

# The Retirement Times

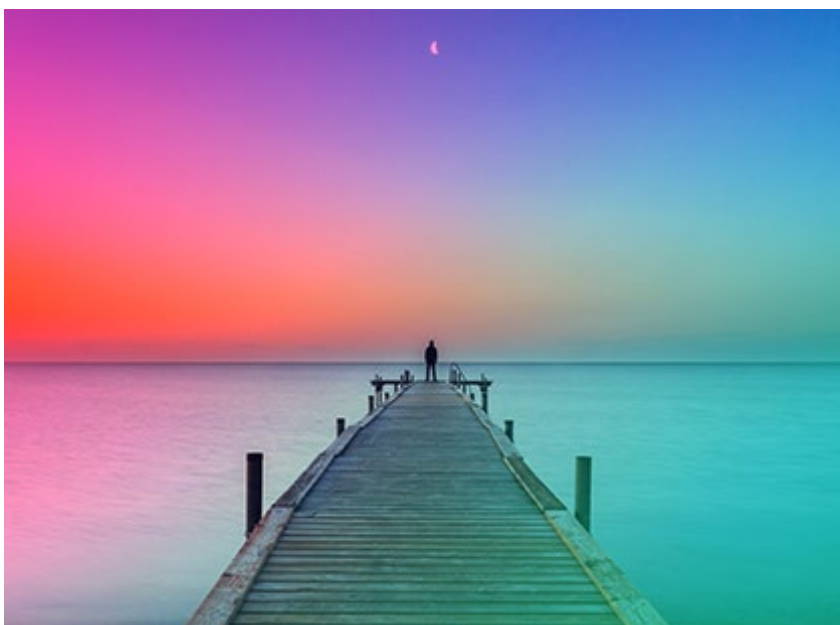
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## ERISA Definitions and Financial Designations and What They Mean for Plan Sponsors

Plan sponsors and retirement plan committees are likely to encounter a myriad of industry-related naming devices and designations. It is important that they understand what each means in terms of definition, background, and practical impact/importance to the plan, the plan's fiduciaries, and the plan's participants.

### ***ERISA Definitions***

For instance, a number of ERISA sections are commonly used by plan service providers. ERISA stands for the Employee Retirement Income Security Act of 1974 and provides not only the rules that govern, in part, retirement plans, but definitions as well. The following definitions are commonly used by service providers within the industry:



### ERISA Section 3(21) Fiduciary Advisor

A 3(21) investment fiduciary is a paid professional who provides investment recommendations to the plan sponsor/trustee or plan participant, alternate payee or beneficiary. The plan recipient of the recommendation retains ultimate decision-making authority for the investments and may accept or reject the recommendations. Both share the fiduciary responsibility and are held to the same standard of care under ERISA.

### ERISA Section 3(38) Fiduciary Advisor (Investment Manager)

A 3(38) investment manager takes on the full responsibility of managing the investment lineup and has discretion to make necessary changes. In doing so, the 3(38) Investment Manager takes on the primary fiduciary responsibility for investment decisions. But the plan's named fiduciary (or its delegate(s)) retain the fiduciary responsibility for the selection and ongoing monitoring of the 3(38) investment manager. ERISA identifies the 3(38) advisor as an investment manager.

### ERISA Section 3 (16) Fiduciary

A 3(16) fiduciary, as used by service providers, is typically an organization that takes fiduciary responsibility for the administration of a retirement plan. A 3(16) fiduciary partner acts as a plan administrator for some, or all depending on the engagement, of the plan's administration and expressly accepts certain fiduciary responsibilities for doing so. It is important to review the 3(16) contract to ensure they accept the fiduciary responsibilities you are interested in delegating. And the plan sponsor still retains the fiduciary responsibilities of prudently selecting and monitoring the 3(16) fiduciary.

