule was the "Conflict-of-Interest" Rule. It reflected the settled view that there are certain fees paid by retirement plans that were not in the best interests of the plan participants. This trend started in earnest with the DOL's 2012 Mutual Fund Fee Disclosure Rule. Although that Rule has plenty of loopholes, a consensus has emerged that demands greater transparency in conflict-of-interest fees. "Plan sponsors who use proprietary funds of funds that their employees can't find with a web search, where the expense ratios and other fees aren't clearly marked on statements, and where there isn't someone available to ask questions of, will likely begin to feel more pressure from their employers," says Laura Davis, a financial planner with Cuthbert Financial Guidance in Decatur, Georgia. "Employers, after all, are required to act in a fiduciary capacity when it comes to their company 401k plans, and those plans need to support that requirement."

**Step #3: Show Employees How to Take Advantage of Market Volatility**

Ironically, paying too much attention to fees can distract employees from selecting appropriate investments. When the tides of a rising market lifted all boats, poor investment decisions could be more forgiving. The dramatic swings in the market, however, might spook employees into making classic investing errors. Now is the time for employees to leverage that volatility into the opportunity it represents. "401k plan sponsors, as fiduciaries, should review all plan options and verify that the investments lineup is conducive toward adequate retirement planning for participants," says Gary Rudow Managing Director/Investments at Stifel in the greater New York City Area. "In light of the recent volatility in the markets, coordination with the financial advisor regarding the plan should be of paramount importance."

Once the basic plan menu options are solidified, focus can turn to teaching employees how to best take advantage of them. "Plan sponsors will need to focus on educating participants and providing insights into volatile markets," says Robert Gibson, a Fiduciary Consultant at Centurion Group in Plymouth Meeting, Pennsylvania. "Participants will be faced with some volatile swings, probably both up and down, and will need to be educated on 'riding it out' and determining their timeframe to retirement."

**Step #4: Combine Health and Wealth Wellness**
This isn't a new idea, as leading-edge plan sponsors have adopted these strategies over the years. Yet, with the changes in the tax laws, a need to encourage younger workers to save for retirement, and the broader availability of flexible tools, it's easy to see why combining retirement and health benefits is ascendant. "401k plan sponsors should focus on the convergence of health and wealth decisions for their plan participants," says Ben Pitts, Vice President of Corporate Development at Picwell, Inc. in Philadelphia, Pennsylvania. "Most employers now offer a high deductible health plan option, which comes with a Health Savings Account (HSA) and often times a matching program. While not an expressed requirement of plan fiduciaries, helping employees understand the tradeoff between contributing to a 401k versus an HSA is critical for retirement outcomes. Depending on plan design, participant goals, participant health risk, and participant preferences, the decision to contribute to a 401k versus an HSA may vary."

The use of these new options will make the "financial wellbeing" metaphor more apparent to employees. Rob Austin, Head of Research at Alight Solutions in Charlotte, North Carolina, says, "Expanding financial wellbeing programs has been employers' number one initiative for the past several years. And for good reason because financial wellbeing spans the employee base from the new employee who could be saddled with student loans to the near-retiree who is working on estate planning."

**Step #5: Demonstrate the Downside of Leakage**
Why is this so important right now? Recent changes in the law have made it easier for employees to take out hardship distributions. These withdrawals can severely impede the ability of clients to retire in comfort. "Plan sponsors always need to be conscious of the need to maintain their plans in accordance with changing legal and regulatory requirements," says Glenn Sulzer, J.D., Senior Legal Analyst at Wolters Kluwer Legal & Regulatory U.S. in Chicago, Illinois. Accordingly, sponsors need to be aware of changes in the rules governing hardship distributions that were enacted by the Budget Act of 2018 and which will be effective for plan years beginning January 1, 2019. Under the revised rules, sponsors may amend their plans to remove both the mandatory 6-month suspension of elective deferrals following a distribution period and the requirement to take a plan loan before securing a hardship distribution. In addition, plan sponsors may now include QMACs and QNECS, and earnings on such contributions, in determining the amount of hardship distributions. Sponsors wishing to make such changes must amend their plans by the end of the plan year in which the changes will take effect. Sponsors may first need to consider whether such changes will encourage withdrawals ('leakage') from individual plan accounts."

This isn't rocket science. The need for 401k plan sponsors to increase their focus on their fiduciary duties and, specifically, execute strategies with can reduce their fiduciary liability, arises from this New Fiduciary Era in which we find ourselves. Fortunately, the path to implementing these strategies is well worn. It should be easy to accomplish.

Christopher Carosa is a keynote speaker, journalist, and the author of 401(k) Fiduciary Solutions, Hey! What's My Number? How to Improve the Odds You Will Retire in Comfort, From Cradle to Retirement: The Child IRA, and several other books on innovative retirement solutions, practical business tips, and the history of the wonderful Western New York region. Follow him on Twitter, Facebook, and LinkedIn.

Mr. Carosa is available for keynote speaking engagements, especially in venues located in the Northeast, MidAtantic and Midwestern regions of the United States and in the Toronto region of Canada.

# GET TO KNOW YOUR CABLE HILL TEAM

Cable Hill Partners Retirement Team, If you had to pick an actor/actress to play you in a movie, who would it be and why?

**Jeff:** *Sam Rockwell, just because he's a great character actor.*

**Shelby:** *I choose Uma Thurman. She's quirky and an ultimate powerhouse.*

**Zach:** *If I had to choose someone to play me in a movie, I'd obviously need the perfect mixture of humor, emotion, and height (I'm 6'7"). With those parameters, who better than Jeff Goldblum? He's made us laugh (Jurassic Park), he's made us cry (Independence Day, I guess?), and he's 6'4" (close enough).*

**Kelli :** *Emma Stone was one of the first red-haired actresses that I really identified with. If she played me, she'd be able to pull off being both silly and driven. If only she was 5'11".*

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[1] *Retirement Plan Advisory Group. "Visualizing Retirement—What are your participants saving for? " (March 2019):Print*
[2] *FiduciaryNews.com. "A fiduciary focus: 5 steps 401k plan sponsors should resolve to take in 2019"(January 2019):Web*

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