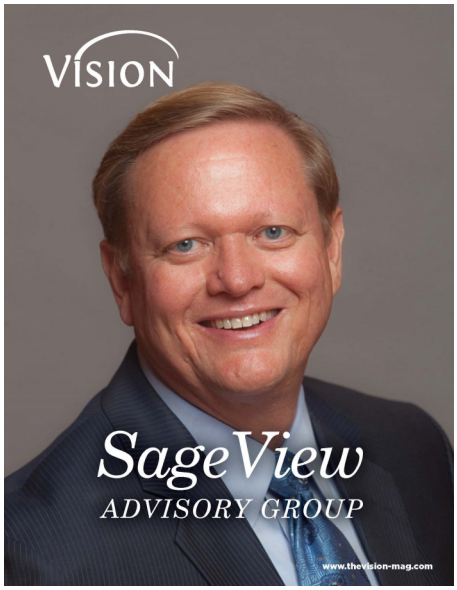
# VIEWPOINT

SageView Advisory Group Quarterly Newsletter Q4 2018

## SageView's Randy Long featured in Vision Magazine Cover Story




In October, Vision Magazine featured SageView Advisory Group Founder and Managing Principal Randy Long in a story about business growth, early savings, and the retirement plan industry.

Entitled "Turning Retirement into a More Human Investment," Randy explains why the firm-client relationship is just as important as any investment strategy.

In the interview, he says: "It's never been more important to plan for the future. It's not just about accumulation strategies. It's about withdrawal and drawdown strategies. People increasingly need a more personalized approach."

Read the full interview here.

## SageView Opens 24th Office Location with Lucas Barton as Practice Leader

In early October, SageView announced the opening of its Dallas Fort-Worth office with Lucas Barton, CFP® as Managing Director.

Lucas specializes in building retirement solutions that improve outcomes, minimize risk and meet fiduciary requirements. He will focus on expanding SageView's footprint in the Southwest.

He began his career at Amegy Bank as an Analyst, and then went on to work for Morgan Stanley as a retirement plan consultant for mid to large-size businesses. Most recently, Lucas was a Principal and Partner with Lockton Retirement Services, leading and developing the Dallas-based retirement plan advisory team.

He graduated from Southern Methodist University with a Bachelor of Business Administration in Finance and holds the Certified Financial Planner (CFP®) designation.

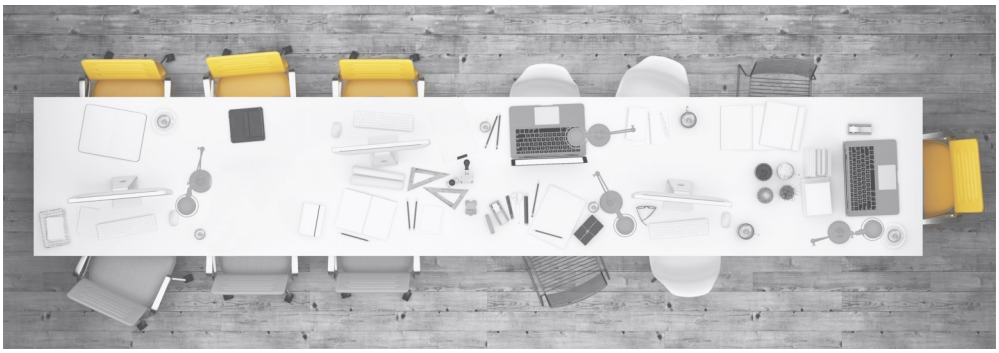
"SageView offers the best combination of national resources and smart technology to deliver better retirement outcomes," said Lucas. "The SageView commitment to financial wellness is lightyears ahead of the competition and I am excited about helping my clients and their participants prepare for retirement in a more meaningful way."

Randy Long, Founder and CEO of SageView, commented, "Lucas has a wealth of experience and keen understanding of plan design, investment consulting and fiduciary governance. We are thrilled he has joined the SageView team. Opening our 24th office in Dallas will allow us to provide the local presence SageView prides itself on to a broader market as we look to the future and prepare for the continued growth of our retirement program and financial wellness offerings."

