



# Retirement Times

July 2018



## Exchange Your Old Retirement Solutions for New Ones

*Jonathan Coombs, Investment Analyst*

### What is an Exchange?

An exchange is a turnkey solution for businesses that allows you to provide the benefit of a retirement plan while offloading much of the administrative and fiduciary responsibilities at a potential cost reduction. A team of professionals work together on your behalf so you can focus on running your business, not your retirement plan.

### Retirement Readiness

An exchange is a great way to help your employees reach retirement readiness by providing them with a savings

vehicle like a 401(k) plan, but with less administrative burden and by transferring certain risks.

### Fiduciary Risk Mitigation

The fiduciary has a legal obligation to carry out its plan responsibilities with prudence, good faith, honesty, integrity, service and undivided loyalty to beneficiary interests – in this case, retirement plan participants. When joining an exchange, a fair amount of fiduciary responsibility is taken off your hands.

### Administrative Relief

Employers oftentimes don't have the resources to effectively manage the complex requirement of administering a qualified retirement plan. With an exchange all plan administrative duties can be outsourced – a benefit typically only available to very large companies.

### Cost Effectiveness

There's strength in numbers. By teaming up with other businesses in an exchange, you can benefit from economies of scale and seamless processing that help reduce the costs associated with operating and maintaining a retirement plan.

For more information on exchanges, please contact your plan advisor.

### About the Author, Jonathan Coombs



*Jonathan provides guidance to plan sponsors across the country on retirement best practices regarding fee benchmarking, investment analysis, plan design, fiduciary compliance and participant outcomes. As an asset allocation specialist, Jonathan project manages key business development initiatives in the custom solution arena. He also serves as a fixed income analyst. Jonathan attended The Julliard School, where he obtained a Bachelor of Science in music and a Master of Music.*



### Tips for Preventing Uncashed Retirement Checks

Managing uncashed retirement checks may be considered a nuisance by plan administrators. Nevertheless, the employer still has fiduciary responsibility when a former employee fails to cash their distribution. Search efforts to locate a missing plan participant consume time and money and may fail to locate the participant. Likewise, going through the process of turning over dormant accounts to the state can also consume time and resources.

Decrease the burden of uncashed checks by:

1. Discussing with terminating employees during the exit interview the options for their retirement plan. Employees may forget they have a company-sponsored retirement plan, or don't know how to manage it.
2. Reminding departing employees that they can roll over their retirement assets into their new employer's plan. Your plan's service provider or the new employer can

answer questions the former employee may have about the rollover process.

3. Letting employees with an account balance of \$1,000 or less know they should expect to receive a check in the mail after a certain amount of time.
4. Having the employee verify their current address to where the check can be sent.

Remember, fiduciary responsibility and liability extends to terminated employees with assets in the plan. This responsibility includes delivery of all required distributions and all fiduciary prudence responsibilities. Stay in touch with this important group.

# Hey Joel!



## Hey Joel! – Answers from a recovering former practicing ERISA attorney

Welcome to *Hey Joe!* This forum answers plan sponsor questions from all over the country by our in-house former practicing ERISA attorney.

### Hey Joel, When does the five-year clock start for Roth withdrawals?

- *Tick Tock in Tennessee*

Dear Tick,

For most investors, it's important to know that there is a five-year waiting period for tax-free withdrawals of earnings, and it is applied differently, depending on if you made Roth IRA contributions, converted a traditional IRA to a Roth, rolled over Roth 401(k) assets or inherited the Roth account.

The five-year clock starts with your first contribution to any Roth IRA—not necessarily the one from which you are withdrawing funds. The clock rule also applies to conversions from a traditional IRA to a Roth IRA. (Rollovers from one Roth IRA to another do not reset the five-year clock.) Once you satisfy the five-year requirement for a single Roth IRA, you're done. Any subsequent Roth IRA is considered held for five years.

If you have a Roth 401(k), those have their own clock (Treasury Regulation 1.402A-1, Q&A-4(b)). If you open a new 401(k) with a new employer, that Roth 401(k) has its own clock. If you move an older 401(k) to a newer 401(k) with a new employer, the old clock is the one that counts. In other words, I would keep the Roth money from a 401(k) plan separate from other ROTH IRAs to avoid issues over whether the five-year clock has expired.

