



# NEWS + INFORMATION for Employers

Current Trends and Projections Edition

Q2 2022

**Employees Want  
Paychecks for Life:  
Pros and Cons of  
Guaranteed Lifetime  
Income**





**How Could  
Inflation Impact  
Corporate  
Retirement  
Plans?**

**Total Rewards  
Programs Key  
to Recruiting &  
Retaining Top  
Talent**



**Larry Kavanaugh, Jr. AIF<sup>®</sup>, CPFA, CLU, ChFC**

Northeast Retirement Plan Advisors  
950-A Union Rd.  
Suite 31  
Buffalo, NY 14224

 [L.Kavanaugh@nebstpa.com](mailto:L.Kavanaugh@nebstpa.com)  
 716.674.6200 x237  
 716.674.7000  
 [www.NEAdvisorsGroup.com](http://www.NEAdvisorsGroup.com)

# Employees Want Paychecks for Life: Pros and Cons of Guaranteed Lifetime Income



Paychecks for Life: What is guaranteed lifetime income? Annuities and similar products may help address retirement income concerns.



#Retirement  
#EmployeeBenefits  
#401k

## Annuities and similar products may help address retirement readiness in an aging workforce

People are living longer, which means they may need their retirement savings to last decades. As a result, nearly half (48%) of participants are concerned about **outliving their retirement savings**.<sup>1</sup> Many Americans don't know how to transform their savings into retirement income.

Guaranteed income offerings can help ease this concern by providing consistent, predictable payments for life. Research shows a majority of 401(k) participants (75%) are “very” or “somewhat” interested in putting some or all of their savings into a **guaranteed income option**.<sup>2</sup>

Employers are on board, too — 4 in 5 believe employees want **guaranteed income products** in their retirement plans.<sup>3</sup> However, with new retirement strategies comes opportunities, uncertainty and risks. Here are some of the benefits and risks of in-plan guaranteed income.

### What is Guaranteed Lifetime Income?

Think of it as a “paycheck for life.” Essentially, it is a retirement income strategy guaranteed every month once a 401(k) participant reaches retirement (generally speaking at 65 years old). These investment solutions are gaining in popularity because they are easy for employees to understand, which helps instill more confidence in their retirement outlook.

### Retirement Income Hurdles

For decades, workplace plans have helped workers save, invest and accumulate as much as possible. Yet, few plans offered a decumulation strategy to provide a steady, predictable flow of retirement income.

<sup>1</sup> Nationwide Retirement Institute. “2021 In-Plan Lifetime Income survey.” Sept. 2021.

<sup>2</sup> Employee Benefit Research Institute. “2021 Retirement Confidence Survey.” June 2021.

<sup>3</sup> Nationwide Retirement Institute. “2021 In-Plan Lifetime Income survey.” Sept. 2021.

Guaranteed income solutions aim to solve three primary participant concerns:

- 1. Running out of money:** The average American retiree could potentially outlive their savings by nearly 10 years.<sup>4</sup> Guaranteed income products help address this risk by delivering a steady, predictable lifetime income stream.
- 2. Reducing or eliminating early withdrawals:** Taxes and penalties alone may not discourage participants from tapping into their retirement savings early. Guaranteed income products may be a deterrent, as pre-retirement withdrawals will notably reduce retirement income.
- 3. Lacking flexibility:** Guaranteed income options can be tailored to an individual's needs, from the type of product to the way they receive payments, who is covered and for how long.

## Key Benefits and Risks

As with any investment solution that has various pros and cons, guaranteed lifetime income is no different.

### Advantages include:

- Potential for increased retirement confidence because participants can more readily project their anticipated retirement income which can help them retire on time.
- Enhancing motivation and desire to save because participants will know their real monthly payouts, which may prompt them to save more proactively to reach their goals.
- It could help reduce employer healthcare costs since older employees may retire earlier and, thus, exit the health insurance plan.
- This strategy may improve your company's competitiveness, boosting recruiting and retention.

