2023 Q4 CHP RETIREMENT TIMES

*Fall is here and 2024 is just around the corner (gasp!). Welcome to our 4th quarter edition of CHP Retirement Times. As participants prepare for any year-end updates to their retirement plan, Cable Hill is here to help! Feel free to contact Nicholas or Ryan at 503.765.1223 or at retirement**team**@cablehill.com*

INSIDE THE EDITION:

Role of a Financial Professional

Most prudent plan sponsors hire a financial professional to help them adhere to ERISA's rigorous standards and to meet their objective of offering a best practices retirement plan to their employees. ERISA rules are clear — every decision you make as a fiduciary must be in the best interests of plan participants and their beneficiaries, and certain relationships may result in prohibited transactions.

Attributes of a Good Financial Professional	Why You Should Hire One
Independence	Ability to help evaluate funds and providers objectively and without conflict of interest
Familiarity with ERISA	Ability to keep the committee updated on litigation, legislation and regulations impacting plans and fiduciaries
Prudent Expert	ERISA section 404(a) requires fiduciaries to act with the skill, knowledge and expertise of a prudent expert
Expertise with Plan Design	Ability to help plans maintain qualified status while continuing to meet the goals and objectives of our organization
Knowledge of the Provider Marketplace	Ability to ensure that our plan is being administered in the most efficient manner and for a reasonable price
Qualified Plan Investment Expertise	Ability to evaluate, select and monitor fund performance
Documentation Skills	Ability to demonstrate procedural prudence in a well-documented manner
Communication Skills	Ability to educate employees regarding plan highlights and how to create an appropriate investment strategy
Acceptance of Role as a Co-Fiduciary	Willingness to acknowledge in writing that they're a co-fiduciary to our plan with respect to the investment advice being delivered
Full and Open Disclosure	Fully and openly discloses all sources of fees being received on a direct and/or indirect basis

The Retirement Savings Glass Is Only Half Full for Women

According to recent data from the National Council on Aging and the Women's Institute for a Secure Retirement, nearly half of women ages 25 and older lack access to a tax-advantaged, employer-sponsored retirement plan.

Digging Deeper into the Data

The top reported financial concerns among women, alongside insufficient retirement savings, include housing costs, Social Security and Medicare cuts. But unfortunately, lack of access to retirement plan benefits doesn’t paint a complete picture of the problem. Because even among those women who are eligible for workplace retirement plans, average account balances lag behind those of men by a startling 50%, according to Bank of America's Financial Life Benefits Impact Report. And this disparity can create a chain of negative financial consequences for both female workers and organizations.

Impacts on Women and Employers

The impacts of the shortfall in women’s retirement savings on the overall gender wealth gap are far-reaching, exacerbating their longer-term financial insecurity. Due to their longer average lifespan, women often require larger nest eggs for retirement than men. Therefore, a lack of adequate savings can often translate to a lower quality of life in retirement for women and can also delay their exit from the workforce due to economic necessity, which can then pass on additional costs to employers.

A Multi-pronged Strategy

Beyond closing the gender pay gap, employers can help women better prepare for a more secure retirement in a number of ways:

Implement auto-enrollment and auto-escalation features to help increase contribution rates among all those who may be contributing insufficiently, including women.

Encourage saving by offering matching contributions — or increase the match offered.

Provide financial wellness programming to educate women about the retirement savings gap and steps they can take to close it, including catch-up contributions for all eligible workers.

Furnish additional education around the areas of concern for women mentioned above.

Offer family leave to allow for continuing retirement plan contributions during periods of family care (only 24% of private-sector

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U.S. employers offer this benefit, according to the Department of Labor).

Institute flexible work arrangements and allow part-time worker inclusion to help women stay in the workforce and continue contributing.

A Win-win Solution

Implementing measures to address the gender gap in retirement savings can lead to many tangible benefits for organizations, including an increase in productivity and staff retention rates, maintaining a competitive edge in talent acquisition, and more effective and cost-efficient succession planning. In these and many other ways, helping women win at retirement can also yield significant dividends for the businesses that employ them.

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Speaking of One Percent

Since the contribution limits were recently raised by 10% 401(k), 403(b) and most 457 plans (to $22,500), we thought now might be a good time to share creative ways to communicate to your participants the benefits of increasing contributions to their retirement plan. These new, higher limits could strengthen their retirement goal, but participants might not be too keen on squirreling away too much right now, and that's understandable.

