# VIEWPOINT

SageView Advisory Group Quarterly Newsletter Q3 2019

## Retirement Plan Participation Increases Nationwide

Nearly two-thirds of workers between ages 26 and 64 are participating in employer-sponsored retirement plans, according to a newly released research report from the Investment Company Institute (ICI). The study, entitled "Who Participates in Retirement Plans, 2016" shows that participation rates rise higher, to more than three-quarters, if younger and lower-income workers — those who are the least likely to be able to or want to save for retirement — are excluded.

The ICI report indicates that focusing on the overall participation rate can be misleading when it comes to representing retirement preparedness. The reason is simple: just because some workers aren't participating in a plan today, doesn't mean they won't participate later in life.

The study also explains that younger and lower-income workers are the least likely to want to save for retirement, and thus are less likely to search for an employer who offers a retirement plan or participate in a retirement plan if given the choice, for a number of reasons:

- Younger workers are typically focused on saving for goals other than retirement, such as saving to buy a house, pay for education or start a family. They may delay saving for retirement until they're older, when earnings are typically higher.
- Workers who remain low income throughout their careers may choose not to save for retirement at any age, as it would reduce resources available to address more immediate financial needs.

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## Gen X Behind Prior Generations at Same Ages in Key Financial Status Indicators

Generation X is being called the "sandwich" generation because they have reached the point in their lives where they are frequently paying for their children's expenses — including college education — while also taking on the responsibilities of caring for their parents, according to an Issue Brief from the Employee Benefits Research Institute (EBRI).

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## UPCOMING EVENTS

### Join SageView at Upcoming Industry Conferences


**NEW ORLEANS, LA**
A few of our SageView associates will attend the National Association of Government Defined Contribution Administrators (NAGDCA) Annual Conference in New Orleans, LA on September 8-11th, including SageView Managing Director and NAGDCA Board of Directors Industry President Jake O'Shaughnessy, CFA.


**NASHVILLE, TN**
Please join us at the upcoming Mid-Sized Retirement and Healthcare Plan Management Conference in Nashville, TN on September 15-18th. Doug Webster, AIFA®, QPFC, will present on best practices for managing retirement plan fees, helping to make sense of plan costs.

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# Retirement Plan Participation Increases Nationwide

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Consistent with expectations, the study shows participation in employer plans increases as workers get older. For example, 55% of workers between the ages of 26 to 34 either participated in an employer plan or had a spouse who participated. This rate increases to 69% for workers who were 45 to 64 years old.

ICI's paper also illustrates that higher-earning workers are more likely to participate in an employer plan. Among workers between 26 and 64 years old in 2016, the probability that an employee participated in a retirement plan at his/her workplace spanned the following range:

- 22% for those who earned less than $20,000
- 67% for those who earned $40,000 to $50,000
- 85% for those who earned $100,000 or more

## EMPLOYEE EDUCATION CORNER

Every quarter, SageView's education team releases a new flyer and webinar on topics important to retirement plan participants. Click below to view the most recent pieces.



**CYBER SECURITY**

*Protect your family, your future and yourself*

Watch the webinar here.

**5 INVESTING PRINCIPLES**

Download the flyer here.

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SEE WHERE YOU'RE GOING

## Not Saving Sooner is Participants' Biggest Regret

Most Americans (76%) surveyed by Bankrate.com harbor at least one regret regarding their finances, and not saving early enough for retirement is the biggest, BenefitsPro recently reported. The Bankrate.com study found that while 56% of Americans say their financial regrets are all about savings, when it's broken down by category, not saving early enough for retirement tops the list of concerns (27%), followed by underfunding an emergency fund (19%) and not saving enough for their children's education (10%).

That savings regret grows bigger as people age. One-third of Baby Boomers (ages 55-73) say they are sorry they hadn't started earlier to save for retirement, with 23% of the Silent Generation (age 74 and older) and 22% of Gen Xers (ages 39-54) saying the same thing. Younger generations are more concerned with not saving enough for emergencies, with 19% of Gen Xers and Millennials being most regretful.

