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FINANCIAL WELLNESS WITH AN EMPHASIS ON RETIREMENT SECURITY

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RETIREMENT SAVINGS ARE A BIG DEAL

- Retirement Assets approach \$30 Trillion, including private-sector plans, government systems, annuities, and IRAs. (ICI)
- Seventy-seven percent of private sector workers (and 91 percent of public sector workers) are eligible for employer-provided retirement benefits. (BLS)
- Tax deductions, exemptions, and deferrals for retirement savings make up the second largest “tax expenditure.” (The largest is for employer-provided health benefits.)
- Upwards of 75% of respondents (regardless of party affiliation) agree that the US faces a retirement crisis. (NIRS)

RETIREMENT WEALTH IS HIGHLY SKEWED

- Income and wealth inequality are growing; retirement plan coverage and retirement savings are but one facet of this problem. (Federal Reserve)
- One quarter of workers have no retirement savings in any form. Of those who do, average savings is about \$100,000, but median is less than \$10,000. (Federal Reserve; Fidelity)
- Social Security benefits are mainly subsistence level, and the “max tax” is increasingly regressive.

TO SAY NOTHING OF

- Race, gender, and ethnic disparities in pay and savings.
- Wealth and income disparities across generations.
- Growth of the gig economy, part-time employment, and worker misclassification.
- Student loan and medical debt.
- Financial sacrifices of child raising and caregiving.
- Financial illiteracy and lack of financial courage.
- Lack of personal savings for emergencies.
- High levels of poverty and concentrations of poverty.

AND WHAT'S MORE

- Defined Benefit plans are increasingly being frozen or closed out.
- Many public plans never recovered from the 2008-09 Recession.
- Private and public employers increasingly have two- or three-tier systems.
- Many multiemployer plans are going broke, along with the PBGC safety net.

WHY DO EMPLOYERS CARE?

- Pensions were originally a workforce management tool, and to some extent still are.
- Financial worries impair productivity.
- Financial worries only loosely correlate with income.
- Financial wellness (literacy and courage) loosely correlates with age, tenure, and gender. (Mercer)

HOW CAN EMPLOYERS HELP?

- Offer a financial wellness program (more than 50% of employers do). (BoA)
- Recognize that employees' confidence and trust vary, often with gender, tenure, age, etc.
- Focus on incremental gains.
- Provide one-on-one coaching as well as online tools.
- Avoid selling products and services.

ISN'T THAT RISKY?

- A person is an ERISA fiduciary to the extent it exercises discretionary authority or control of plan management or any authority or control over plan assets or has discretionary authority or responsibility for plan administration.
- A plan is a program established or maintained by an employer that that provides retirement or deferred income or medical, disability, death, unemployment, vacation, day care, scholarships, or prepaid legal services.
- Is a financial wellness program an ERISA plan?
- Is advice on utilization of ERISA plans a fiduciary function with respect to those plans?

WHAT HAS CONGRESS DONE LATELY?

- Validated Open MEPs, eliminating the Bad Apple Rule, while assuring oversight
- Increased the tax credit for starting a plan
- Made it easier to offer an auto-enrollment 401(k) and increased the contribution limit
- Deferred RMDs until Age 72
- Made it easier for employers to offer an annuity option and for employees to understand it
- Allowed limited use of DC moneys for adoption expenses and 529 moneys to pay down student debt
- But paid for it partly by limiting the Stretch IRA

WHAT ELSE CAN CONGRESS DO?

- Strengthen Social Security
- Raise the Minimum Wage
- Raise the Savers Credit
- Rescue Multis
- Enforce Funding Discipline
- Validate Shared-Risk Plans
- Validate State Law Auto-IRAs

Sources

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QUESTIONS OR COMMENTS?

THANK YOU

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