RETIREMENT TIMES

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IMA Wealth Unveils an Innovative Retirement Plan Solution for Employers

IMA Wealth announced the launch of **IMA Wealth One Source**, an exciting and innovative retirement plan solution for employers. Built exclusively for IMA Wealth clients, One Source delivers comprehensive and streamlined plan sponsor services, integrated participant communications, and flexible investment options – all at a competitive price. Further, employees can expect an exceptional experience with a dedicated participant call center and online tools and resources.

“Retirement programs consistently rank among the benefits employee’s value most from their employers. In trying to deliver this highly valued benefit, employers consistently encounter challenges including high costs and a lack of in-house expertise required to manage a retirement savings plan,” said Richard Holt, President and Chief Investment Officer of IMA Wealth. “We designed One Source to directly address these challenges by reducing fiduciary liability, easing administrative burden, and reducing plan expenses. Allowing our clients to focus on what’s most important, helping their employees achieve their retirement savings goals.”

With One Source, the majority of administrative and investment responsibilities are delegated to retirement professionals, so employers have more time to focus on their business needs. Key services include:

+ 3(38) Investment Management Fiduciary
+ Alerus’ 3(16) Plan Administrator Fiduciary
+ 360 Payroll Integration services available
+ Dedicated support of a T. Rowe Price Relationship Manager
+ Integrated participant communications and group education

Put our shared experience to work for your business
Contact your IMA Wealth advisor to learn more about how IMA Wealth One Source could benefit your organization.

IMA Wealth One Source Benefits

Cost Efficiency
Benefit from economies of scale

Lower Risk
Investment and administrative fiduciary risks outsourced

Saved Time
Reduced time spent managing the plan

Flexibility
Customized plan design

Why Retirement Plan Sponsors Should Care About Employee Student Loan Debt

According to the U.S. Bureau of Labor Statistics, the costs of obtaining a college education in the U.S. have ballooned relative to overall inflation. Average college tuition and fees have increased by 1200% since 1980, while the Consumer Price Index (CPI) for all items has risen by only 236%.[1] This has placed a tremendous burden on graduates, with national student loan debt now topping a staggering $1.75 trillion.[2] Surprisingly, while grads ages 25 to 34 are most likely to carry educational loans, the greatest amount of debt is owed by 35 to 49-year-olds, making this a problem not limited to just those entering the workforce.[2]

Whether it's through providing holistic financial wellness programming to address this growing issue or offering a more formal, structured student debt repayment benefit, there are compelling reasons plan sponsors should care about the negative effects of student loan debt on their employees and consider taking action.

Impacts on Employees

High loan balances can delay the achievement of important financial milestones such as home ownership (31%), emergency savings (38%), and retirement savings (25%), according to a 2019 Bankrate survey.[3] These delays can have serious downstream effects on other areas of financial wellness. When it comes to planning for retirement, student loan payments can keep employees on the sidelines — missing out on valuable early years of compounding returns.

Student loans are also a significant contributor to worker stress, which can lead to mental and physical health issues as well as absenteeism. According to Kiplinger's 2020 Retirement Survey Sponsored by Personal Capital, respondents aged 40 to 74 reported a number of negative health effects due to financial stress, including increased anxiety (35.9%), sleep loss (27.4%), weight gain or loss (21.6%), depressive thoughts (20.1%) and chronic illness (5.5%).[4]

Mutual Benefits

Providing student loan debt assistance not only benefits the employees, these benefits can also extend to the organizations that employ them. Offering a student loan repayment benefit may help afford employers an opportunity to stand out, attract top talent and boost their bottom line.

Set yourself apart

As this is a relatively uncommon benefit, student loan assistance can help employers differentiate themselves in a tough labor market. It could particularly assist companies struggling to hire in sectors harder hit during the pandemic such as health care, leisure, hospitality, and travel.

Increase productivity

To drive growth, employees must be focused, energized, and engaged; yet many come to work each day stressed about personal financial worries. Money woes can affect productivity at work leading to lost revenue to your organization. Offering a financial wellness solution that helps employees develop financial confidence and remover barriers that prohibit them from reaching their financial goals can positively impact an organization's bottom-line.

Protect your bottom line.

Excessive student loan obligations can siphon off would-be retirement plan contributions and hinder employees' retirement readiness. This could lead to delayed retirement, which can increase both health care and workers' compensation premiums, and result in higher turnover due to "promotion blockage."

Attract the right candidates

Student loan repayment benefits offer a potentially outsized advantage for specific subsets of employers. For example, those with workforces with a large percentage of recent graduates, Millennials, Gen Xers, and employees with post-secondary education (e.g., tech, financial services companies) may want to prioritize offering a student loan benefit.

Why Act Now?

While the legislative fate of SECURE 2.0 and the RISE Act of 2021 could broaden the range of options for plan sponsors, employers should consider focusing on this issue in the near term. Student loans are about to become a much larger problem for employees as the moratorium on student debt repayment is set to expire on August 31, 2022.

