HEFFERNAN FINANCIAL SERVICES

Because You're Different

RETIREMENT INSIGHTS

Insights for Plan Sponsors

September 2014

Your HFS Team
Heffernan Financial Services
180 Howard Street, Suite 200
San Francisco, CA 94105
800-437-0045
rebeccat@heffgroup.com
www.heffgroupfs.com
CA Insurance Lic# 0I18899

In This Issue

New IRS Ruling Eases Plan-to-Plan Rollover of Assets

In addition to easing the fiduciary risk for plan sponsors, the new ruling is aimed at promoting workers' retirement readiness.

In an effort to ease the administrative burden placed on plan sponsors and to foster portability of retirement savings for plan participants, the IRS has issued guidance that simplifies the transfer of assets between all types of qualified retirement plans.

IRS Revenue Ruling 2014-09, published in April, allows the plan administrator for the receiving plan to forego the burdensome task of verifying the legitimacy of the incoming plan -- a process that typically involved multiple rounds of communication and paperwork between the two plans with the employee acting as the middleman -- and thus ease and expedite the rollover process for both the employer and the employee.

Now, the plan administrator for the receiving plan need only access the most recently filed Form 5500 (annual report) for the incoming plan that is stored online on the EFAST2 database maintained by the Department of Labor. The guidance is effective immediately.

In the past, plan sponsors have had to take on the responsibility for confirming that the incoming rollover monies came from a plan that was compliant and met fiduciary standards. If problems were discovered after the fact, sponsors risked the possibility of having their own plan disqualified. This new ruling helps to ease that potential risk.

Boost to Retirement Savings

In addition to easing the fiduciary risk for plan sponsors, the new ruling is aimed at promoting workers' retirement readiness by making it easier to retain and grow their retirement savings in tax-qualified plans.

Industry analysts concede this ruling by the IRS is one small step in the right direction, but a crucial one as many plan participants, feeling overwhelmed by the rollover process, either cash out their plans -- particularly those with low balances -- or leave their money in their former employer's plan when they change jobs, which can create added costs and risks to all involved.

For more on the ruling visit the IRS website.

Employee Benefit Adviser, "The risk of inactive retirement plan participants," May 21, 2014.

Pensions & Investments, "Treasury and IRS offer rollover relief," April 3, 2014.

1-281252

Survey: Retirement Confidence Recovers for Those With Retirement Plans

More than half (55%) of survey respondents are now very or somewhat confident about having enough money to live comfortably in retirement.

The Employee Benefit Research Institute's (EBRI) annual *Retirement Confidence Survey* found a marked increase in retirement confidence among workers with higher household incomes who also participate in one or more retirement plans -- including defined contribution plans, defined benefit plans, and/or IRAs.

Specifically, more than half (55%) of survey respondents are now very or somewhat confident about having enough money to live comfortably in retirement. The number of workers who are "very confident" rose from 13% in 2013 to 18% this year, while 37% said they were "somewhat confident." The number of workers who are "not at all confident" stayed statistically unchanged from last year at 28%.

Confidence Tied to Retirement Plan Participation

Not surprisingly, the level of worker confidence seems to have a direct correlation to retirement plan participation. Commenting on the trend in a press release, Jack VanDerhei, research director at EBRI said, "Workers reporting they or their spouse have money in a defined contribution plan or IRA or have a defined benefit plan from a current or previous employer are more than twice as likely as those without any of these plans to be very confident (24% with a plan vs. 9% without a plan)."

In keeping with past results, current retirees' confidence in their ability to have a financially secure retirement exceeds worker confidence levels, with 28% saying they are very confident, up from 18% in 2013.

Debt: A Major Obstacle to Saving

Citing reasons why they are not saving (or not saving more) for retirement, workers pointed to their current level of debt as a key obstacle. Among those who indicated debt was a problem for them, just 3% said they were very confident that they would have enough money to live comfortably throughout retirement, compared with 29% of workers who said that debt was not a problem for them. Overall, 58% of workers and 44% of retirees reported having issues with debt.

Other Survey Findings

Among the other findings in this year's survey:

Worker confidence in their ability to pay for various aspects of retirement has increased. More workers are "very confident" (29%, up from 25% in 2013) in their ability to pay for basic living expenses. In addition, the percentage of workers who are "not at all confident" about their ability to pay for medical expenses declined (24%, down from 29% in 2013), as did the percentage who were concerned about paying for long-term care services (32%, down from 39% in 2013).

Most workers have not done a retirement needs calculation. Just 44% of workers have tried to determine how much they will have to have saved by the time they retire in order to live comfortably in retirement. This statistic has remained relatively unchanged for the past decade.

Workers are far more likely to say they will work for pay in retirement than retirees actually work. Far more than half (65%) of current workers expect to work for pay after they retire, while in reality, just 27% of today's retirees actually are working for pay.

Few workers seek financial advice. Just 20% of workers report that they have obtained financial advice from a professional. Of those who did consult with an advisor, 27% said they followed all of the advice given, 36% followed most of it, and 29% followed some of it. For a more in-depth analysis of the study, visit the Employee Benefit Research Institute's website.

Source: Employee Benefit Research Institute press release, "EBRI's 2014 Retirement Confidence Survey: Confidence Rebounds for Those With Retirement Plans," March 18, 2014.

1-273892