SageView Advisory Group, LLC. Address: 1920 Main Street, Suite 800, Irvine, CA 92614. Telephone: (800) 814-8742.



SAGE VIEW



# IRS Issues Ruling on Student Loan Repayment Benefit in 401(k) Plans

This past summer, the IRS issued a private letter ruling permitting a student loan repayment benefit under a 401(k) plan. While the IRS ruling is directed only to the taxpayer requesting it and may not be used or cited as precedent, it does provide some level of comfort to employers who are considering similar programs.

**A BIT OF BACKGROUND**

As student loan debt continues to climb, employers are seeking innovative ways to help employees repay this debt. While some employers have offered student loan debt repayment programs separate from their retirement plan, there has been recent interest in coordinating student loan repayment benefits with contributions to retirement plans. However, due to concerns about violating the "contingent benefit" rule under the 401(k) rules, plan sponsors have been reluctant to implement student loan repayment benefits within retirement plans. The "contingent benefit" rule prohibits sponsors from making any benefit, other than matching contributions, conditioned upon the employee making, or not making, elective contributions to a plan.

**OVERVIEW OF RULING**

Under the facts of the ruling, the employer's 401(k) plan, which permits pre-tax, Roth and after-tax contributions, provides for a regular 5% matching contribution of the participant's compensation for each pay period that the participant makes an elective contribution equal to 2% or more of his / her eligible compensation for the pay period.

The employer proposed to also offer a voluntary student loan benefit program ("the program") under the plan. The program allows the employer to make a student loan non-elective contribution equal to the matching contribution the employee would have otherwise received if he / she had made pre-tax, Roth and / or after-tax contributions instead of making the student loan repayment. In other words, if a participant enrolls in the program and makes a student loan repayment equal to 2% or more of his / her eligible compensation, the employer will make a student loan repayment non-elective contribution to the plan equal to 5% of the employee's compensation for the pay period. The non-elective contribution is made without regard to whether the participant will make any elective contributions under the plan during the year. While the non-elective contribution would not repay the employee's student loan, it would be a contribution to the employee's retirement plan at a time when the employee may not be able to make elective contributions to the plan.

SAGE VIEW



## "Leakage" Could Spark $2.5 Trillion Retirement Shortfall

Loans from 401(k) plans, known as "leakage," could spark a potential $2.5 trillion shortfall in retirement account balances, according to recent analysis from Deloitte, ThinkAdvisor reported.

Deloitte used estimates in loan defaults, future withdrawals and lost opportunity costs projected from a participant at age 42 until age 65, based on a 10-year business cycle. It estimates there were $7.3 billion in loan defaults in 2018 alone.

An investment return of 6% was factored in to come up with the $2.5 trillion projected shortfall figure.

Leakage, Deloitte warns, could not only harm retirement savings for many but could also cause a "significant detriment" to investment markets in the U.S.

Taking the 42-year-old borrower who defaults on a retirement account loan of $7,000 and cashes out the remaining balance of $70,000, analysis found that the borrower would lose $217,647 in investment returns.

Pension Research Council statistics found that 86% of participants default on their loans after leaving employment.

The paper offers some potential mechanisms to prevent loan leakage, including 401(k) loan insurance, emergency loan options, rainy-day savings and pretax wellness plans in benefit suites.

Deloitte also recommended education and awareness programs, on-site advice for employees, reduction in allowed loan amounts and frequency, more flexibility in repayment and enforcement of waiting periods for more loans with multiple origination and payoff dates.

# Upcoming Compliance Reminders

**DECEMBER 1, 2018 - Annual notice to participants for plans providing for a "Qualified Default Investment Alternative" (QDIA) option.**

A notice must be provided by December 1 to participants explaining their rights under the plan for plans offering a QDIA option (used when participants do not exercise an investment election). The notice must detail the default investment option, a participant's right to select another investment option, circumstances causing default investment option and the type of default investment.

