RETIREMENT PLAN SOLUTIONS

Insight from Alliance Benefit Group, One of the Largest National Independent Retirement Plan Providers

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Inside This Issue

RETIREMENT READINESS – THE TOP FIVE STRATEGIES FOR SUCCESS

Retirement readiness is an issue of concern whether you are a plan sponsor, participant or retirement plan provider. The reality is many Americans today feel significantly unprepared for retirement. In fact, the recently released Employee Benefit Retirement Institute's 2017 Retirement Confidence Survey found that 3 in 10 workers surveyed reported that they felt "mentally or emotionally stressed" about preparing for retirement.

With this in mind, we asked Yannis Koumantaros, Managing Director at ABG member firm, Spectrum Pension Consultants, Inc. for an overview of proven strategies plan sponsors can implement to help increase retirement readiness for plan participants. Built into a comprehensive retirement plan program, the following five strategies can help set the stage for retirement readiness success:

1. Make Participation Easy - Auto enrollment into a qualified default fund accompanied by auto escalation either annually or with a pay increase is a great way to proactively encourage participant enrollment in a retirement plan. Plan sponsors nationwide are increasingly embracing these automatic programs wherein the employee needs to opt out of versus opting in to a retirement plan. According to Yannis, *"Apathy is a very powerful tool if you use it in the right way. If we could treat 401(k) enrollment just like we do direct deposit, more people would potentially benefit in terms of building assets for retirement."*

"In today's competitive environment you will lose your rock stars if you don't pay them well and provide attractive benefits, including a competitive retirement plan. It will also impact the caliber of employees you will get."

- Yannis Koumantaros, Managing Director, ABG member firm, Spectrum Pension Consultants, Inc.

(continued on page 4)

THE FIRST 100 DAYS

The first 100 days is an important timeframe whether one is embarking on a new presidential role or implementing a new retirement plan. It can set the tone and lay the groundwork for future success. In this article, we review the four steps plan sponsors can take when implementing and growing a successful retirement plan. We also take a look at the first 100 days from a plan participant's perspective, including the steps he or she can take to maximize the long-term benefits of retirement plan participation.

A Plan Sponsor's Responsibilities And Key Steps

1. Keep Compliant And Carry On

Ongoing compliance is key when it comes to a retirement plan maintaining its tax-advantaged status. It can also be rather complicated. With this in mind, an experienced plan provider such as ABG can work with a plan sponsor to help them:

- Ensure that the plan complies with Internal Revenue Code requirements.
- Stay up-to-date on any new rules and regulations.
- Prepare for and make any IRA required filings such as annually file Form 5500 and report any distributions on Form 1099-R.
- Correct any retirement plan errors that may occur.
- Conduct an annual review to ensure that the plan is operating smoothly and in keeping with its terms.

2. Understand The Plan And Its Features

The adoption agreement is an important supplement to a retirement plan and summarizes its features. It is important to know what the adoption agreement says about the following issues:

- When employees are eligible to participate in the plan.
- Types and amounts of allowable plan contributions.
- How employer contributions are divided among participants.
- When participants are vested.
- When and how benefits are paid.

3. Know Who's On First

There is a wide range of retirement plan administrative tasks that need to be accomplished. It is important that a plan sponsor understand what their service agreement with their plan provider covers. Clearly understanding who is responsible for each task is key. These tasks can range from:

- Investing the retirement plan's assets.
- Enforcing the retirement plan's terms for participation, contributions and distributions.
- Communicating required plan notices to participants.
- Maintaining participants' account records.
- Conducting any required testing.
- Reviewing the plan document and updating it per any new regulations as appropriate.
- Filing required forms and documents with the IRS or Department of Labor.

4. Communicate Regularly

Communicating regularly with a plan provider is essential when effectively managing a retirement plan. Updates on any changes to a business or its employees, as well as any desired changes to a plan's terms is key. In turn, the plan provider will provide the plan sponsor with a variety of reports to review including:

- The allocation report for possible contribution errors.
- The distribution report to ensure that participants have started their required minimum distributions.
- Loan reporting to ensure that any loans are made according to the plan's terms.