### ***Financial Industry Designations***

In addition to the above ERISA-defined fiduciary roles it is common for individual representatives of retirement industry service providers to carry certain financial designations. These designations represent a broad spectrum of time commitment and education in addition to having different focuses in terms of industry-related expertise. The following are some of the more broadly utilized designations in the retirement industry (in no particular order):



#### CFA® – Chartered Financial Analyst®

The Chartered Financial Analyst® or CFA® designation is an internationally recognized certification issued by the CFA Institute. It is earned by completing an arduous self-study program and three separate 6-hour exams increasing in difficulty over several years. These studies typically take about 700-950 hours to complete, and then a CFA® charterholder must complete four years of relevant work experience.

A CFA® charterholder is educated and tested on a wide array of topics including investments, statistics, and statistical analysis, along with economics, financial modeling, and corporate finance. A CFA® charterholder must also follow all prescribed ethical guidelines.

Someone with this designation often works in the corporate investing field and provides a high level of investment counsel, working with clients on investment and financial analysis.

#### CIMA® – Certified Investment Management Analyst®

The Certified Investment Management Analyst® or CIMA® certification indicates an advisor with skills in evaluating investment managers and others who provide financial products and services. A CIMA® professional can consult with clients by helping to determine what products and investments are in their best interest.

A CIMA® designation indicates knowledge and interest surrounding investments, portfolio management, behavioral finance, and economics focusing on asset allocation and investment consulting. A CIMA® professional typically advises high net worth companies or individuals, assessing risk and making decisions for the individual or entity it serves.

#### CFP® – CERTIFIED FINANCIAL PLANNER™

A CERTIFIED FINANCIAL PLANNER™ certification (CFP®) indicates that the financial planner has significant expertise in personal financial planning, portfolio management, budgeting, estate planning, and taxes. Financial planners are typically work with individuals to build a financial plan.

There is also an ethical component to the certification process, in that each CFP® professional must meet ethical fitness standards and agree to always put the client's needs first.

#### ChFC® – Chartered Financial Consultant®

The Chartered Financial Consultant® (ChFC®) certification is similar to the CFP® but doesn't require completing a board exam. The ChFC® certification focuses on all aspects of financial planning like investments, tax, estate planning, and insurance.

A ChFC® professional typically works on comprehensive financial planning and consulting like employee benefits planning, asset protection, and tax planning, estate tax, transfer tax, and gift tax.

A financial advisor's certifications indicate their expertise, specialties, and interests. Be sure to inquire about their clientele in order to determine if they have experience and expertise dealing with plans like yours in terms of size, complexity, and breadth of services you require. It's also important to understand how an advisor is compensated.

## WFH (Wellness From Home) Challenges Both Participants and Plan Sponsors

COVID-19 has posed a dual set of related challenges for plan sponsors and participants. For employees, the pandemic has pitted more immediate financial needs against prioritizing planned savings — and shifted the traditional focus of employee-sponsored financial wellness programs from the future to the present. And sponsors face the difficulty of effectively engaging remote workers showing increased demand for financial wellness programs. Prudential's 2020 Plan Sponsor Pulse Survey data shows 72% of sponsors reporting greater utilization, with 28% indicating a significant increase.

With that in mind, plan sponsors can use several strategies to help weary workers engage with the organization's financial wellness program — no matter where they are.

**Bite-size is better.** Gear your educational content toward shorter, more focused personal finance topics. Modular programming will help accommodate the many interruptions and divided attention that's increasingly common among remote workers.