The Count,

*Joel Shapiro*

#### About Joel Shapiro, JD, LLM



As a former practicing ERISA attorney Joel works to ensure that plan sponsors stay fully informed on all legislative and regulatory matters. Joel earned his Bachelor of Arts from Tufts University and his Juris Doctor from Washington College of Law at the American University.

*If you have a question for Joel, please send it to your plan advisor. It may be featured in a future issue!*

## Participant Corner: Good Health is the Best Wealth

This month's employee memo encourages employees to make small lifestyle changes to reduce their out-of-pocket health costs. The memo shows the difference in savings between an average-managed patient and a well-managed patient. Download the memo from your Fiduciary Briefcase at [fiduciarybriefcase.com](http://fiduciarybriefcase.com). Please see an excerpt below.



Believe it or not, staying healthy just might make you wealthy. With small lifestyle changes and healthy choices, you may reduce your annual healthcare costs and increase your income. These lifestyle changes can be as simple as limiting your salt intake or taking your prescribed medication regularly.

For example:

 <p><b>Alisha</b> <i>The average managed patient</i></p> <ul style="list-style-type: none"> <li>• Blood pressure of 150/95</li> <li>• Sometimes forgets medications</li> <li>• Sometimes doesn't follow her suggested diet</li> <li>• Occasional smoker and drinker</li> </ul>	 <p><b>Jasmine</b> <i>The well managed patient</i></p> <ul style="list-style-type: none"> <li>• Takes prescribed medication</li> <li>• Exercises 30 minutes/day, 5 days/week</li> <li>• Moderate alcohol intake</li> <li>• Chooses healthy fats</li> <li>• Limits dietary salt</li> <li>• Quit smoking</li> </ul>
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*For purpose of the case study, Alisha and Jasmine are compared in two levels of care: average managed (loosely follows physician recommendations) and well managed (fully complies with physician recommendations).*

Alisha and Jasmine are both 45 years old and both sought medical treatment for high blood pressure. Alisha doesn't follow the lifestyle changes her doctor suggested, whereas Jasmine diligently follows her doctor's recommendations. With Jasmine's small changes she saves more than \$1,000 in out-of-pocket healthcare costs. Additionally, Jasmine's combined pre-retirement and in-retirement savings will be \$89,456 more than Alisha, as shown in the table below.

### Annual Out-of-Pocket Healthcare Costs:

	Alisha	Jasmine	Jasmine's Savings in Health Expenditures
Age 45	\$2,477	\$1,286	\$1,192
Age 64	\$13,936	\$7,343	\$6,592
Total Pre-Retirement	\$138,288	\$72,591	\$65,697
Total In Retirement	\$51,790	\$28,031	\$23,759
<b>Grand Total</b>	<b>\$190,078</b>	<b>\$100,622</b>	<b>\$89,456</b>

*For illustrative purposes only.*

*The hypothetical case study results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments. No representation is made as to the accurateness of the analysis.*

To remove yourself from this list, or to add a colleague, please email us at [info@partnerswealth.com](mailto:info@partnerswealth.com) or call 630-778-8088.

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# Good Health is the Best Wealth

Believe it or not, staying healthy just might make you wealthy. With small lifestyle changes and healthy choices, you may reduce your annual healthcare costs and increase your income. These lifestyle changes can be as simple as limiting your salt intake or taking your prescribed medication regularly.

By adopting healthy habits you can mitigate future healthcare costs. Data from HealthyCapital reveals that by simply making a few minor changes to daily routines, and reducing the risk factors leading to chronic disease, individuals could potentially add years to their lives and save thousands of dollars in lifetime medical expenses.

**For example:**



**Alisha**  
*The average managed patient*

- Blood pressure of 150/95
- Sometimes forgets medications
- Sometimes doesn't follow her suggested diet
- Occasional smoker and drinker



**Jasmine**  
*The well managed patient*

- Takes prescribed medication
- Exercises 30 minutes/day, 5 days/week
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**If you have questions or seek assistance, please call our plan's advisor at (630) 778-8088 or email at [karl@partnerswealth.com](mailto:karl@partnerswealth.com).**

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