A Participant's Key Steps

From the participant's perspective it may seem like all they need to do is enroll in the retirement plan and the plan will take it from there. However, there are four key steps they can take to make the most of their retirement plan.

1. Maximize Contributions

For many employees enrolling in a plan for the first time, 3% may seem to be the logical initial contribution. This allows them to get their toes wet without feeling too much of an income hit when it comes to their paycheck. However a more thoughtful approach to contributions may be more beneficial in the long run when it comes to growing retirement assets.

- First, participants should check to see if there is an employee match and make sure they are making the maximum contribution that match allows.
- Secondly it is important for a participant to understand that not only will their 401(k) contribution grow tax deferred, it may lower their adjustable gross income on their tax return, and be doubly advantageous from a tax perspective. ■

2. Proactively Increase Contributions

Once they have contributed as much as they can initially to their retirement plan, it is important for the retirement plan participant to proactively plan to increase their contribution at least annually or with a salary increase. Ideally a participant will work up to contributing

(continued on page 5)

THE FIDUCIARY RULE AND POTENTIAL TAX CUTS UNDER THE NEW ADMINISTRATION

As we move forward in 2017, there has been much discussion about how a number of policies could be amended or repealed under the new administration. The mantra during Trump's campaign and post-election has been to trim federal regulations, including revisiting Dodd-Frank, and cutting taxes.

Two important questions arise when it comes to retirement plans:

1. **How will the Fiduciary Rule and, in particular, the rule's Best Interest Contract Exemption be affected?**
2. **How could potential tax cuts impact the retirement planning industry and plan participants' perception of the benefits of qualified retirement plans?**

The Fiduciary Rule And Best Interest Contract Exemption

In February 2017, President Trump directed the Department of Labor (DOL) to examine the Fiduciary Rule in order to consider the application of the rule and whether it may "adversely affect the ability of Americans to gain access to retirement information and financial advice."

This was followed in March by the DOL's calling for a 60-day delay in the enforcement of the rule, moving the April 10, 2017 deadline out to June 9th. While the outcome of the Rule's examination is unknown, in anticipation of complying with the new fiduciary standard many financial firms have already implemented significant changes.

As part of the Fiduciary Duty Rule, the Best Interest Contract exemption, as described by the DOL, "ensures that retirement investors receive advice that is in their best interest while also allowing advisers and their financial institutions to continue receiving compensation that would otherwise be prohibited, such as commissions, 12b-1 fees, and revenue sharing."

Regardless of whether this Best Interest Contract Exemption under the DOL's Fiduciary Rule is amended or repealed as a result of the presidentially-directed examination, plan sponsors continue to have the responsibility to determine "reasonable compensation." As we move forward in 2017, consider ABG your resource to keep you posted on further developments while helping you provide the most suitable retirement plan for your employees.

The Potential Impact Of Tax Cuts To Retirement Plans

Vehicles that offer pre-tax retirement account contributions such as the traditional 401(k) have historically been attractive to investors due to their tax-advantaged savings benefits. With the Trump administration considering a reduction in income taxes, the following question arises: Will pre-tax retirement account contributions become less attractive to make?

In a lower tax rate environment the income tax deduction from a qualified plan may indeed provide less immediate value to a participant. However, what is important to help the participant keep in perspective is the benefit of tax deferred savings and compounding over the long term, as well as the additional benefit of any employer contributions to the account.

Also, important to note, if lower tax rates are implemented, Roth 401(k)s funded by after-tax contributions could become increasingly more attractive to participants. The benefit of tax-free growth in a Roth may make Roth contributions a popular choice for participants subject to lower tax rates now with the goal of enjoying tax-free distributions in the future.