**DECEMBER 1, 2018 - Annual notice to participants for plans with an eligible automatic contribution arrangement (EACA).**

Plans with an EACA follow the QDIA regulations. An annual notice must be provided by December 1 to participants explaining their rights under the plan. The notice must be provided at least 30 days prior to the first contribution going into a default investment option or entry date if the plan has immediate eligibility and offers 90-day return of erroneous contribution provision. Only EACA plans can utilize the 90-day unwind provision and the 6-month ADP testing period to avoid the employer 10% penalty.

**DECEMBER 1, 2018, but no more than 90 days prior to the beginning of the plan year - 2018 Safe Harbor Notice (and Contingent Notice for 3% safe harbor contribution, if applicable)**

Distribute to plan participants 30-90 days prior to start of plan year using Safe Harbor design.

**DECEMBER 17, 2018 - Summary Annual Report (on Form 5558 Extension)**

If the filing deadline for Form 5500 was extended by means of filing Form 5558, distribution to plan participants and beneficiaries the summary annual report (SAR) required by ERISA, on or before December 17, 2018.

**DECEMBER 31, 2018 - Plan Amendments**

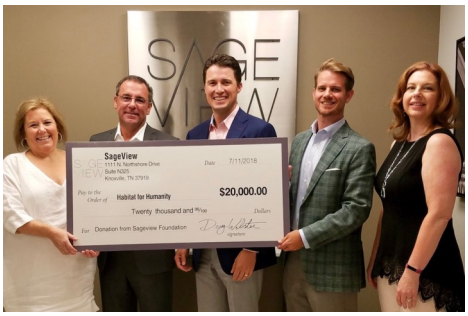
Adopt and execute documents implementing plan changes made during the plan year, if applicable and as required (NOTE: Best practice in maintenance of plan documents is to execute amendments prior to the effective date of the change in design or operation; in any event, to be valid, plan amendments must be executed on or before the last day of the plan year in which the change was effective.)

## SageView Foundation Partners with Knoxville Habitat for Humanity Homeowner Education Program

The SageView Foundation has partnered with Knoxville Habitat for Humanity, donating $20,000 to their Homeowner Education Program.

The Homeowner Education Program teaches low-income heads of household—over 90 percent of whom are women—the skills they need to successfully own and maintain a home, by completing 500 hours of homeowner education classes, or "sweat equity." Following completion of the program, the families qualify to build and purchase their homes at cost with a 0 percent/30-year mortgage.

The donation will go directly to helping Habitat for Humanity provide classes on financial preparedness, home maintenance, creating a safe and soothing home environment, as well as nutrition and food safety education. All partner families earn 80 percent or less than the area median income for their family size. Habitat for Humanity reports 74 percent of Knoxville Habitat families attribute homeownership to positive changes in safety and health. Additionally, an impressive 81 percent of Knoxville Habitat family members have completed or plan to complete higher education since becoming homeowners and 54 percent have experienced improvements in their job situations.




"The SageView Foundation was founded on the belief that by giving people the tools to improve their quality of life, we can help set them up for success in the long term, both personally and financially. Habitat for Humanity's Homeowner Education Program provides families in need with a unique opportunity to purchase an affordable new home in exchange for their commitment to learning the practical skills necessary for homeownership. We look forward to a continued relationship with this exceptional organization," said Randy Long, co-founder of the SageView Foundation.

## Survey Shows Americans Must Do More to Secure Retirement

Almost four in 10 working Americans are not doing enough to secure their financial future, according to the 2018 Retirement in America Survey from the First National Bank of Omaha.

The survey of 1,000 working Americans age 18 or older found 38% have not started saving for retirement. In addition, 69% have not calculated how much they will need for retirement, while 65% prioritize getting out of debt over investing for retirement, PlanSponsor reported.

