



Fiduciary Pension Partners

Plan Sponsors Can Help Social Security Early Birds Build Their Retirement Nest Egg



A recent Schroders report survey stated that Two-fifths of pre-retirees plan to start taking Social Security benefits before they reach full retirement age. And just 10% intend to wait until age 70 in order to qualify for maximum payments. Nearly half of the participants cite fears about the future solvency of Social Security, and 72% say they plan on receiving benefits early despite knowing it will lower their monthly disbursements. But

it's unclear to what extent they understand how the payment reductions may impact their overall retirement readiness.

Reduced Social Security benefits put more pressure on 401(k)s and personal savings to meet financial needs during retirement. Sponsors can assist by helping employees plan ahead and tailor their strategies with an early benefits election in mind.

- Auto-enrollment into plans with a higher initial deferral contribution rate and auto-escalation may help boost retirement account balances to help compensate for decreased Social Security income, especially when accompanied by a higher employer match.
- Robust financial wellness programming can help participants better understand Social Security, including the financial consequences of claiming early benefits and the potential impact of the Social Security earnings test should they continue working after benefits kick in.
- Providing a broader and more holistic perspective on retirement planning, including health care costs and lifestyle considerations, can empower workers to make more informed decisions regarding their Social Security benefits.
- Employers can also encourage the utilization of planning resources, including online calculators to project their retirement income. Participants may need to increase contribution rates or reevaluate the timing of 401(k) distributions to make up for potential income gaps and maintain long-term financial stability.
- Engagement with individual and group advisory services can help workers more accurately forecast income from various sources and evaluate the impact of their decision regarding the timing of filing for



Social Security benefits.

- For employees aged 50 and over, the IRS allows for catch-up contributions to retirement plans. Plan sponsors can emphasize the importance of these contributions, especially for those who aren't planning to max out their monthly Social Security benefits, and encourage eligible participants to take advantage of this provision.

Retirement doesn't bring an end to financial decision-making. Employers may choose to assist by offering continued access to financial advisory services even after employees separate from the organization. While there's additional fiduciary liability associated with continuing to support retirees that should be considered, it can help workers make more informed choices in the distribution phase. With the right tools and guidance, Social Security early birds can still build enough wealth to comfortably feather their nest in retirement.

Sources

https://mybrand.schroders.com/m/46d9adc913fa6d8b/original/Schroders_2023_US_Retirement_Income_Survey_Rpt_FINAL.pdf

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