Levy WEALTH MANAGEMENT GROUP

The Retirement Times

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Survey Says… What's Your Take on Financial Wellness Programs?

A recent comprehensive TIAA survey of financial wellness plan participant perceptions may be helpful to plan sponsors who have, or are considering implementing, a wellness plan for their employees.

Employees' definition of financial wellness varies considerably: "having the means to take care of your family and others" (53%), "not worrying about money or debts" (51%), and "feeling protected financially from life's unexpected events" (51%), well ahead of retirement financial security (36%). Also, they rank the "ability to pay monthly bills without difficulty" (38%) and "having a reliable source of income" (38%) ahead of being on track with retirement savings (16%) when asked about their current priorities for securing financial wellness.

Interestingly, the TIAA survey found most people don't consider retirement planning as a component of their financial wellness. However, 57% of respondents are interested in learning more about retirement planning through an employer financial wellness program. Many employees feel that it is difficult to focus on their retirement when there are more immediate pressing needs. "The most impactful financial wellness programs help address both short-term and long-term goals since they are linked together." according to Snezana Zlatar, senior managing director and head of financial wellness advice and innovation at TIAA.

Employees who have participated in a wellness program appear to be much more confident about their progress on key markers of good retirement planning in areas of being able to retire when they want to (54% vs. 32%), afford the retirement lifestyle they want (54% vs. 29%), and live comfortably in retirement without running out of money (50% vs. 29%).

Some obstacles to employees who choose not to engage with a financial wellness program include:

Worried about hidden costs or fees – 27%; Don't want to disclose finances/issues to employer – 25%; Wouldn't be as effective as offerings you could find on own – 20%, Don't think offerings would make a difference – 17%.

These impediments can be mitigated through targeted, ongoing education about the benefits, confidentiality of financial information, explicit cost reporting and recognition of a diverse employee population.

Zlatar says, "Whether employees are interested in guaranteed income for life or help managing their federal student loans, we've seen that increased flexibility in benefits, more financial education and personalized advice ultimately lead to better outcomes and increased feelings of financial wellness,"

The TIAA "Financial Wellness Survey" was conducted online from October 22 to November 3, surveying 3,008 Americans ages 18 and older on a broad range of financial management issues and topics.

Link to Teachers Insurance and Annuity Association of America (TIAA) survey: https://www.tiaa.org/public/pdf/2022_financial_wellness_survey_final_results.pdf

Every Plan should have a Committee Charter and Here's Why

Although not legally required by ERISA, a retirement plan committee charter is a very important document for plan governance that may help fiduciaries avoid potential liabilities. Committee Charters are one effective way to "evidence" intent of prudent plan management. Having a charter is a "best practice" that all plan sponsors should seriously consider.

Your committee charter is the road map for fiduciary oversight of the plan. They document the delegation of responsibilities to co-fiduciaries from the plan's named fiduciary (oftentimes the organization itself, as represented by the board of directors, owner, or other controlling individual or entity). In turn, it is a best practice to have these fiduciaries acknowledge in writing that they formally accept the responsibilities delegated to them. This documentation helps to properly bracket which individuals are responsible for which fiduciary responsibilities and the timeframe for which they are responsible.

An investment committee charter should reference the design, adoption, and regular review of a plan's investment policy statement, which sets forth processes and guidelines for how plan fiduciaries will select and monitor investments.

A retirement "steering committee" charter would delineate the administrative responsibilities required of the plan administrator in overseeing the plan. If the plan does not have a separate investment committee, the steering committee should also include investment responsibilities. A retirement steering committee charter will typically encompasses additional responsibilities for the plan oversight of testing, oversight of service providers, and determination of reasonableness of fees.

The Retirement Learning Center says the charter should cover the following points:

- What authority does the committee have?
- What is the committee's purpose?
- How is the committee structured?
- Who may serve on the committee?
- How are committee members replaced?
- How will the committee delegate authority?
- How will the committee assign responsibilities and duties?

- How frequently will the committee meet?
- What procedures will the committee follow?
- What are the standing agenda items and how are new topics introduced?
- What is the process for selecting and managing plan service providers?
- What reporting will the committee do and to whom?
- What are the procedures for protecting committee members financially?

Charters are very helpful for ensuring that all committee members understand their responsibilities and that nothing slips through the cracks.

Our RPAG prototype Committee Charter is designed to be flexible, comprehensive, and easy to use.

Retirees' Retirement Asset Withdrawal Rate: Will Your Money Last?

For many years the investment advisory community has proposed that if retirees withdrew their retirement assets at the rate of 4% annually there is a high probability that assets would last to normal life expectancy.

The 4% "rule" is not a one-size-fits-all solution, and there are several variables to consider, but it could at least provide a starting point to be adjusted based on individual circumstance.