Millennials' biggest regret is their student loan balances (17%), compared to 7% of Gen Xers with student loans and just 4% of Baby Boomers.

The survey also found 16% of respondents said they regret taking on too much credit card debt.

# Upcoming Compliance Reminders

**SEPTEMBER 16, 2019 - Employer Contributions due for Extended Partnerships, Sole Proprietorships, and LLCs taxed as Partnerships (on Second & Final Extension)**

Partnerships, sole proprietorships, and LLCs filing as partnerships, which have filed for a second extension of the federal tax return filing deadline, must make plan contributions no later than September 16, 2019 (i.e., the first business day following the final extension of the 2018 federal income tax filing deadline).

**SEPTEMBER 30, 2019 - Summary Annual Report**

Distribute to plan participants and beneficiaries the summary annual report ("SAR") required by ERISA, on or before September 30, 2019 (i.e., the end of the ninth month after the end of the plan year), unless the filing deadline for Form 5500 and schedules has been extended.

**OCTOBER 15, 2019 - Form 5500 (on Form 5558 Extension)**

If an extension of the deadline for filing Form 5500 has been obtained by filing Form 5558, file Form 5500 (Annual Return/Report of Employee Benefit Plan) and all required Schedules with the Department of Labor Employee Benefit Security Administration (EBSA).

**OCTOBER 15, 2019 - Form 8955-SSA (on Form 5558 Extension)**

If an extension of the deadline for filing has been obtained by filing Form 5558, file IRS Form 8955-SSA.

**DECEMBER 1ST, BUT NO MORE THAN 90 DAYS PRIOR TO BEGINNING OF THE PLAN YEAR - Annual notice to participants for plans with automatic contribution arrangement (ACA), also referred to as "negative election."**

Plans with an automatic contribution arrangement (ACA), also referred to as a "negative election," must provide an annual notice to participants by December 1 but no more than 90 days prior to beginning of the plan year. Plans must comply with DOL-issued default investment rules providing a notice to each participant to whom the arrangement applies within a reasonable period of time prior to the start of the plan year.

## Gen X Behind Prior Generations at Same Ages in Key Financial Status Indicators

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Key findings show that Gen X families in 2016 were more likely to have an individual account (IA) retirement plan than families of Millennial and Baby Boomer generations, but they were less likely than the Baby Boomer families to own a home or have any type of retirement plan.

Furthermore, Gen X families had lower homeownership rates than did prior generations of families when their heads of household were ages 40-51 (e.g., families with heads ages 40-51 in 2004).

However, Gen X families in 2016 were more likely to have owned an IA retirement plan (60.1%) than families with heads ages 40-51 were in 2005 (58.7%). The percentage of Gen X families holding debt in 2016 was also lower than it was for the families of the same ages in 2004 (86.8% vs. 88.5%).

The median net worth of families with heads ages 40-51 in 2004 was $151,861 in 2016 dollars. This value decreased to $103,130 for families with heads of these same ages in 2016. The median net worth in 2016 was also below the 1992 value for families with heads ages 40-51.

Median IA retirement plan balances were the only financial status indicator values that were higher in 2016 than they were in 1992 and 2004. Specifically, the median IA plan balances for families with heads ages 40-51 were $27,486 in 1992, $43,170 in 2004 and $60,000 in 2016.

Families associated with disadvantaged groups were the driving force for the lower overall financial indicator results. In fact, families with incomes in the upper two quartiles had nearly equal results to those of prior generations. However, the financial indicators for the Gen X families with incomes in the lower two income quartiles were so much worse than the prior generations that they pulled down the overall results for Gen X.

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## Age Affects Perceptions of Retirement Readiness

People at different ages have varying savings thresholds that make them feel they're on track for retirement, according to a study from the Federal Reserve.