As participants consider their elections at open enrollment, they're likely weighing which benefits they'll keep and what they'll drop as they enter 2023 with a market that continues to fluctuate and grocery prices that remain uncomfortably high. The good news that is inflation seems to be calming down, and some analysts expect it will continue to cool.[1] This means it could be a good time to start contributing to a retirement plan or to increase contributions—even if it's only by 1%.

Communicating the Payoff/Benefit of Just 1%

You can help participants conservatively establish a good habit of regular contribution increases now and down the road by identifying the difference just 1% can make. Here are three talking points:

Some workers may decide to visit their contributions twice per year: they start the New Year off with a win by increasing contributions 1%, and on their birthday, they give themselves an additional gift of contributing another 1%. We've included a 3 -slide graphic that really drives home how much 1% can grow over time.

A 35-year-old earning $60,000 per year could have an additional $85,500 in their retirement fund at 67 if they increased their contributions by 1%, according to calculations from Fidelity Investments.[2,3]

That number ($85,000), by the way, is close to what the average American's total retirement savings is today, which is 11% lower than last year's average of $98,000, according to a recent survey that Harris Poll took of 2400 adults over the age of 18.[4] This means that people are dipping into their savings, so promoting the long-term growth potential of retirement account contributions may ease concerns around these dwindling savings numbers.

Translating "Savings Today" into "Comfortable Future"

Finally, you already know how important it is to consider the demographic you're focusing on regarding retirement account contributions based on which generation they represent. One commonality, however, is that the Boomer and Millennial alike are living in the now—the right now—especially after Covid showed us all that our right now can be reorganized without warning. Schroders' head of US defined contribution, Deb Boyden, told EBN that we need to rethink how to "reach investors that have the mindset of living in the moment. … [We] need help translating their savings today into what that means for the future."[5]

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Employees Want Financial Planning Support — and Aren't Afraid to Ask for It

Financial stressors including stubbornly high inflation and historic levels of credit card debt continue to impact workers across a wide range of income brackets. Twenty-eight percent of full-time employees often or always run out of money between paychecks, as do 15% of those who earn $100,000 or more per year, according to PwC's 2023 Employee Financial Wellness survey. And among workers who carry balances on their credit cards, 44% say they struggle to make their monthly minimum payments on time.

PwC's online survey of 3,638 full-time U.S. employees found that 44% of financially stressed workers admit their struggles have been a distraction while at work, and 36% are actively looking to change jobs (versus 18% of their non-stressed counterparts). Moreover, nearly three in four employees say they would like assistance with their personal finances. Fortunately, stigma over financial difficulties appears to be somewhat less of an obstacle for receiving help — with only one-third expressing embarrassment about asking for the advice they need, down from 42% in 2019.

Professional retirement planning assistance in particular has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employee, according to Morgan Stanley's State of the Workplace III: Financial Benefits Study. The research also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed report their company is reducing employee financial benefits to cut costs. This despite the fact that 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

As financial pressures continue to significantly impact work and personal life for many Americans well into 2023, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing personalized financial benefits and resources that address workers' unique needs, organizations can create a culture of financial stability and empowerment, and help foster a mutually beneficial relationship where employees feel supported — and employers thrive in their business objectives.

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Smart Portfolio Stress Testing: Your Retirement Safety Net

You've been diligent—saving, monitoring retirement accounts, consulting your advisor. But are you prepared for life's uncertainties? Your retirement plan relies on assumptions: savings, investment duration, inflation, and returns. Life, however, loves throwing curveballs—job loss, health issues, financial shocks.

That's where stress testing comes in, your safety net in this unpredictable journey. Ready for a stress test?

Retirement Planning and Stress Testing Quiz

1. What does stress testing typically involve in financial planning?

A) Implementing the same assumptions for returns, inflation, and financial stability.

B) Ignoring assumptions and relying solely on historical data.

C) Introducing various assumptions related to returns, inflation, and personal financial stability.

D) Exclusively focusing on returns without considering other factors.

2. What resource should you use when evaluating the assumptions in your retirement plan to fully grasp the complexity of economic forces and life's unexpected turns?

A) Online Calculators

B) Consult with your Financial Advisor

C) Historical Records

D) A Crystal Ball

3. When addressing potential risks highlighted during stress testing, what strategies are mentioned for managing these risks and uncertainties?

A) Stick to your original financial plan regardless of the stress test results.

B) Consult an astrologer for financial guidance.

Please access your retirement plan provider's website or consult with your financial professional Cable Hill Partners at 971.940.7354 or www.cablehill.com.

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Key:
1. (C) Introducing various assumptions related to returns, inflation, and personal financial stability.
2. (B) Consult with your Financial Advisor
3. (D) Discuss possible changes with your financial advisor, consider diversification, and explore insurance options.

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