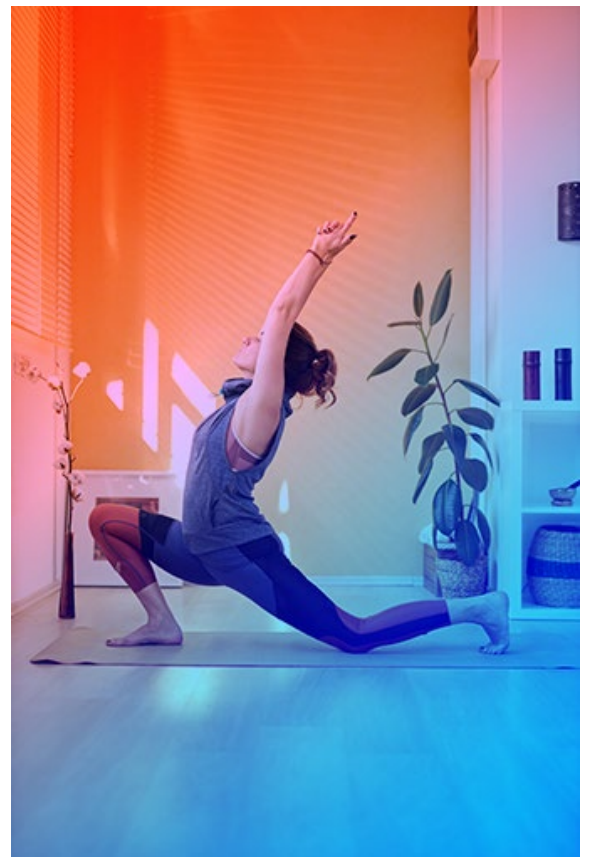
**Make it fun.** Presentations don't have to be "Dancing With The Stars" production numbers, but take steps to keep the subject matter fresh and engaging to compete with 9 to 5+ computer time. Use gamification to counteract screen fatigue. If employees can earn points, digital badges, certificates or rewards, they may be more apt to tune in and participate.

**Gentle reminders.** You used to post notices about educational events on the company bulletin board that remote workers no longer see. Email reminders and text notifications can help keep those working from home in the loop — be sure, however, to ask employees about their contact preferences, and don't blow up their inbox or cell phone.

**Diversify. Diversify. Diversify.** Useful for more than just investing, format diversification helps accommodate the different ways people like to learn. Some may digest written content better. For others, an infographic or video is more effective. Use analytics to track usage and see what's preferred. Why not create a financial wellness podcast that employees can listen to during their treadmill workout?

**Track down the tech averse.** You may have a segment of your employee population who showed up reliably for one-on-one meetings and live events to receive information, but haven't logged in for a single webinar. You don't want these folks to fall through the cracks now. Consider phone calls and even snail mail reminders to make sure they don't disconnect.

**Rethink programming.** You may want to shift content toward more immediate participant concerns such as debt management, emergency savings, budgeting or any other areas of interest identified. Track engagement with your wellness program and double down on the topics and tactics that perform best.



Remote work has challenged traditional financial wellness programming delivery methods, but it's also an opportunity to reach an audience with a newfound interest in new ways. Take advantage of their attention while you have it.

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## 5 Tactics to Increase Retirement Plan Participation

Employees fail to enroll in their retirement plan for a variety of reasons. They may be intimidated if it's their first time around or they might not fully understand and appreciate the benefits (or the downside of not participating). Some could be concerned about "locking up" their money — and others might worry so much about making the "wrong" investment decision that they procrastinate making any decision at all.

As a plan sponsor, you know the advantages of offering a retirement plan for you, including: employee recruitment, increased retention, reduced worker stress, higher productivity and tax benefits. Higher participation and contribution rates can also reduce the chance the plan will fail discrimination testing and be subject to financial consequences if needed corrections aren't made on time.

But the key to unlocking all the retirement plan benefits for both you and your employees is not simply having a plan, but making sure that enough workers actually use it. Here are 5 things you can do to grow your participant ranks.

**1. Enroll everyone.** A recent Vanguard survey of 8,900 small business retirement plans found a dramatic effect of automatic enrollment on employee participation rates: 83% with automatic enrollment versus 58% without. And if you need more convincing, Vanguard's How America Saves 2019 Report found that contribution rates were also higher in automatic-enrollment plans versus voluntary plans: 7.1% to 6.7%.

