ADVICE AT A HIGHER LEVEL

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS

August 2018

Content:

Bringing the Heat

Summer is here and it's a hot, hot, hot one! Take a few moments to enjoy your air-conditioned office and conduct a "check-up" on your personal retirement account using the retirement plan check-up guide on page 5. An employee-facing version of the retirement plan check-up is included as an attached PDF and we encourage you to share this with your office.

This issue of "Advice at a Higher Level" is all about retirement plan health and addressing common issues that arise related to former employee accounts and distributions. We provide best practices for helping prevent uncashed retirement distribution checks and outline the potential "Pros" and "Cons" to forcing out former participants.

Cable Hill Partners continues to grow, and we're excited to introduce Mandy Peterson as our newest Client Service Associate. Check out page 6 to learn more about how Mandy and the rest of your Cable Hill Partners Retirement Team are beating the heat this summer.

Stay Cool,
Shelby Gatewood
Service Advisor

For more information about this newsletter, contact retirementteam@cablehill.com
806 SW Broadway, Suite 1000 Portland, OR 97205 | https://cablehill.com/

TIPS FOR PREVENTING UNCASHED RETIREMENT CHECKS

PUBLISHED JULY 2018[1]

MANAGING UNCASHED RETIREMENT CHECKS MAY BE CONSIDERED A NUISANCE BY PLAN ADMINISTRATORS. NEVERTHELESS, THE EMPLOYER STILL HAS A FIDUCIARY RESPONSIBILITY WHEN A FORMER EMPLOYEE FAILS TO CASH THEIR DISTRIBUTION.

Search efforts to locate a missing plan participant consume time and money and may fail to locate the participant. Likewise, going through the process of turning over dormant accounts to the state can also consume time and resources.

Decrease the burden of uncashed checks by:

1. Discussing with terminating employees during the exit interview the options for their retirement plan. Employees may forget they have a company-sponsored retirement plan, or don't know how to manage it.

2. Reminding departing employees that they can roll over their retirement assets into their new employer's plan. Your plan's service provider or the new employer can answer questions the former employee may have about the rollover process.

3. Letting employees with an account balance of $1,000 or less know they should expect to receive a check in the mail after a certain amount of time.

4. Having the employee verify their current address to where the check can be sent.

Remember, fiduciary responsibility and liability extends to terminated employees with assets in the plan. This responsibility includes delivery of all required distributions and all fiduciary prudence responsibilities. Stay in touch with this important group.

[1] Retirement Plan Advisory Group. "Tips for Preventing Uncashed Retirement Checks?" Retirement Times X (July 2018):2.Print
[2] Retirement Plan Advisory Group. "This Won't Hurth a Bit: It's Time to Include Health Care in a Holistic Retirement Strategy" Retirement Times X (August 2018):2.Print
[3]Mercer's National Survey of Employer-Sponsored Health Plans. Small employers have 10-499 employees, large employers have 500-19,999 employees, and jumbo employers have 20,000+ employees.
[4]2016 Strategic Benefits Survey—Assessment and Communication of Benefits, SHRM 2016.
[5]2017 PWC Employee Financial Wellness Survey. For additional information please reference T. Rowe Price "Using Health Savings Accounts Wisely" white paper. This material is provided for general and educational purposes only and is not intended to provide legal, tax or investment advice. This material does not provide fiduciary recommendations concerning investments or investment management.
[6] Retirement Plan Advisory Group. "Hey Joel!" Retirement Times X (August 2018):2.Print
[6] Retirement Plan Advisory Group. "Participant Corner: Retirement Plan Check-Up" Retirement Times X (August 2018):2.Print

THIS WON'T HURT A BIT

IT'S TIME TO INCLUDE HEALTH CARE IN A HOLISTIC RETIREMENT STRATEGY

PUBLISHED AUGUST 2018[2]

HEALTH CARE EXPENSES ARE ONE OF THE MOST CRITICAL ISSUES THAT WORKERS AND EMPLOYERS FACE TODAY. HISTORICALLY, BOTH HEALTH CARE AND RETIREMENT SAVINGS HAVE LARGELY BEEN KEPT SEPARATE, BUT THAT CONVERSATION IS CHANGING. AS HEALTH CARE IS INCREASINGLY CONSIDERED THROUGH THE LENS OF FINANCIAL WELLNESS, EMPLOYERS NEED TO UNDERSTAND THE SAVINGS OPTIONS.