### Disadvantages include:

- Each guaranteed income contract is different and the terms need to be clearly understood.
- Contracts may not be ported (moved from one employer to the next).
- Participants must elect guaranteed income far in advance of retirement; this decision typically cannot be reversed.
- Payouts may end when the participant dies.
- Participants may incur additional costs.

## Your Fiduciary Role

The SECURE Act and pending SECURE Act 2.0 were designed to help Americans save for retirement; and while the law and pending update seek to improve our retirement system, it can be hard to decode.

To boil it down, selecting a guaranteed income provider is still considered a fiduciary duty, so this should be done with care and diligence. Contact us for support.

## Lifetime Income Illustrations

Another SECURE Act requirement goes into effect this year; lifetime income illustrations will begin appearing on participant statements. These projections may motivate your employees to save, or they could instill a sense of dread if the illustration paints a bleak picture. Either way, this may prompt some employees to knock on your door and ask questions about the company's retirement plan.

## How We Can Help

If you are curious about guaranteed income options or other ways to enhance your retirement plan, we can help. Whether you need plan assistance or help getting your employees on track toward retirement, we support our clients through every step of the journey.

<sup>4</sup> World Economic Forum. "Investing in (and for) Our Future." June 2019.



# How Could Inflation Impact Corporate Retirement Plans?



It's no secret that inflation is reaching historic levels. It's affecting you as an employer, your employees and their finances. How does it affect retirement savings?



#Inflation #401k  
#Savings

## Increasing prices may put pressure on employers and delay workers from retiring

Inflation is the increase in the general price of goods and services, which can decrease the purchasing power of American workers. So how does this recent upward trend affect your workplace benefits, employees and retirement plan?

### Salaries, Flexibility and Savings

When inflation goes up, the same paycheck doesn't stretch as far. With the increased costs of food & beverage, transportation, housing, apparel, medical care, recreation, education & communication and other goods & services, your employees might not be able to afford the same lifestyle.

To maintain a similar standard of living, your employees may request salary increases and it might be more than the typical 2% raise (year-to-date salary increases have been more than 4%).<sup>1</sup>

Other employers, however, are considering shortening the work week as opposed to a salary increase.<sup>2</sup> Benefits like flexible schedules may be appreciated more than a raise.

Another employee benefit that is gaining interest is the emergency savings account. Sixty percent of employers said they are interested in offering emergency funds and 1 out of 4 employees said they'd consider a job change if a new employer offered this benefit.<sup>3</sup>

### Robbing Peter to Pay Paul

Increased costs may cause your employees to redirect funds designed to be saved for retirement. Whether it is reducing their current retirement deferrals and/or an increase in loan requests, it may be a way to keep up with the rise of inflation.

<sup>1</sup> Kropp, Brian, and Emily Rose McRae. "11 Trends That Will Shape Work in 2022 & Beyond." Harvard Business Review, 13 Jan. 2022.

<sup>2</sup> Kropp, Brian, and Emily Rose McRae. "11 Trends That Will Shape Work in 2022 & Beyond." Harvard Business Review, 13 Jan. 2022.

<sup>3</sup> Dhue, Stephanie. "No Emergency Savings? New Workplace Benefits Aim to Help." CNBC, 7 Jan. 2022.

## Delaying Retirement

Starting this year, all participants will receive a statement that includes a monthly income projection. The income illustration will be based on their retirement savings and lifetime payout assumptions. But what happens when those numbers are much lower than anticipated?

For older employees, they may feel additional savings worries, inflation stress and they could potentially delay their exit from the workforce. It is projected that 79% of older generations will react negatively to their predicted monthly retirement income.<sup>4</sup>

To prepare them, education is key. Emphasize the financial resources that come with your retirement plan, including our services and resources like participant infographics.

## Hedging for Inflation

Companies and workers are likely to feel instability during this time of inflation-driven economic swing and may need extra support.