It is difficult to predict where tax rates may be in the future. Any tax cuts the new president proposes will need to pass through the congressional budget process and that may take some time. ABG will keep you posted on any further developments. ■

RETIREMENT READINESS – THE TOP FIVE STRATEGIES FOR SUCCESS

(continued from page 1)

2. Provide Tools They'll Use - Equipping participants with free financial websites and apps they can use at their convenience empowers them to take more ownership when it comes to retirement readiness. As Yannis points out, *"In this mobile-friendly world of telecommuting, decentralized work places and tech savvy participants, it's important to think more creatively about ways to provide participants with the information they need; when and how they need it."*

3. Strive for 90, 10, 90 - Setting a company goal for retirement plan participation can also be key. In the retirement plan industry, many plan providers strive for:

- 90% plan participation by employees.
- A 10% savings rate per participant (which can be worked up to over time)
- With 90% of employees using a diversified managed solution such as a target date fund.

The 90, 10, 90 thresholds can be worthy goals to strive for to increase the likelihood of greater retirement readiness for plan participants.

4. Benchmark Savings Rates - It is helpful for retirement plan participants to have context in terms of how much to save over time, in order to set meaningful goals for themselves. According to Yannis, *"The average American should seek to save somewhere between 8 to 10 times their household income by the time they retire."*

Retirement Savings Benchmarks

Age	Times Annual Household Income
35	1 x household income
45	3 x household income
55	5 x household income
65	8 x household income
67	10 x household income

The table to the left, based on research by Fidelity Investments, shows how a plan participant can benchmark their retirement savings over their working life with the end goal of saving 8 to 10 times their income by the time they reach retirement age.

5. Be Competitive - From a company perspective, promoting retirement readiness as an important strategic goal makes good business sense. In an increasingly competitive and global labor market, offering a competitive retirement plan is a key part of providing an attractive compensation package.

According to Yannis, *"In today's competitive environment you will lose your rock stars if you don't pay them well and provide attractive benefits, including a competitive retirement plan. It will also impact the caliber of employees you will get."*

Candidates can now check out Brightscope.com to rate retirement plans as well as Glass Door and other websites to rate employers and company culture. However, if in the future a hiring manager can say to a candidate that 95% of their employees are on pace to retire on time, that candidate may carefully consider the following two factors in their employment decision:

1. **They are potentially joining a firm that looks after its employees.**
2. **There should be room to grow within the company as older employees reach retirement age and have the financial ability to actually retire on time.**

Are you looking to increase retirement readiness within your company? Contact your local ABG representative to learn more about how to incorporate these various strategies into your plan. ■

THE FIRST 100 DAYS

(continued from page 2)

between 10-15% of their salary over time. If they are over 50, they should take advantage of catch-up contributions, if possible.

3. Know Your Investments

Understanding what they are investing in is key for any participant. Investing too conservatively will not bear fruit in the long-term. Investing too aggressively is also not the appropriate approach. Instead, the participant needs to invest in a way that makes sense in terms of their age, risk tolerance and time horizon. Taking the time to read the plan's investments' literature carefully to determine the best strategy for their retirement goal is important. Most plan providers now offer participant education materials and online resources that can help with this.

4. Record Your Progress

Keeping records from the minute a participant enrolls in a retirement plan is critical. Quarterly statements and transaction confirmations as well as copies of any beneficiary forms and enrollment forms can be saved in a designated folder so that the participant can keep track of their account. Online account access also makes it easier for the participant to view their account on a regular basis. However, if they review quarterly statements regularly, that should be sufficient to keep the participant engaged and in step with their account's progress.

Consider ABG Your "Go-To" Resource

Providing a retirement plan to employees is a complex endeavor. ABG is available to help you manage your plan effectively so that you can offer the best possible solution for your employees and your company. For any questions you may have about any of the topics we discuss in this article, your local ABG representative is available to help. From both a plan sponsor and plan participant perspective, we want to ensure that you have the information you need to successfully manage your company's retirement plan. ■

ABG NEWS

PCA Professional Elected President Of Southwestern Ohio FPA

Pension Corporation of America (PCA) is proud to announce that Investment Analyst Seth Priestle was recently elected President of the Southwestern Ohio chapter of the Financial Planning Association (FPA).

FPA is the principal professional organization for Certified Financial Planner™ professionals, educators and financial services providers. The Southwestern Ohio chapter serves over 200 members in the Cincinnati, Dayton, and Northern Kentucky communities.