**2. Offer a Roth.** For employees who want to enjoy tax-free income in retirement, providing a Roth option may motivate enrollment. And with no income cap, this move may also be appreciated by highly-compensated employees who earn too much to qualify for a Roth IRA. Additionally, you may tempt younger workers with a longer timeline to retirement who want to take advantage of the lower tax rate they're paying now as opposed to what they believe they might face later on.

**3. Go multimedia.** Offer retirement plan information to participants across a variety of modalities. Some may prefer in-person meetings, while others would rather watch a YouTube-style video at their leisure. And still others might prefer scribbling notes in the margins of a pamphlet. Provide education about retirement plan benefits in a way that's accessible for everyone, no matter their degree of financial sophistication. Answer questions in short- and long-form, at basic and more advanced levels — and in as many media formats as possible.

**4. Simplify. Simplify. Simplify.** It should be easy and straightforward for participants to sign up or make changes to their retirement plan elections or contributions. Changes should only take a few clicks, whether from a laptop, mobile phone or tablet. Optimize a seamless web experience for each platform.





**5. Why wait?** Shorter waiting periods allow new employees to start a saving habit straight out of the gate. It can also be an attractive feature when recruiting seasoned candidates who don't want to interrupt their retirement savings. So, consider shortening — or even eliminating — waiting periods altogether. Want to take the notion of instant gratification one step further? Consider allowing immediate vesting, which can help make your organization more competitive to draw top talent and further encourage participation in the plan.

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## Participant Corner

### What's an HSA and is it Right for You?

Health savings accounts (HSAs) have grown tremendously in popularity over the past few years. You've probably heard of them or maybe your employer offers one. This memo will uncover answers to common questions you may have about HSAs.

#### What's an HSA?

A type of savings account that allows you to set aside money on a pre-tax basis to pay for qualified medical expenses.

#### Can anyone get an HSA?

In order to open an HSA, an individual must first enroll in a qualified high deductible health plan (HDHP).

I've heard HSAs have triple-tax advantages, what are they?

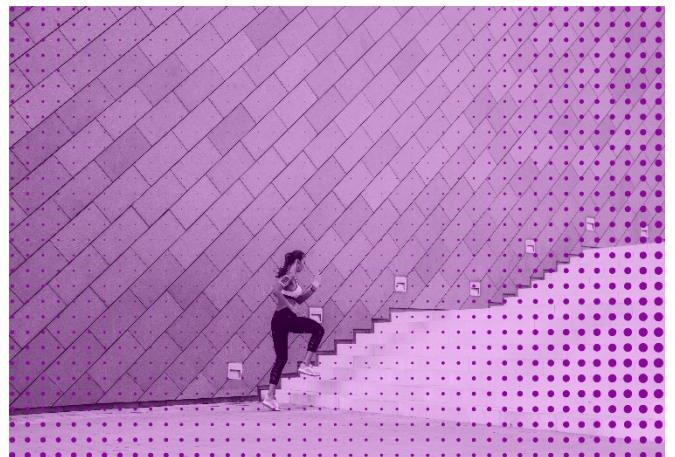
1. Contributions are tax-deferred and eventually even possibly tax free (see #3).
2. Contributions can be invested and potentially grow tax free (see #3).
3. Withdrawals aren't taxed, if used for qualified medical expenses.

#### If I change employers, what happens to my HSA?

HSAs are completely portable for employees, meaning you may take it with you if you change employers.

#### Do I lose my HSA funds at the end of the year?

No. The balance can grow and carry from year to year and can also be invested.



### **What can I pay for with my HSA?**

Generally HSA funds can be used to pay for anything that your insurance plan considers a “covered charge,” including charges not paid by your health insurance because they were subject to a co-pay, deductible or coinsurance.

**For more information on HSAs, please contact your financial professional Jason Lawrence at [jlawrence@levywealth.com](mailto:jlawrence@levywealth.com) or call 215-875-8720.**

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