Because retirement saving strategies differ by circumstances and age, the annual Survey of Household Economics and Decisionmaking (SHED) asks respondents to assess whether or not they feel that they are on track however they define that for themselves. Thirty-six percent of the non-retired think their retirement saving is on track, 44% say it is not on track, and the rest are not sure.

Self-assessments of retirement preparedness vary with the amount of current savings and with time remaining until retirement. Young adults under age 30 typically believe that their savings are on track if they have at least $10,000 set aside for retirement. The amount of retirement savings required for most to report being on track increases with age. Adults ages 45 to 59 who say their retirement savings are on track typically have at least $250,000 saved.

Just over 2 in 10 non-retirees under age 45 have retirement savings that meet their age-specific "on track" thresholds. The fraction rises with age to 27% of adults ages 45 to 59.

Some people withdraw money from their retirement accounts early for purposes other than retirement, despite the fact that they may incur a substantial tax penalty. Overall, 5% of non-retirees have borrowed money from their retirement accounts in the prior year, 4% have permanently withdrawn funds, and 1% have done both. Those who have withdrawn early are less likely to view their retirement savings as on track than those who have not — 27% versus 37%.

The Federal Reserve's report also showed that nearly half of retirees in 2018 retired before age 62, and one-fourth retired between the ages of 62 and 64[1].

In deciding when to retire, a desire to do other things than work, or to spend time with family, are the most common factors. In addition, 4 in 10 retirees under age 62 — and 3 in 10 between ages 62 and 64 — say poor health contributed to their retirement. More than one-fifth of those who retired before age 65 say the lack of available work contributed to their decision.

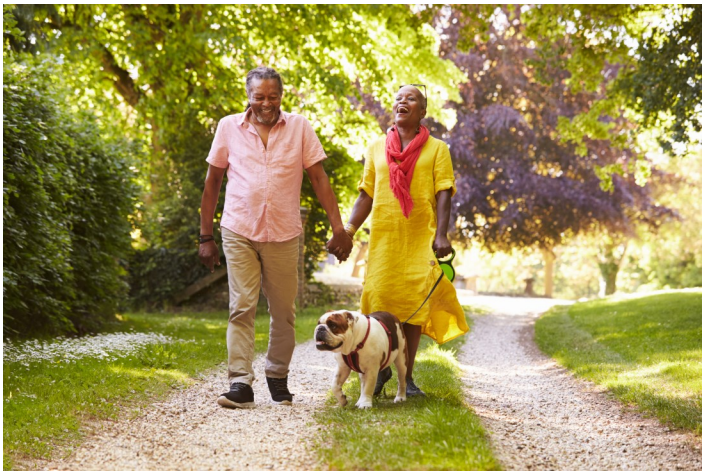
1. The tabulations of retirement ages exclude the 14% of retirees who do not know the age at which they retired.

## Study Shows Most Retirees Spend Below Their Income

An issue brief from the Employee Benefit Research Institute (EBRI) on the "Spending Patters of Older Households" found that overall, 59% spent less than their income in 2015.

Using data from the National Institute on Aging's Health and Retirement Study (HRS) 2014 and the Consumption and Activities Mail Survey (CAMS) 2015, the recent EBRI report found that for single and retired individuals in 2015, average spending was $5,000 lower than income.

Coupled households where both spouses were retired on average spent 80% of their income in 2015; married couples with at least one spouse in the labor force had the lowest spending-to-income ratio, with an average of 45%.



The single, retired cohort had the highest spending-to-income ratio, with an average of 86%. However, their median spending-to-income ratio was very high at 112%.

The report found that while housing and transportation expenses are lower relative to those in the labor force, food costs and health expenses were higher for retirees.

For single and retired individuals in 2015, average income was $21,000 higher for those with regular pension/annuity income compared with those without a pension. Married and retired households with pension income, on average, had $16,000 more income than those without pension income.

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