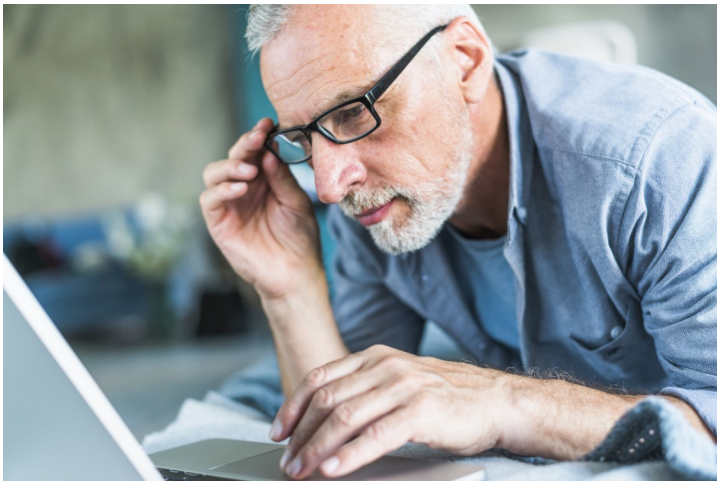
**OTHER FINDINGS:**

- 18% of retirees said they do not have an investment portfolio.
- 37% of retirees are still paying off a mortgage, 29% are paying off auto loans, 15% are paying off medical debt and 8% are paying student debt.
- 48% of respondents who have yet to retire indicated they believe it's likely there will be another recession within the next five years, and 14% have taken money out of the stock market as a precaution.
- 19% of retirees were older than age 50 when they started saving for retirement, while 35% were younger than 30, 30% were between 30 and 40 and 16% were between 41 and 50.
- 43% of retirees say they rely on a financial adviser to stay informed about retirement matters, while a like number (43%) of working people rely on online research.

## Education Level Affects Post-Retirement Gaps

American workers are more likely to continue working past age 65 if they graduated from college, the Associated Press reported recently.

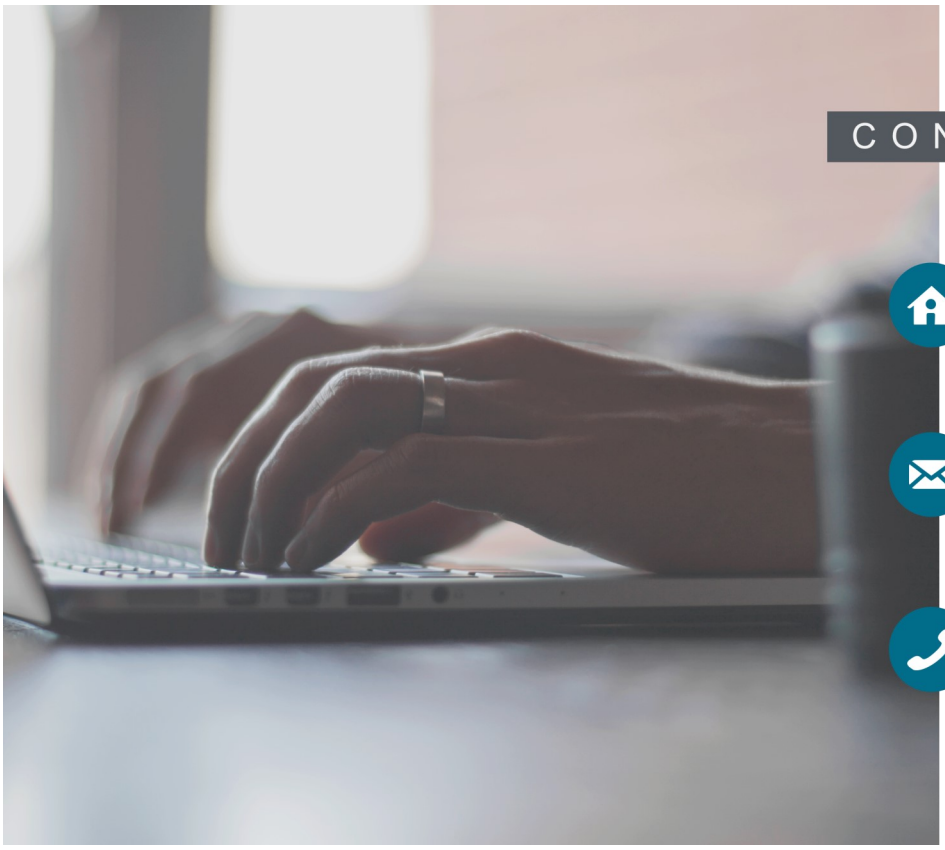
Nearly one in five Americans age 65 or older is still working, the highest percentage in more than half a century, but many less-educated workers are forced to retire before their mid-60s because of poor health, the inability to do jobs that require a lot of physical activity or other reasons.



