

## Plan Insight – August 2023

### Employees Want Financial Planning Support — and Aren't Afraid to Ask for It



Financial stressors including stubbornly high inflation and historic levels of credit card debt continue to impact workers across a wide range of income brackets. Twenty-eight percent of full-time employees often or always run out of money between paychecks, as do 15% of those who earn \$100,000 or more per year, according to PwC's 2023 Employee Financial Wellness survey. And among workers who carry balances on their credit cards, 44% say they struggle to make their monthly minimum payments on time.

PwC's online survey of 3,638 full-time U.S. employees found that 44% of financially stressed workers admit their struggles have been a distraction while at work, and 36% are actively looking to change jobs (versus 18% of their non-stressed counterparts). Moreover, nearly three in four employees say they would like assistance with their personal finances. Fortunately, stigma over financial difficulties appears to be somewhat less of an obstacle for receiving help — with only one-third expressing embarrassment about asking for the advice they need, down from 42% in 2019.

Professional retirement planning assistance in particular has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employer, according to Morgan Stanley's State of the Workplace III: Financial Benefits Study. The research also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed report their company is reducing employee financial benefits to cut costs. This despite the fact that 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

As financial pressures continue to significantly impact work and personal life for many Americans well into 2023, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing personalized financial benefits and resources that address workers' unique needs, organizations can create a culture of financial stability and empowerment, and help foster a mutually beneficial relationship where employees feel supported — and employers thrive in their business objectives.

Sources:

<https://www.pwc.com/us/en/services/consulting/business-transformation/library/employee-financial-wellness-survey.html>

<https://www.morganstanley.com/content/dam/msdotcom/atwork/state-of-workplace-financial-benefits-study-2023/state-of-workplace-study.pdf>

## Retirement Planning Assistance: A Must-Have Benefit



According to a recent survey by Morgan Stanley, whether an employer offers professional retirement planning assistance has become a key focus for employees in terms of benefits considerations. More than half of workers identify it as a high priority, marking a 5% increase from the previous year, and one-fourth rank it as the No. 1 benefit they sought from their employer.

The research, *State of the Workplace III: Financial Benefits Study*, also revealed that 92% of employees consider help with retirement planning a priority in their job selection. Nonetheless, one out of every four human resource (HR) leaders surveyed say their company is reducing employee financial benefits to cut

costs. Moreover, 97% of the same HR professionals say they believe their companies need to do an even better job providing resources to maximize financial benefits.

The findings suggest a retirement plan may significantly impact not only talent acquisition, but retention as well. A vast majority of employees (89%) say they would be more inclined to remain at their company if it offered financial benefits that align with their personal requirements. And nearly the same proportion of HR leaders (90%) harbor concerns about employee attrition in the event their company fails to deliver benefits that adequately address employee needs.

A large majority of both employees and members of HR leadership — 95% and 98%, respectively — agree that their organizations should offer the best benefits available in their industry. A similar percentage concur that their company needs to improve its ability to provide resources that help maximize financial benefits offered to employees.

“We’re seeing momentum on both the employer and employee side to engage more intelligently with financial benefits as a ballast against uncertainty,” says Brian McDonald, Head of Morgan Stanley at Work, in the report. “To meet this moment, companies are going to have to get even more creative and efficient in leveraging holistic benefits offerings to attract, retain and motivate their employees.”

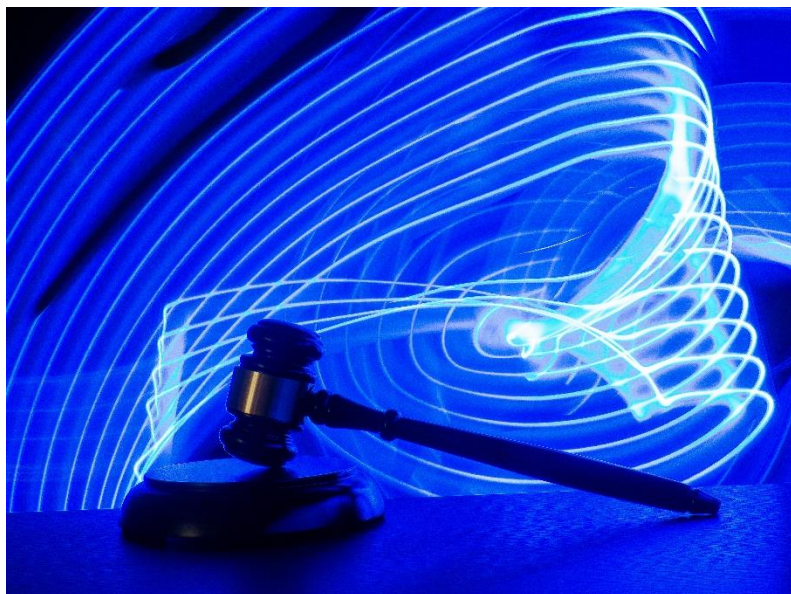
As financial stressors continue to significantly impact work and personal life for many Americans, employers who offer professional financial planning assistance may gain an advantage in the competitive labor market and reap the rewards of a healthier, more productive and happier workforce. By providing financial benefits and resources that address workers’ unique needs, organizations can create a culture of financial stability and empowerment, fostering a mutually beneficial relationship where employees feel supported and employers thrive in their business objectives.

