



Dear Friends,

Enclosed you will find the latest issue of *Retirement Times*. Our goal is to provide you with timely and relevant information each month that you can use in running your business.

If we can be of any help or service to you, or if you would like to discuss any parts of this newsletter with us, please feel free to reach out. Thank you as always for your confidence.

Best regards,

Victor



Victor S. Levy, J.D., LL.M., CLU, CFP®

1818 Market St | Suite 3232 | Philadelphia, PA 19103

Main: 215-875-8720 | Fax: 267-875-8756

vlevy@levywealth.com

www.levywealth.com

[Click here to send me a secure file](#)

CA Insurance Lic# 0E70025

Levy Wealth Management Insurance Lic# 0N00344

Leon Levy & Associates Lic# 0G83967

THE RETIREMENT TIMES

April 2024

Help Participants Avoid These TDF Missteps



Target date funds are in high demand these days. According to a recent Sway Research study, total TDF assets reached \$3.5 trillion in 2023 — a record level. Moreover, mutual fund target dates began 2024 slightly ahead of collective investment trusts, holding \$1.76 trillion in assets compared to \$1.71 trillion in CITs, TDF assets in CITs are expected to overtake assets in mutual funds this year as fiduciaries continue to look for ways to reduce fees and access innovative solutions.

TDFs offer participants many advantages: a simplified investment decision-making process, diversification by professional fund managers, automatic rebalancing, a glide path strategy that adjusts risk over time, and much more. Given the popularity of these funds, plan sponsors should help ensure participants understand how their TDF works to maximize their potential benefits — and avoid common missteps that can undermine their retirement strategy.

Getting mixed up. TDFs are designed as stand-alone investments. However, some participants may not realize the potential impact of mixing their already diversified funds with other investments, including inadvertently increasing their risk exposure. Understanding the underlying strategy behind TDFs is crucial to maximizing their utility as part of a prudent investment plan and avoiding any unintended consequences. TDFs typically do not transparently indicate their risk level so participants may find it difficult to easily determine if the plan's selected TDF is a good fit for them.

Some things change. TDFs are often thought of as a set-it-and-forget-it investment, but retirement time horizons, individual investing goals, or risk tolerance may change over time. Without regular reviews with a financial advisor, the TDF and participant may end up on divergent trajectories.

Hype hunting. Participants looking to capitalize on the latest hot market mover, such as AI, may feel they're missing out on their TDF due to a lack of control over individual investment choices. For these types of investors, the selection of a TDF may be based more on its popularity than a full understanding of its operational parameters — and the potential benefits of a well-diversified portfolio. This is partly because, in the short term, diversified investments don't always feel gratifying. In a bull market, for example, they'll typically underperform the S&P 500; and in a bear market, they usually outperform the S&P but may still yield negative absolute returns. Employees should be educated on the benefits of diversification that have been historically born out with solid performance and overall risk reduction when participants maintain a long-term time horizon for their investments.

When paths cross. Not all TDF glide paths are created equal. For example, some allocate more heavily to equities resulting in a more aggressive growth-oriented glidepath while others prioritize stability via a higher allocation to fixed income. Investors should also understand how their assets are managed during the accumulation and decumulation phases.

Targeting Knowledge Gaps

With the tremendous growth and popularity of TDFs, participant education on the topic can be an important and valuable addition to financial wellness programming. By empowering participants with knowledge and guidance, plan sponsors can help them navigate the complexities and nuances of TDFs to make better-informed decisions about their retirement strategy.

Sources

https://static1.squarespace.com/static/5661aba4e4b0c3b0ea70a07a/t/65c4eec9862cb467557d1102/1707405005580/Sway_Res_2024_StateofTDFs_Brochure.pdf

<https://www.morningstar.com/funds/are-you-using-your-target-date-fund-incorrectly>

<https://www.plansponsor.com/target-date-assets-reach-record-high-3-5-trillion-in-2023>

Beyond Compliance: Make Every Comm Count



Effective retirement plan communications do more than just meet DOL requirements; the best ones engage, educate, motivate, and empower participants. Optimize your communications to connect with employees on a personal level, encourage informed decisions, and foster more active engagement with their retirement plan and their financial future. Effective, empathic communications help build a foundation of trust and confidence in the plan benefits — and the employer.

Break it down. Offer content in bite-size chunks to increase engagement. Provide useful checklists, guides, decision trees, and action plans to unpack multi-step tasks into concrete action items and checkpoints.

Once upon a participant. Story is a powerful medium. A 2021 study in Cell Reports found that narrative stimuli synchronize heart rates among individuals, supporting the ability of stories to connect people in ways other modes of communication cannot. Use storytelling with vivid imagery and examples to make information more relatable and memorable.

Personalize, personalize, personalize. Customize messaging to employee demographic and psychographic profiles. The topics, voice, language, and examples you use can all help create common touchpoints and build trust. Whenever you issue a communication, segment messaging across relevant dimensions, whether by generational cohort, stage of career development, or retirement timeline.

Timing is everything. Provide behavioral nudges with personalized comms timed to coincide with critical decision points, such as alerts about the opportunity to increase contributions during annual salary reviews or educational content about the benefits of catch-up contributions for employees approaching 50 years of age or older. This empowers employees to make well-informed decisions at pivotal moments in their retirement planning process. Messaging may also be more likely to “land” when timed to milestone events like work employment anniversaries or birthdays. Send emails at times workers are more likely to read them. Use calendar integration for reminders about important deadlines or plan-related events.