Matt Rutledge, research economist at the Center for Retirement Research at Boston College, said there is a widening gap in retirement ages between college and high-school graduates, one that is most apparent when looking at the average age of retirement for men. Men with college degrees are retiring at an average age of 65.7 while men with only high-school degrees retire at an average age of 62.8.

In the late 1970s, the two groups were retiring at nearly the same age: 64.6 for college graduates and 64.1 for high-school graduates.

SAGE VIEW



# CONTACT US


HQ IN IRVINE, CA
1920 Main Street, Suite 800
Irvine, CA 92614

E-MAIL
sageviewinfo@sageviewadvisory.com

PHONE
949-955-1395


## OUR LOCATIONS

**Atlanta, GA**
5 Concourse Parkway, Suite 1800
Atlanta, GA 30328
T (404) 654-0289

**Austin, TX**
6500 River Place Boulevard
Building 7, Suite 250
Austin, TX 78730
T (512) 243-6162

**Boston, MA**
114 State Street, Suite 501
Boston, MA 02109
T (617) 982-7250

**Chicago, IL**
2 N. Riverside Plaza, Suite 1420
Chicago, IL 60606
T (312) 357-5481

**Dallas, TX**
550 Reserve Street, Suite 150
Southlake, TX 76092
T (214) 738-6233

**Denver, CO**
1434 Spruce Street, Suite 100
Boulder, CO 80302
T (303) 665-2883

**Honolulu, HI**
900 Fort Street Mall
Pioneer Plaza, Suite 1505
Honolulu, HI 96813
T (808) 739-7600

**Houston, TX**
16225 Park Ten Place, Suite 500
Houston, TX 77084
T (713) 338-3462

**Kansas City, MO**
4144 Pennsylvania Avenue
Kansas City, MO 64111
T (866) 828-4437

**Knoxville, TN**
1111 N. Northshore Drive, Suite N 325
Knoxville, TN 37919
T (865) 293-4051

**Los Angeles, CA**
1334 Parkview Avenue, Suite 320
Manhattan Beach, CA 90266
T(310) 698-0778

**Milwaukee, WI**
N3092 Oaklane Road
Brownsville, WI 53006
T (920) 933-0819

**Minneapolis, MN**
201 Lake Street, Suite 240
Wayzata, MN 55391
T (952) 444-4015

**Nashville, TN**
320 Seven Springs Way, Suite 250
Brentwood, TN 37027
T (615) 515-0901

**Omaha, NE**
15808 West Dodge Road, Suite 200A
Omaha, NE 68118
T (402) 884-7987

**Pasadena, CA**
140 S. Lake Ave, Suite 249
Pasadena, CA 91101
T (626) 817-9734

**Portland, OR**
522 SW 5th Avenue, Suite 1225
Portland, OR 97204
T (503) 841-5255

**Richmond, VA**
4510 Cox Road, Suite 200
Glen Allen, VA 23060
T (804) 523-1681

**San Francisco, CA**
***Orinda***
4 Orinda Way, Suite 175-A
Orinda, CA 94563
T (925) 438-0550

***Woodside***
2995 Woodside Road, Suite 450
Woodside, CA 94062
T (650) 260-8640

**Washington, DC**
8161 Maple Lawn Boulevard, Suite 440
Fulton, MD 20759
T (301) 317-7190

**West Hartford, CT**
1000 Farmington Ave, Suite 103
West Hartford, CT 06107
T (860) 236-8500

**West Palm Beach, FL**
1645 Palm Beach Lakes Boulevard, Suite 1200
West Palm Beach, FL 33401
T (561) 207-2020

SAGE VIEW