Pretax and Roth retirement account contributions, along with HSAs, are three common ways that many employees can save for health care expenses in retirement. It's important to consider the advantages of each.

HSAs Paired with a High-Deductible Health Plan (HDHP) Can Be Part of a Competitive Benefits Package

The old mantra of offering a competitive benefits package to "recruit, retain, and reward" needs updating. With an emphasis on financial wellness and health care flexibility, the "three R's" should now shift to "recruit, retain, and retire."

RECRUIT

Depending on your organization's size, offering an HSA could be seen as a differentiator, or merely table stakes, versus your competition.

87% of jumbo employers,
72% of large employers, and
34% of small employers
...plan to offer HSAs by 2019.[3]

Understanding the Differences in Health Care Savings Options

Advantages

ACCOUNT TYPES	PRETAX	ROTH	HSA[1]
Contributions	Excluded from taxable income[2]	Not excluded[2]	Excluded from taxable income[2]
2018 Maximum Annual Contributions[3]	$18,500 retirement plan $5,500 IRA[4]	$18,500 retirement plan $5,500 IRA[4]	$3,450 individual $6,900 family
Early Distribution Penalty[4]	10%	10%	20%
Early Distributions	Limited access[5]	Limited access[5]	Qualified medical expenses (QME): No tax or penalty
Taxes on Distributions	Ordinary rate	Tax-free if qualified	Tax-free if qualified
Required Minimum Distributions (RMDs)	Begin at 70½	Begin at 70½ for retirement plans[6]	None
Tax Treatment for Non-spouse Heirs	Ongoing tax deferral (with RMD)	Ongoing tax-free (with RMD)	Value immediately subject to ordinary income tax

Reflects Roth and pretax employer-sponsored plans (as opposed to IRAs) unless noted. Advantages of account type (relative to the others) shown in blue. All three types grow tax-deferred. These are not the only options when it comes to saving for healthcare and/or medical-related expenses in retirement. Note that while HSAs are structured for the individual to save or invest for health costs, this is not the intended primary purpose of a defined contribution plan or IRA. Individuals should evaluate their health coverage needs and other factors before seeking tax benefits of an HAS. Source: IRS documents.

RETAIN

HSAs can support retention efforts for key employee demographics (e.g., healthy millennials who prefer the ability to save for their own health care expenses and executives who appreciate an HSA's "triple-tax" advantage).

- $4,129 is the average cost of onboarding a new hire.[4]

RETIRE

Comprehensive benefits all add up to providing employees with financial support that allows them to retire when they *want* to rather than when they *have* to.

64% of employees think health care costs will impact their retirement.[5]

HSAs may help you bring value to your employees. We suggest that you:

1. Arrange for fair and balanced reviews of health care savings options, strategies, and benefits to employees
2. Review educational materials to ensure that they are clear and comprehensive
3. Connect the health care conversation to retirement and financial wellness
4. Evaluate adoption and usage data
5. Explore ways to provide employees with HSA investment education or guidance

HSAs may make sense for certain employers, especially since the **average cost** of an HSA-eligible plan is 22% LESS **than a traditional PPO**.

TERMINATED PARTICIPANT BALANCES

PLAN ADMINISTRATOR QUESTION OF THE QUARTER

PUBLISHED AUGUST 2018[6]

IS THERE REGULATORY GUIDANCE THAT WOULD INDICATE WHETHER FORCING OUT TERMINATED PARTICIPANTS IS FAVORABLE TO KEEPING THEM IN? WHAT FIDUCIARY LIABILITIES ARE ABSOLVED BY FORCING THEM OUT (ASSUMING THE PLAN DOCUMENT ALLOWS FOR FORCEOUTS)?

Assuming consistency with the plan document, there is no expanded fiduciary liability in forcing former employees out of the plan, as this is an allowable plan provision. As to whether cashing participants out is preferable to keeping them in, that depends on benefit to the plan or benefit to the participants.

An example would be if the plan is of significant size to have competitive expenses and access to sufficiently diverse investments including appropriately selected TDFs, it should typically benefit most participants to remain in the plan from an investment perspective.

From the viewpoint of the plan, if participants leaving the plan leave it in a less competitive pricing structure, it would benefit the plan to keep them in. Since these are low account balances, this is unlikely to be the case.