Seth Priestle, President, FPA Southwestern Ohio and PCA Investment Analyst

PCA is one of the largest employee benefit firms in Southwestern Ohio with more than 45 professionals dedicated to serving over 450 local and national companies.

ABG's New Blog Provides Timely Insight

ABG's new blog "Best Practices in Retirement Services" was recently launched with the goal of providing timely insights on a variety of retirement plan issues via specific case studies based on actual client situations.

According to Don Mackanos, President of Alliance Benefit Group, LLC. "Through idea sharing, many of our firms have become healthcare and HSA consultants, plan advisors, and financial wellness specialists. The sharing of "Best Practices" has been a solid method of helping our firms grow their businesses."

With this in mind, ABG's blog posts examine a specific client situation and problem, then present the ABG approach and solution.

Check out this new blog by clicking here ■

DID YOU KNOW?

- For workers under 60 who would like to know how much they will receive in Social Security retirement benefits, they can request information online here. However, for workers aged 60 and above, who are not receiving Social Security benefits and do not yet have an online *my Social Security* account, a statement will be mailed to them three months prior to their birthday.
- 15% of the US population today is age 65 or older, approximately 1 out of every 7 Americans. By the year 2047, 22% of the US population will be age 65 or older, approximately 2 out of every 9 Americans (Source: Congressional Budget Office).
- 63% of American adults do not have $500 in a savings account to cover an emergency expense (Source: CNN). ■

TAX TALK

In this issue of Tax Talk, we update you on important upcoming compliance deadlines in the second quarter for defined contribution plans. We will also discuss Required Minimum Distributions from both the plan sponsor and plan participant perspective and the potential penalties if this important deadline is not met.

Compliance Deadlines

April 2017	
Deadline	Compliance Requirement Details
April 1	ï Required beginning date for participants attaining age 70 ½ or retiring after age 70 ½ in the prior year. Deadline for taking the first required minimum distribution (RMD) under Internal Revenue Code (IRC) Section 401(a)(9).
April 18	ï Deadline for processing corrective distributions for IRC Section 402(g) excesses. ï Deadline for filing corporate tax returns and contribution deadline for deductibility for unincorporated entities (without extension). ï Deadline for requesting automatic extension (to October 16) for corporate tax returns.
June 2017	
June 30	ï Deadline for processing corrective distributions for failed 2016 actual deferral percentage (ADP)/ actual contribution percentage (ACP) test from plan with Eligible Automatic Contribution Arrangements (EACA) without 10% excise tax (if applicable).
July 2017	
June 29	ï Deadline for sending the Summary Material Modification (210 days after the end of the plan year in which the amendment was adopted).
June 31	ï Deadline for filing Form 5500 (without extension). ï Deadline for filing Form 5558 to request an automatic extension to file Form 5500. ï Deadline for filing Form 5330 – Return of Excise Taxes Related To Employee Benefit Plans.

The Importance of Required Minimum Distributions

Typically, the IRS requires retirement plan participants to start taking required minimum distributions (RMDs) from their plan by April 1st of the calendar year following the calendar year in which a participant turns 70 ½.

Planning for and keeping track of these distributions is key as there are significant penalties for both the plan sponsor and plan participant if this important deadline is not met.

- ï Retirement Plan Sponsors
  - ï **Need to have -** a program in place to ensure that all participants, whether they are still working or retired, are aware of the upcoming RMD deadline and the penalties for missing the deadline.
  - ï **The penalty is -** the potential loss of a retirement plan's tax-qualified status if the RMD is not met.
- ï Retirement Plan Participants
  - ï **Need to take -** an actuarially determined distribution which can be calculated using tables provided by the IRS on their website, click here to view. Typically the calculation for determining the distribution entails taking the account balance at the end of the preceding year and dividing it by a distribution period taken from the IRS's Uniform Lifetime Table, which is available on their website using the link above.
  - ï **The penalty is -** as much as 50% of the amount not distributed to the retirement plan participant.

ABG Can Help

For any questions about the RMD deadline or any other compliance deadline outlined here, please contact your local ABG representative.