Sources:

<https://www.morganstanley.com/content/dam/msdotcom/atwork/state-of-workplace-financial-benefits-study-2023/state-of-workplace-study.pdf>

<https://finance.yahoo.com/news/more-workers-want-employers-offer-162551591.html>

## SECURE Act 2.0: Key Changes for 2024



To most, the SECURE Act 2.0 appeared to predominantly outline optional changes that go into effect over the span of 10 years. However, there are a few mandatory changes taking effect in 2024 that plan sponsors will need to comply with. These provisions require sponsors to work with their advisors, recordkeepers, and providers to develop a strategy for incorporating them into their plan design, as well as dealing with the cost implications that come with it.

The biggest mandatory change coming next year is the requirement that catch-up contributions made by high-income earners be treated as after-tax contributions. This means that starting in 2024, employees making catch-up contributions who earn at least \$145,000, and are 50 years or older, must be contributing into a Roth account.

For sponsors who don't currently offer employees a Roth, this poses a challenge. They will be faced with the decision of either establishing a Roth option to satisfy this provision or eliminating the catch-up contribution program for high-income earners. As most sponsors are choosing the first option, employees will be strongly encouraged to adopt a Roth 401(k) to begin with.

Other mandatory changes to look out for in 2024 are regarding required minimum distributions (RMDs). One new provision allows a surviving spouse to be treated as their deceased partner for the purpose of RMDs. This is crucial for a widow who is younger than the deceased. It means they can delay withdrawals to when they, themselves, are at the minimum age of RMD, rather than having to take RMDs out earlier, when their deceased spouse would've been the minimum age. Additionally, the SECURE Act 2.0 named Roth accounts in employer retirement plans exempt from RMD requirements starting in 2024. Previously, Roth 401(k) account holders who wanted to bypass RMDs would need to roll over their funds into a Roth IRA. Now, they can avoid dealing with a transfer of assets and the Roth IRA five-year rule by keeping their 401(k), RMD requirement free.

*As we approach 2024, sponsors should also understand the optional changes going into effect and decide whether or not they can use them to optimize their plan designs. Examples of these include:*

- *Employee student loan payments matched with employer contributions to a retirement account;*
- *Introduction of the ability to transfer certain benefits between accounts (automatic portability); and*
- *Allowance of self-certifying emergency savings withdrawals up to \$1,000 per year.*

*These provisions offer opportunities for plan committees to evaluate their current plan design and determine what changes can be made to support employee needs and help attract talent.*

As each year brings more changes into effect, it's important that sponsors rely on their advisors and recordkeepers to stay up to date on the latest legislative changes. Recordkeepers will have a summary on the SECURE Act 2.0 provisions that are relevant to their particular plan. This will serve as a great resource for plan committees as they try to navigate upcoming changes.

Sources:

<https://www.plansponsor.com/in-depth/plan-sponsors-have-lots-to-prep-for-secure-2-0-compliance/>

<https://www.cpajournal.com/2023/01/27/first-look-at-the-secure-2-0-act-of-2022/>

<https://www.fidelity.com/learning-center/personal-finance/secure-act-2>

# PARTICIPANT CORNER

## Risk-proofing Your Future: Personal Protection Strategies

Are you prepared for a secure financial future? Discover some key aspects of a comprehensive risk management strategy.

- **Disability Income Protection:** Protect your income by obtaining disability income protection. Purchase it when you are young and healthy, considering factors like occupational specialty coverage, ensuring future income increases, and prioritizing individual plans over group coverage.
- **Property and Casualty Protection:** Property and casualty insurance (P&C) protects us against damage and protect against liability. Auto insurance, homeowner's insurance, renter's insurance, and personal liability insurance are all forms of P&C coverage. The higher deductible levels will lower your premium costs which should be redirected towards increasing your liability limits.
- **Personal Liability Protection:** Often overlooked, personal liability insurance provides extensive protection at a low cost. Consider obtaining umbrella liability protection equivalent to your assets' value.
- **Life Insurance Protection:** Life insurance serves various purposes, such as creating an instant estate, providing tax advantages, and offering cost-effective solutions. Don't wait too long to purchase life insurance; buy it when you are young and healthy.

By developing a risk management plan that encompasses these areas, you can safeguard your financial well-being and face the unexpected with confidence.

For more information, please contact your Advizrs Retirement Plan Consultant at [PlanInsight@advizrs.com](mailto:PlanInsight@advizrs.com).

\*Policy loans can become taxable should the policy lapse. Also, policy loans, if not repaid, will reduce the death benefit amount. Loans and withdrawals reduce the policy's cash value and death benefit and increase the chance that the policy may lapse. If the policy lapses, terminates, is surrendered, or becomes a modified endowment, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distributions of policy cash values. Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.

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