There are potential positives and negatives for both plan and participant interests, therefore it is best determined on a case-specific basis, but most typically it benefits the plan to cash out low account balances. This is because if assets remain in the plan, the plan fiduciaries remain responsible for all prudence requirements including distributions to terminated participants. So, small account balances can be an inconvenience to the plan and fiduciaries.

PARTICIPANT CORNER

RETIREMENT PLAN CHECK-UP

PUBLISHED AUGUST 2018[7]

THIS QUARTER'S EMPLOYEE MEMO ENCOURAGES EMPLOYEES TO CONDUCT A REGULAR EXAMINATION OF THEIR RETIREMENT PLAN TO DETERMINE WHETHER ANY CHANGES NEED TO BE MADE.
SHARE THE ATTACHED RETIREMENT CHECK-UP MEMO WITH YOUR EMPLOYEES

It's important for you and your participants to conduct regular check-ups on your retirement plan to make sure you are on track to reach your retirement goals. Below are a few questions to ask yourself, at least annually, to see if (and how) they affect your retirement planning.

1) **Review the Past Year**
   Did you receive a raise or inheritance?
   If yes, consider increasing your retirement contributions.

   Did you get married or divorced?
   If yes, you may need to update your retirement account beneficiaries.

   Are you contributing the maximum allowed by the IRS?
   In 2018 you can contribute up to $18,500, or $24,500 if you're age 50 or older (401k plans).

   Did you change jobs and still have retirement money with your previous employer?
   You may be able to consolidate your assets with your current plan (contact retirement plan advising team member Shelby Gatewood with Cable Hill Partners for more details).

2) **Set a Goal**
   What do you want your retirement to look like? Do you want to travel? Will retirement be an opportunity to turn a hobby into a part-time business? Will you enjoy simple or extravagant entertainment?
   Take time to map out your specific goals for retirement. Participants that set a retirement goal today, felt more confident about having a financially independent retirement down the road.

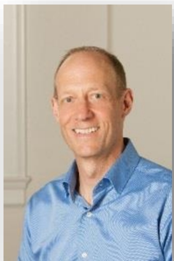
3) **Gauge Your Risk Tolerance**
   Understanding how comfortable you are with investment risk can help you determine what kind of allocation strategy makes the most sense for you. Remember, over time, and as your life changes, so will your risk tolerance.
   Using asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss of principal due to changing market conditions.

4) **Ask for Help**
   If you have questions about your retirement plan or are unsure of how to go about saving for retirement, ask for help. Your **Cable Hill Partners** Retirement Plan Advising Team can help you evaluate your progress with your retirement goals, determine how much you should be saving and help you decide which investment choices may be suitable for you.
   retirementteam@cablehill.com / (p) (503) 765-1223

STAYING COOL WITH CABLE HILL PARTNERS

"IT'S A SURE SIGN OF SUMMER IF THE CHAIR GETS UP WHEN YOU DO." -WALTER WINCHELL

WE ASKED EACH MEMBER OF THE RETIREMENT TEAM HOW THEY'RE STAYING COOL THIS SUMMER



JEFF GATES, CFP®, MBA – LEAD ADVISOR

(p) 503.765.1242 / jeff.gates@cablehill.com

Jeff has been staying cool by working on home improvement projects indoors. He also ventured to Michigan for a large family reunion earlier this summer and got a taste of what true humidity feels like.

Shelby Gatewood, CRPS® – Service Advisor

(p) 503.765.1227 / shelby@cablehill.com

During these hot days, Shelby and her dogs stay cool by walking down to her neighborhood Sellwood Park and go for a quick swim in the Willamette river. Nothing better than an innertube, sandals and wet dogs!

ZACH REUTER & MANDY PETERSON

Client Service Associates

(p) 503.765.1223

zach.reuter@cablehill.com / mandy.peterson@cablehill.com

Zach's summer heat solutions center around finding an air-conditioning system. Before his current apartment (which has A/C), Zach and his spouse built a home-made air conditioning contraption using a Styrofoam cooler, scissors, a fan, and a block of ice.

On hot summer weekends Mandy heads to the mountains to experience the cool air and the summer breeze. After a hike to one of the spectacular mountain lakes, she wades in the crisp water to cool down before heading back down the trail.

To remove yourself from this list, or to add a colleague, please email us at retirementteam@cablehill.com