



# Retirement Plan Perspectives

Insights for Your Plan and Employees



## Following the Money Trail

### Helping Employees Optimize Social Security Benefits

According to [a recent survey by AARP](#), the average age of people who started taking social security retirement benefits in 2022 was about 65. In addition, nearly one-fourth of claimants were 62, the earliest age of eligibility (also the age at which you get the lowest monthly payment). Only 10 percent were at least 70, the age at which you can receive your highest monthly payment.

Other recent research, from the Schwartz Center for Economic Policy, found that [delayed claiming of social security](#) benefits can be a valuable way for defined contribution plan participants to generate lifetime income. The Schwartz report noted that if a hypothetical retiree was born in 1960 and filed for social security in 2022 at age 62, they would receive a \$1,400 monthly benefit. The same person would receive a \$2,000 monthly benefit if they waited until age 67 (their full retirement age), and a \$2,480 benefit if they waited until age 70.

### Show Them the Money

Over the past few years, there has been a lot of attention given to in-plan annuity products and other types of guaranteed lifetime income solutions. Although they may have potential, given the needs of your employees, you may want to first consider offering tools or resources to help employees maximize their social security benefits. Some tools that can aid in this process include:

**Make educational resources available.** Retirement plan sponsors can provide educational resources, workshops, or seminars to help employees understand the complexities of social security and make informed decisions. Topics should focus on things like benefit trade-offs at age 62 through age 70, life expectancy at various retirement ages, spousal benefits, survivor benefits, and the impact of working during retirement. Another topic to focus on is the future of [social security trust funds](#). Employees should understand that, though some changes may be needed, the benefit will not go away.

**Strongly encourage employees to create a social security account.** Plan sponsors should consider continually messaging employees about how to set up an account on [ssa.gov](#) and the advantages of doing so (versus waiting until they're just a few years from retirement). The sooner they create an account, the sooner they can begin reviewing the accuracy of their earnings history each year, seeing their projected monthly payouts at various ages, and have access to other tools and resources. Messaging could be added to quarterly statements, newsletters, or other regular communications.



Chartered Wealth  
248 Main Street, Suite 101  
Reading, MA 01867  
888.801.1112 | [www.charteredwealth.com](http://www.charteredwealth.com)

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**Provide social security benefit calculators.** Online calculators can help individuals estimate their projected social security benefits based on various factors. These tools often consider variables such as retirement age, earnings history, and spousal benefits. You can work with your plan recordkeeper to make this available.

**Provide claiming-strategy software.** Specialized software can analyze different claiming strategies to determine the most advantageous time for an individual to start receiving social security benefits. These tools often consider factors such as life expectancy and the impact of delayed retirement. You can work with your plan recordkeeper to evaluate this as a potential resource for employees.

**Provide access to consultation services.** Offering access to financial advisors or consultants who specialize in retirement planning, including social security optimization, can be valuable. Employees may benefit from personalized advice based on their unique financial situations.

Of course, some employees will need to take social security benefits early for a variety of personal reasons. No matter what the situation may be, clear communication and education about social security optimization can empower employees to make informed decisions about their retirement benefits.

"Claiming Social Security: Lack of Knowledge Could be Costly in Retirement" (AARP Survey, November 2023)

"How to Encourage Collecting Social Security at 70" (plansponsor.com, December 1, 2023)



## Handle with Care

### Understanding the Challenges and Needs of Employee Caregivers

According to Bank of America's [2024 Workplace Benefits Report](#), 52 percent of the workforce identifies as caregivers. Employees balancing their job duties with the demanding responsibilities of caring for a family member face several significant challenges. These challenges can affect their work performance, career progression, financial wellness, and retirement confidence. Key challenges include:

**Time management.** Balancing work hours with caregiving duties can lead to stress and exhaustion. In addition, unpredictable caregiving schedules can lead to absenteeism or reduced work hours.

**Career impact.** Caregivers may have to take leaves of absence, work part-time, or accept lower-paying jobs to accommodate caregiving responsibilities. Career progression can be hindered due to less availability for training, networking, and advancement opportunities.

**Financial stress.** The direct costs of caregiving (e.g., medical bills and special equipment), combined with reduced income, can lead to significant financial stress. Many caregivers dip into their savings or take on debt to manage expenses, jeopardizing their financial stability and retirement savings.

**Health issues.** The physical and emotional toll of caregiving can cause health problems, increasing personal health care costs and reducing work productivity.

### Taking Care of the Caregivers

To help support employee caregivers, employers may want to consider offering the following:

- Flexible scheduling, remote work, and part-time options
- Leave of absence or sick days to give care to family members
- Legal services, health savings accounts, and flexible spending accounts
- Employee assistance programs, such as counseling or support groups
- Automatic retirement plan enrollment and escalation, with a competitive employer match
- Targeted financial education on topics such as building an emergency fund, managing credit card debt, balancing expense management with retirement planning, and estate-planning basics

The survey notes that some workers are uncomfortable self-identifying as caregivers. Top reasons include a perception they aren't committed to doing their job (47 percent); are concerned their manager or coworkers will treat them differently (26 percent); and fear they will be passed over for a promotion or opportunity (22 percent). Employers are encouraged to provide training to facilitate a culture of support for caregivers in the workplace and to help diminish the stigma around caregiving.