This starting point is based on actuarial tables and thousands of return based scenarios. The rule determined that a 65-year-old retiree withdrawing at the rate of 4% annually (inflation adjusted) had a high likelihood of not outliving their retirement assets based on current life expectancy, assuming no portfolio changes.

However, in previous generations retirees could live off bond portfolios that yielded 4% to 5%. Currently, 10-year bond yields are closer to 1.5%, producing potential negative returns after inflation. As we begin 2022, we see annual inflation is close to 7% annually for 2021. As a result, it becomes appropriate to review these basic assumptions.

Based on Morningstar's research, the projected starting safe withdrawal rate for the next 30 years is 2.7% for assets in a cash account. The highest safe withdrawal rate is 3.3% for portfolios with 40% to 60% in stocks. But even so, if you retire soon, this fixed withdrawal rate is not certain as there is much uncertainty about inflation and potential market volatility.

Any current projection should assume potential variability in income from year to year. One approach worthy of consideration and that can lead to a higher rate gives retirees an opportunity to increase the subsequent year's withdrawal when the portfolio has done better than projected and to reduce withdrawals when underperforming.

Certainly, this is a difficult time to project long range withdrawal rates and the current bond market is not as reliable as in the past, but the S&P 500 in 2021 did end up 26.9%, which virtually no one projected.

Bottom line…don't simply assume the "old law" of 4% withdrawal rates going forward. Assess your retirement income needs and adjust as appropriate going forward. Consider current portfolio alterations, acknowledge fixed vs. discretionary expenses, and be flexible but diligent in your retirement planning. You may want to seek professional advice if you are close to retirement. An error in planning, at this stage, can be more costly than this potentially transitory inflation and bond yield environment.

If you are not near retirement…. save more so you can withstand future unexpected financial events and have a wonderful retirement experience.

Participant Corner

Planning Financial Futures

Do you spend more time planning your annual vacation than you do thinking about your personal finances? If so, you're not alone. A lot of people put off financial planning or avoid it altogether.

Personal financial planning is an ongoing, lifelong process. If we break it down into small, achievable tasks, it's a lot less daunting and can pay huge dividends to you and your family.

Resolve to make yourself financially fit in 2022:

The following personal finance calendar may help you get started.

January	July
✓ Manage your debt. Start by paying off all high-cost and consider establishing an emergency fund. ✓ Create a cash flow statement of prior year income minus expenses. Calculate personal net worth. ✓ Consider if your portfolio's original target asset allocation needs rebalancing. ✓ Take full advantage of any available employer match.	✓ Consider reading one book on personal finance or investing.
February	**August**
✓ Review your insurance policies to be sure they are reflecting current needs	✓ Compute if your vacation spending is as you projected.

March	**September**
✓ Consider using any bonus or similar windfall to pay down debt and/or build an emergency fund. ✓ Check your credit report as improvements may allow lower loan costs.	✓ Consider establishing a Christmas/Holiday spending budget.
April	**October**
✓ File your income tax return by April 15 (unless extensions are available). ✓ April 15 is the last day to make an IRA or Education Savings Account for the prior year.	✓ Consider beginning year-end tax planning. ✓ Consider upcoming open enrollment season and any changes with your health insurance coverage and other employer benefits.
May	**November**
✓ Create an inventory of your home and personal property for insurance or estate planning. Record a phone video of your valuable possessions and store the video in a secure, remote location. ✓ Review your estate plan.	✓ Keep your holiday budget in mind. Plan for any charitable giving and tax-deductible gifts.
June	**December**
✓ Consider a mid-year review of your finances to confirm you are on track year-to-date income and expenses.	✓ Consider rebalancing your portfolio allocations and contributions for the New Year. ✓ Employers who are looking to help their employees in the new year might consider reminding employees of the benefits and resources that are available to them at the workplace, whether that may be an employee assistance program, an Employee Wellness Program, or maximizing their benefits to achieve enhanced results in the New Year.

For more information regarding your retirement plan, please contact your plan's financial professional Victor Levy at 215-875-8720 or vlevy@levywealth.com.

[1] If the retirement plan allows.
[2] Partial, full or late retirement age is based on the year you were born. See ssa.gov for details.
[3] If a participant in a qualified plan is still employed and not a greater than 5 percent owner, they are not required to start minimum distributions from that plan until they retire. Distributions before the age of 59½ may be subject to an additional 10% early withdrawal penalty.
Distributions and withdrawals are subject to ordinary income taxes.
Source: Principal Financial Group

The material presented was created by RPAG.

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To remove yourself from this list, or to add a colleague, please email us at info@levywealth.com or call 215-875-8720.

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