Here are some helpful solutions for your company's retirement plan:

- Explore portfolio diversification to include investments that may be correlated to inflation<sup>5</sup>
- Consider a financial wellness program that educates employees on topics like inflation
- Get creative with contributions — 70% of workers support a 3% 401(k) contribution over a salary increase<sup>6</sup>
- Stay in close contact with our team to track evolving trends

Here are suggestions for participants of all generations to keep retirement savings on track, despite inflation:

- Utilize budgets for each area of monthly spending
- Prioritize where extra funds are allocated
- Promote healthy savings habits because 9/10 employees believe their workplace retirement plan is one of the most important benefits<sup>7</sup>
- Speak with a financial advisor to review current investments and goals

## On the Horizon

To calm inflation fears, employers can provide financial wellness resources to help employees focus on their long-term financial objectives, which in turn can also improve retention rates and onboarding new hires.

Other benefits to consider include flexible work arrangements, remote work options, additional sick time and/or access to emergency savings so employees can concentrate on the present.

Inflation, unfortunately, is a part of our society and most likely will be a factor for the foreseeable future. Whether it's high or low, a best practice is to continually explore ways of improving and protecting plan assets for your retirement plan and its participants.

## How We Can Help

Employers, contact us to discuss how your plan can meet business goals and motivate employees to save more for retirement.

**Reach out to us today to explore opportunities.**

<sup>4</sup> Cohen, Josh. "Lifetime income illustrations: Preparing for participant reactions." PGIM. Summer 2021.

<sup>5</sup> Chalk, Steff. "Retirement Planning Trends on the Horizon for 2022." 401kTV.com, 15 Dec. 2021.

<sup>6</sup> American Century Investments. "8th Annual Survey of Retirement Plan Participants." 2020.

<sup>7</sup> American Century Investments. "8th Annual Survey of Retirement Plan Participants." 2020.

# Total Rewards Programs Key to Recruiting & Retaining Top Talent



Employers, are you ready to evaluate, adjust and enhance your benefits program to keep up with workforce expectations and engage top talent?



#Benefits #401k  
#Rewards  
#HumanResources  
#Workplace

**Total rewards programs are a vital part of workplace culture, employee performance and securing top talent. Learn how program enhancements can help meet the demands of a changing workplace and workforce.**

Plan sponsors are often faced with a balancing act of what benefits to offer versus what employees actually value the most. To develop the best program, many look to a total rewards approach, which provides a holistic look at compensation plus the “hidden paycheck” of benefits and wellness and/or education programs to empower employees.

## 5 Main Components

The main components of a total rewards program generally include the following:

- **Compensation:** Normally the base pay received by an employee is often the entry point for the overall employment package. This can be the baseline of how an employee sees their worth and value at the company. Compensation, along with regular pay raises, help an organization motivate employees and improve business productivity and effectiveness.

- **Benefits:** The term “benefits” covers a wide range of perks available to employees. Some are considered bedrock benefits, while others fringe. But to boil it down, benefits are essential for recruiting and retention efforts. In fact, nearly 7 out of 10 employees say their benefits package is the reason they stay at their job.<sup>1</sup> Your benefits package should reflect the specific needs of your company and may include some of these most popular options:

Insurance Benefits	Financial Benefits	Paid Time Off
<ul style="list-style-type: none"><li>• Medical insurance</li><li>• Dental/vision insurance</li><li>• Telehealth</li><li>• Mental health support</li></ul>	<ul style="list-style-type: none"><li>• Retirement plan</li><li>• Financial wellness</li><li>• Student loan repayment</li><li>• Emergency savings fund</li></ul>	<ul style="list-style-type: none"><li>• Sick leave</li><li>• Flex/vacation time</li><li>• Parental leave</li></ul>

<sup>1</sup> Ameritas. “What Benefits Do Employees Value Most?” April 2021.