Bank of America's [2024 Workplace Benefits Report](#)

AARP: ["How Caregiving Affects Your Workforce"](#)



## Web Resources for Plan Sponsors

- Internal Revenue Service, Employee Retirement Plans: [irs.gov/ep](https://irs.gov/ep)
- U.S. Department of Labor, Employee Benefits Security Administration: [dol.gov/ebsa](https://dol.gov/ebsa)
- 401(k) Help Center: [401khelpcenter.com](https://401khelpcenter.com)
- PLANSPONSOR Magazine: [plansponsor.com](https://plansponsor.com)
- BenefitsLink: [benefitslink.com](https://benefitslink.com)
- Plan Sponsor Council of America: [psca.org](https://psca.org)
- Employee Benefit Research Institute: [ebri.org](https://ebri.org)



## Pension Plan Limitations for 2024

- |  |           |
|--|-----------|
| • 401(k) maximum elective deferral             | \$23,000* |
| • Defined contribution maximum annual addition | \$69,000  |
| • Highly compensated employee threshold        | \$155,000 |
| • Annual compensation limit                    | \$345,000 |

(\*\$30,500 for those age 50 or older, if plan permits)



## Plan Sponsors Ask . . .

**Q** Based on employee feedback, our plan committee is considering adding lifetime income options to our plan in 2025. Do you have advice on how to evaluate the pros and cons of available options and assess the fiduciary responsibilities and risks involved?

Lifetime income options come in a variety of flavors. Some simply provide guidance to participants in drawing down their balances, whereas others provide guarantees backed by state-licensed life insurance companies. Different options require different levels of participant engagement. Check out Groom Law Group's recent white paper, "[Is Your DC Plan Retirement Ready? Helping Participants Get to and Through Retirement](#)," which includes a comprehensive section on lifetime income options that summarizes the types of products currently offered, the varying features and benefits, and fiduciary and other considerations.

**Q** Our plan advisor has kept us informed and updated on mandatory and optional SECURE 2.0 provisions, along with the timing of each. How are other plan sponsors faring?

Given that it's the largest retirement legislation in history (with more than 90 provisions), it's not surprising many plan sponsors continue to need support and guidance regarding SECURE 2.0. According to a [recent edition of UBS Workplace Voice](#), fewer than half of employers know which provisions are mandatory versus optional. In addition, UBS found that 52 percent of employers did not understand the timeline of when certain provisions would take effect. To review the key provisions and their timing, check out T. Rowe Price's "[SECURE 2.0: What Plan Sponsors Need to Know](#)." Here's one provision that goes into effect in 2025: plans must be ready to accept deferrals from part-time employees with at least 500 hours of service in two consecutive years.

**Q Following a recent educational campaign, employee uptake of the Roth contribution option in our workplace retirement plan increased to more than 20 percent. How does this compare with the industry average?**

According to Vanguard's "[How America Saves 2024](#)," 82 percent of employers offer a Roth 401(k) option in addition to a traditional 401(k) option. Only 17 percent of employees contribute to a Roth, however. Although offering a Roth option in your workplace retirement plan makes great sense, employees may not take advantage of it without a little nudge. Implementing an education campaign that focuses on Roth versus traditional options is a terrific way to promote awareness and give your employees an informed choice.



## Plan Sponsor's Quarterly Calendar

### January

- Send payroll and employee census data to the plan's recordkeeper for plan year-end testing (calendar-year plans).
- Audit fourth-quarter payroll and plan deposit dates to ensure compliance with the DOL's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between October 1 and December 31 received and returned an enrollment form; follow up on forms that were not returned.

### February

- Update the plan's ERISA fidelity bond coverage to reflect the plan's assets as of December 31 (calendar-year plans). (Remember that if the plan holds employer stock, bond coverage is higher than for non-stock plans.)
- Issue a reminder memo or email to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Review and revise the roster of all plan fiduciaries and confirm each individual's responsibilities and duties to the plan in writing; ensure that each fiduciary understands their obligations to the plan.
- Provide quarterly benefit/disclosure statement and statement of plan fees and expenses actually charged to individual plan accounts during the prior quarter, within 45 days of the end of the previous quarter.

### March

- Begin planning for the timely completion and submission of the plan's Form 5500 and, if required, a plan audit (calendar-year plans). Consider, if appropriate, the DOL's small plan audit waiver requirements.
- Review all outstanding participant plan loans to determine if there are any delinquent payments. Also, confirm that each loan's repayment period and the amount borrowed comply with legal limits.
- Check bulletin boards and display racks to ensure that posters and other plan materials are conspicuously posted and readily available to employees, and that information is complete and current.

Consult your plan's financial, legal, or tax advisor regarding these and other items that may apply to your plan.

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