Sources:

[1] *The Rising Cost of College in the U.S.*

[2] *Student Loan Debt Statistics: 2022*

[3] *73% of Millennials with Student Loan Debt Have Delayed a Major Milestone as a Result, Bankrate 2019*

[4] *2020 Retirement Survey Sponsored by Personal Capital, Kiplinger's*

Early Withdrawals Can Lead to Tardy Retirements and Problems for Employers: Here's How to Help

Albert Einstein may not be remembered as a finance expert, however he seems to have had a bead on the power of smart investing. When asked what mankind's greatest invention was, he's reputed to have answered "compound interest," describing it as the "eighth wonder of the world." Compounding interest may indeed be one of the most potent forces in the universe, however there's one noteworthy caveat — to leverage its awesome power, investors need to stay in the game.

According to a recent Bankrate survey, many are failing to do just that — more than half of those polled reported they took an early withdrawal from their retirement account. Gen Z were the most likely to tap into their 401(k), with 40% saying they did so during March 2020 or after; another 18% took a withdrawal pre-pandemic. Baby Boomers were the least likely to touch their accounts with just 6% indicating they made their first withdrawal since the pandemic emerged.[1]

When account holders keep money on the sidelines by taking early withdrawals, retirement goals can become elusive — or even impossible to achieve. So how do you convince participants to hold their ground? A strategy that employs a holistic financial wellness offering, optimized messaging and facilitated rollovers can go a long way toward preventing premature cash-outs.

Offer Comprehensive Support

In a study conducted by Kiplinger, nearly one-third of respondents ages 40 to 74 said they took money from their retirement accounts in 2020 due to the CARES Act; another 27% took loans. The withdrawn funds were used mostly for living expenses (63%), however, other reasons included covering medical expenses, home repairs and auto costs, paying college tuition, and helping family members.[2]

Regardless of the need or circumstances, participants should be educated about the consequences associated with early retirement plan withdrawals and develop strategies to avoid them. To that end, a holistic financial wellness offering should include broad-based education around debt and credit management, emergency funds, budgeting, and goal setting. Prudent planning can help employees reduce the need to tap into their nest egg and help keep them on the path toward retirement readiness.

Tailor Participant Messaging

Communications in a multi generational workplace can be more effective when delivered in formats targeted to each age cohort. For example, messaging aimed at Gen Z could be provided through channels they're more likely to engage with — like videos and social media. For Gen X and Millennials, email communications and online resources, respectively, may be more effective. While Baby Boomers may prefer written or face-to-face communications.

Reduce Fund Transfer Friction

Set up your plan to accept roll-in contributions and do what you can to help facilitate them. The easier sponsors make it for employees to transfer funds, the more likely they'll participate consistently over time. Discourage plan leakage by engaging a service provider to offer guidance, education, and support to both newly hired and terminated employees.

Better for Everyone

Helping employees stay on target with their retirement goals by minimizing early withdrawals is a win not only for employees, however for sponsors and the organization as a whole. Happier, healthier, more productive and more financially secure employees boost everyone's bottom line in the end.

Sources:

[1] Bankrate Survey: More than half of American workers say they're behind on retirement savings
[2] 2020 Retirement Survey Sponsored by Personal Capital, Kiplinger's

Fee Litigation with an Odd "Twist"

A recent class action lawsuit against Taylor Corporation highlights an often neglected however important item of fiduciary concern, the responsibilities of the named fiduciaries. The plaintiffs in this case have asserted claims for breach of the fiduciary duties of prudence and failure to monitor fiduciaries. Nothing new so far, however in addition to naming the typical plan fiduciaries as defendants, the lawsuit also targets members of the board of directors, as well as other officers of the firm who serve on the retirement plan's fiduciary investment committee.

The complaint indicates that the "Taylor Corporation, ... is the Plan sponsor, the Plan Administrator (as defined in Section 3(16) of ERISA), and a named fiduciary,"[1] You may be wondering why the board of directors is implicated in this litigation. The reason is the Taylor Company's plan document indicates "the company" is the named fiduciary for the plan. The "named fiduciary" identifies the plan's primary fiduciary (the main decision maker for the company).

In a corporation with a board of directors, where "the company" is identified as the named fiduciary the board is considered to be the main decision-maker on behalf of the company and thus, as a result, the primary fiduciary of the plan per ERISA. Other co-fiduciaries may also be liable for any fiduciary breaches they may be involved with. This is a concept often misunderstood by many plan fiduciaries and members of board of directors.

Fortunately, there is a simple way to offset this liability, if completed prior to a fiduciary breach taking place. The solution is to have the board delegate fiduciary responsibilities to individuals or a committee, as permitted by their plan document. The board should formally delegate responsibilities pursuant to formal board action (may be reflected in board meeting minutes or board resolutions) and adopt a committee charter which identifies the company's intended named fiduciaries. Others can be delegated for specific fiduciary responsibilities as co-fiduciaries who should acknowledge their roles and responsibilities in writing. This simple action helps to insulate the board of directors from liability for day-to-day actions taken by delegates that the board may often not even possess knowledge of. That said, the board still remains the named fiduciary under the plan document, so they have a fiduciary responsibility to monitor their delegates. That can be accomplished as simply as reviewing meeting minutes taken by the delegates during the course of the plan year. As long as no action taken by the delegates seems unusual or not in the best interests of participants the board should be relatively insulated from potential liability.

Sources:
[1] Plaintiffs v Taylor Corporation

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