- **Work-life Balance:** The effect of the COVID-19 pandemic on employers and employees was deeply felt, and yet, it highlighted the need for work-life benefits to become flexible and evolve. Several work-life features were ranked as extremely or very important by employees, including flexible work schedules (83%), leave of absence options (83%) and family-friendly work environments (76%).<sup>2</sup> The pandemic caused many employers to revisit and revise their employee benefits last year and expand them to support employees who needed more remote work options, flexibility to care for family members and more ways to protect their physical and mental health. Employer ingenuity to address these needs further shows a commitment to their employees' overall well-being.<sup>3</sup>
- **Learning and Development:** While educational training sessions can take employees away from their primary work, the intellectual capital gained from the practice are plentiful. Not only can these sessions contribute to employee morale and knowledge, but they also help to enhance efficiencies in one's job, which can result in improvements to the company's bottom line.
- **Performance and Recognition:** Appreciation of employees' actions can be monetary but also go beyond their paychecks. Recognition can increase employee self-worth and productivity, while it also highlights their value within a team as well as the company.

## Total Rewards in 4 Steps

There are four primary steps to develop and maintain a total rewards program according to SHRM, the human resources non-profit:<sup>4</sup>

1. Assessment of current benefits and compensation system to determine program effectiveness can involve surveying employees to gain opinions on pay, benefits and opportunities for growth and development, as well as examining current policies and practices. A summary of recommendations and solutions should be the desired outcome.
2. The design of the total rewards program should involve senior management to identify and analyze various reward strategies, while determining what would work best in their workplace.
3. HR departments implement and execute a rewards system. Employee communication and training is also necessary to measure relevant variables.
4. Total rewards program effectiveness must be regularly evaluated with the results communicated to company decision makers. Based on these reviews, modifications can be proposed and implemented.

## Build It and They Will Come

Total rewards programs are critical for the workplace culture, employee performance and overall recruiting of top talent. And, as the workforce changes or becomes even more competitive, it's important to evaluate, adjust and enhance your employee benefit package to remain competitive and continue to recruit and engage top talent.

This is where we can help. We are dedicated to helping our clients develop benefit plans that fit the needs of the business owner, focus on company goals and help employees feel confident in their financial future.

<sup>2</sup> Miller, Stephen. "SHRM Benefits Survey Finds Renewed Focus on Employee Well-Being." SHRM.org. Sept. 2021.

<sup>3</sup> Miller, Stephen. "SHRM Benefits Survey Finds Renewed Focus on Employee Well-Being." SHRM.org. Sept. 2021.

<sup>4</sup> SHRM.org. "What are total rewards strategies? Can you give me some idea on how to develop a total rewards strategy?" 2022.

## ABOUT US

Northeast Retirement Plan Advisors is dedicated to providing fiduciary advice to employer sponsored retirement plans all across upstate New York.

Our dedicated staff is knowledgeable and experienced in helping employers establish a prudent fiduciary process. We invest in smart, modern technology that allows us to work together and document a consistent process for future reference. This allows us to start with a well-written Investment Policy Statement (IPS); follow the IPS, and the selection and monitoring of plan investments, and then document the process to create a permanent record.


Finally, we focus our attention and efforts providing your employees the opportunity to save enough money to actually retire.



**Larry Kavanaugh, Jr. AIF<sup>®</sup>, CPFA, CLU, ChFC**

Northeast Retirement Plan Advisors  
950-A Union Rd.  
Suite 31  
Buffalo, NY 14224

 [L.Kavanaugh@nebstpa.com](mailto:L.Kavanaugh@nebstpa.com)

 716.674.6200 x237

 716.674.7000

 [www.NEAdvisorsGroup.com](http://www.NEAdvisorsGroup.com)

Securities and advisory services offered through LPL Financial a registered investment advisor, Member FINRA/SIPC.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance on your specific situation.

© 401(k) Marketing, LLC. All rights reserved. Proprietary and confidential. Do not copy or distribute outside original intent.