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## Small Firms encourage workers to save

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STAFF WRITER

When a blizzard blankets a customer's business, making entrance impossible, when a fallen tree blocks a driveway, when leaves or ice clog a drain, flooding the parking lot, landscaper Bob Keller wants to be there for his customers.

Which is why Keller said he decided to invest more in his employees by offering 401-K retirement plans to the full-time employees of his small business, R.P. Keller Landscaping Inc. in Wenonah.

"It's job security for them and for me," said Keller, 38, who employs six to eight people full time year round and more seasonally.

Keller's decision comes as the federal government and some states, including New Jersey, are looking to encourage small businesses like Keller's to provide retirement savings programs to employees.

Jersey's law, signed in January, will create a retirement savings marketplace enabling employers to establish such plans. Laws like it are being considered around the country as the burden of financing retirement has shifted from employers, through pensions, to their staff.

But many employees, especially those paid less, have no retirement savings, according to a U.S. Federal Reserve report released in May. Four in 10 of those surveyed have given little or no thought to retirement and fewer than a third have savings.

Nationally, 22 percent of companies like Keller's — with fewer than 10 employees — provide retirement plans, according to a Pew Charitable Trusts report released in January.

By contrast, three in four employees of companies with 500 or more



PHOTOGRAPH BY: MICHAEL BRYANT / STAFF PHOTOGRAPHER

At Sansom Street Oyster House, Dan Hernandez, left, and owner Sam Mink make sure that managers, servers and oyster shuckers will get a unique benefit, a 401-K plan with a company match.

workers have access to retirement plans.

"It's not hard to grasp," Keller said. "Healthcare, vacation pay, time-and-a-half over 40 hours. It leads to employment longevity and stability.

"What they invest in the company" and serving customers, he said, "they can get it back."

Pew's review of federal data finds that 49 percent of the nation's workers in the analysis participate in a workplace retirement savings program, with 58 percent having access.

Among those shut out are independent contractors working in the so-called gig economy and workers who cobble together part-time jobs.

"It's a concern that people have adequate retirement savings," said Richard McHugh, vice president of the Plan Sponsor Council of America, an advocacy group for organizations and companies that offer work-based retirement plans to employees.

Dan Hernandez, certified financial planner™ professional, who represents Lincoln Investment, a Registered Investment Advisor, Broker Dealer, in Fort Washington, PA, says he's seeing more interest in 401(k) plans from small business clients who tend to have a protective attitude toward employees.

A 401-K plan allows workers to save for retirement with a pre-tax payroll deduction that is funneled to a financial services company, which invests it. As a benefit, some employers match a portion of the deduction, amounting to more compensation, which is also not taxed.

Hernandez, whose office is in Voorhees, said some clients may be offering 401-K plans because they're less expensive than health insurance.

"You can put your employee in a [401-K] plan and offer them a match of three percent of their salary, which is infinitely less than



offering health insurance," Hernandez said.

Assuming someone earning \$50,000 contributes three percent, the employer's 401-K match would equal \$1,500, compared to \$5,000 — the average employer contribution for health insurance for one employee, according to the Kaiser Family Foundation's annual survey.

Even as officials work to raise participation in retirement savings plans, the youngest workers aren't that interested, concludes a December survey by the Employee Benefit Research Institute.

Millennial workers tend not to know about benefits, including retirement, or care about them, EBRI's study shows.

Many would rather have the money and buy health insurance or save for retirement on their own.

Hernandez said that part of his job is educating his clients' employees.

They aren't aware of the advantages of a pre-tax 401-K program and may not appreciate the value of employers' matching part of workers' contributions.

"Often they are living pay check to pay check and without being experienced in the stock market, they hear the market is going down, it scares them away," Hernandez said.

But he said if the employer matches dollar for dollar, that's a 100 percent return on their money.

McHugh said the millennials' perceived lack of interest may actually be lack of money. Many are so saddled with student debt that they can't afford to save for retirement.

Whether employees participate, state and federal governments are trying to increase access. Gov. Christie signed a law Jan 19 creating the New Jersey Small Business Retirement Marketplace.

Modeled on health insurance markets established by the federal Affordable Care Act, New Jersey's marketplace will consist of individual retirement account plans offered by financial service companies and vetted by the state treasurer.

They will be available, on a voluntary basis, to employers with 100 or fewer workers.

President Obama's 2017 budget proposal includes increased tax credits, up to \$1,500 per company, per year, for three years, for small

employers that add retirement plans. The credits are intended to offset initial costs to set up and administer the plans.

Another proposal would allow small firms to join multiple employer plans, providing administrative efficiency and savings through scale.

Employers in the same industry can now join together to set up these plans, but not firms in unrelated fields.

In Philadelphia, Sam Mink, 40, owner of the Oyster House on Sansom Street, didn't need a government program to encourage him to set up a 401-K program for his full-time employees, with 27 out of 50 eligible.

"My success is their success," said Mink, who believes that retirement savings and health benefits reduces turnover in a sector where employees change jobs as often as diners change orders.

His challenge, he said, is to persuade employees to participate, since he provides a match.

"It's like free money," Mink said. "They are leaving money on the table."

Chef Brett Naylor, 30, of Mt. Airy, doesn't need convincing. "It was one of the selling points for me coming to the Oyster House," he said.

Given the competition, "smaller restaurants have to start offering perks like this to attract talent."

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