Diversify your delivery. Use multiple media formats — including videos, podcasts, infographics, webinars, and in-person events — to cater to diverse learning preferences and meet participants where they’re at. Tailor the content to fit the format, making the most of each medium's unique strengths. Regularly evaluate the effectiveness of each format, adapting your strategy to these insights for maximum impact and inclusion.

Fine-tune with feedback. Conduct regular communication audits and solicit employee feedback to assess effectiveness and

identify areas for improvement. Establish key performance indicators for communication to quantitatively measure engagement levels and the impact of the messages being delivered, thereby enabling a data-driven approach to continuous enhancement.

Retirement plan communications serve as a vital link between employers and participants. Done right, they can help lead to better-informed decision-making and enable employees to take control of their retirement planning. Providing clear, thorough information fosters a more financially secure and engaged workforce, ultimately benefiting the organization as a whole.

Sources

[https://www.cell.com/cell-reports/fulltext/S2211-1247\(21\)01139-6](https://www.cell.com/cell-reports/fulltext/S2211-1247(21)01139-6)

The Resurgence of the Automatic IRA Act

The Automatic IRA Act of 2024 has been reintroduced by Representative Richard Neal, D-Mass., the ranking member of the House Ways and Means Committee. This measure requires companies with more than ten workers to automatically enroll their workers in IRAs or other comparable automatic contribution plans, such as 401(k)s, if they do not currently offer a retirement plan. After adopting a plan, small firms may be eligible for the current startup tax credit or a recently proposed \$500 tax credit for three years that is only applicable to automatic IRAs.



Exemptions for employers:

- With 10 or less employees
- That are newly developed (Less than two years)
- Who currently offers a retirement plan
- With governmental or religious organization plans

"Building upon, expanding, and improving the private pension system in a manner that explicitly protects and complements employer-sponsored plans and arrangements" is how the bill summarized it.

It's important to note that this is a separate proposal from the Retirement Savings for Americans Act, which seeks to establish a new savings program, "The American Worker Retirement Plan" which would allow access to federally sponsored, portable, tax-advantaged savings accounts.

The summary presented contains information about the Automatic IRA Act, such as:

- Contribution caps
- Lifetime income requirements
- Investments
- Credits for small companies.

If the bill gets approved, it would take effect for plan years that begin after 2026 and apply the new small employer automatic IRA credit to tax years that start after 2024.

Sources :

<https://democrats-waysandmeans.house.gov/media-center/press-releases/what-theyre-saying-neals-automatic-ira-act-2024>

<https://www.napa-net.org/news-info/daily-news/federal-auto-ira-bill-uncovered-workers-introduced-house>

PARTICIPANT CORNER

Tax Tips to Maximize Retirement Savings



Retirement represents a major turning point in one's life. One factor that remains, regardless of this new chapter in your life, is the presence of taxes. If you've followed the advice of retirement plan advisors, you should already be saving in tax-advantaged retirement accounts. Taxes are deferred in these accounts until you take money out in retirement. Taxes on income from other sources, such as Social Security, pensions, and earnings from part-time employment, can potentially be an issue for you. Considering these variables, it makes sense to develop a customized retirement income plan.

When should you start taking Social Security benefits? The benefits are increased by delaying withdrawals, ideally until age 70. However, keep in mind that if your annual income is more than \$34,000, you may be required to pay taxes on a significant portion of your Social Security income, up to 85%.

Understanding your tax bracket in retirement is crucial. Since there is a chance that the tax bracket will drop, it is critical to track income levels from Social Security, pensions, and annuities as well as withdrawal amounts to make sure you don't accidentally move into a higher bracket.

Figure out your withdrawal sequence. Generally, you should take your withdrawals in the following order:

1. Start with your required minimum distributions (RMDs) from retirement accounts since you're already required to take these.
2. Move on to taxable accounts, where you will need to manage them carefully due to tax implications.
3. Next, tap into tax-deferred retirement accounts (e.g., IRAs, 401(k)s, 403(b)s), acknowledging the accompanying income tax implications; do this before touching Roth accounts.
4. Finally, withdraw from tax-exempt retirement accounts like Roth IRAs or 401(k)s. Saving these accounts for last allows you to take withdrawals without tax penalties and can also be used for estate planning purposes.

Navigating these factors can be complicated, consulting with a tax professional can help you apply these tips to your own financial situation. This will allow you to evaluate different strategies and identify which ones can help you minimize the taxes you'll have to pay on your savings and benefits.

Securities offered through LPL Financial, Member of FINRA/SIPC. Investment Advice offered through Levy Wealth Management Group, a registered investment advisor and separate entity from LPL Financial.

The information contained in this email message is being transmitted to and is intended for the use of only the individual(s) to whom it is addressed. If the reader of this message is not the intended recipient, you are hereby advised that any dissemination, distribution or copying of this message is strictly prohibited. If you have received this message in error, please immediately delete.

The material presented was created by RPAG.

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation.

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

Securities and Retirement Plan Consulting Program advisory services offered through LPL Financial, a registered investment advisor, member FINRA/SIPC. Other advisory services offered through Levy Wealth Management Group, a registered investment advisor.

RPAG, Levy Wealth Management Group and LPL Financial are separate entities.

Levy Wealth Management Group does not make any recommendations on vendor selections or investment products mentioned in this communication.

ACR# 6471453 03/24