ULRICH
Investment Consultants

The Need for Retirement Planning is Urgent
June, 2018

Are you providing the right type of education for your participants?

While plans are required to provide participants with information about investments, we find that most are not providing specific information and training on retirement planning. Participant education is often primarily focused on investment returns and expenses. While these factors are significant, the far more important determinant of secure retirement is determining the amount of savings needed to fund expenses and the length of time one will need it.

We believe that plan sponsors should work with their vendors to ensure educational materials and meetings are customized to meet the needs of specific age groups. For example, a younger participant is likely to have a different need for guidance compared to a participant who is within a few years of retirement. Decisions about how distributions will occur play a critical role for older participants' retirement outcomes. Since most plans tend to guide participants towards lump-sum distributions, intentionally or unintentionally, it is important that participants have knowledge about all options available to them prior to retirement. This way, participants can readily turn their account balances into the type of income stream that best meets their individual financial needs. In addition, plan sponsors should consider allowing retirees to remain plan participants. Many cases allowing this option have produced significant benefits, not only for plan participants, but also for plan sponsors. We believe that effective decision-making and improving financial security is especially important for employees nearing retirement.

Some of the strategies and options we have helped our clients and their participants develop include:

- periodic partial withdrawals,
- partial annuitization,
- monthly/quarterly installment payments, and
- other flexible distribution strategies.

As part of our service, we assist plan sponsors to develop effective participant training. The following article published by PlanSponsor.com highlights the need to prepare participants for retirement.

If you have additional questions or would like more information please feel free to contact us at (505) 224-9100.

John Ulrich
June 2018

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Take aim.

DATA AND RESEARCH April 9, 2018

The Need to Prepare Baby Boomers for Retirement Is Urgent

The Insured Retirement Institute found 42% of Baby Boomers have no retirement savings, and industry sources say longevity and long-term care expenses are often not considered when Baby Boomers plan for retirement.

By Rebecca Moore

Baby Boomers are in large measure unprepared for retirement, having failed both to plan adequately and save enough, according to a study released by the Insured Retirement Institute (IRI), in conjunction with National Retirement Planning Week.

According to the study, 42% of Baby Boomers have no retirement savings. Among Boomers who do have retirement savings, 38% have less than $100,000 saved for retirement. Further, only 38% have calculated the amount they will need to retire. However, 79% of boomers who work with financial professionals have at least $100,000 saved for retirement.

During a media call, Tim Seifert, vice president and head of Annuity Sales at Lincoln Financial Group, said clients come in with two questions: “Do I have enough saved, and will it last for my lifetime?” This is a universal problem, he says, whether the client is a factory worker or factory owner, and the challenge Americans will continue to face is how to know if they are prepared to be financially secure in retirement.

The number one rule is to understand longevity—what Seifert calls the 73/47 rule. For a husband and wife age 65 today, there is a 73% chance that one will be alive at age 90 and a 47% chance one will be alive at age 95. “Savings needs to last 30 to 35 years, and only 18% can depend on pensions,” Seifert said. “A good retirement plan will always include a strong income strategy.”

The IRI study found 46% of Baby Boomers expect they will need $45,000 (in current dollars) or more in annual retirement income. Assuming the current average Social Security benefit of $16,848, an individual would need to generate at least $28,152 in additional annual income from a combination of pension benefits and retirement savings. At current rates, a life annuity paying $28,152 in annual guaranteed lifetime income would cost approximately $430,000, far more than most Boomers have saved.

Seven in 10 Boomers say it is very important for retirement income to be guaranteed for life, yet only 14% plan to purchase an annuity with a portion of their 401(k) or IRA, and only 3% have done so. However, 84% of Boomers with financial advisers have had income from an annuity included in their financial plan by their adviser (43%), or their adviser has discussed using annuities for retirement income with them (41%).

Only 25% of boomers believe that they will have enough money in retirement, and only 28% believe they are doing (or did) a good job financially preparing for retirement. While a growing number (25%, up from 20% in 2017) plan to retire earlier than age 65, 29% expect to work past age 70.

Baby Boomers began reaching age 65 in 2011—26 million have so far and another 50 million will turn 65 over the next 10 years, Cathy Weatherford, president and CEO of the IRI, pointed out in the media call. “There is still some time, and with effort, we can help millions become better prepared for retirement.”

Changes to Social Security that may reduce their income (76%) and health care expenses (69%) are the top two concerns of Boomers regarding their later retirement years, according to the IRI study.

Bill Nash, VP, MoneyGuard Distribution, Lincoln Financial Group, said during the media call that it is impossible to have a retirement planning discussion without having a discussion about the effect of long-term care needs in retirement. Only 29% of survey respondents believe they will have enough for health care expenses in retirement, and only 19% believe they will have enough for long-term care expenses. Nash pointed out that the average cost of nursing home care is more than $100,000 a year, and for a home health care nurse, the average is $47,000 a year.

"Family and friends have the best intention to be caregivers, but many do not have financial or emotional resources," Nash said. "Only 14% of clients are having a conversation with family, mostly due to a lack of education and awareness. People severely underestimate the cost and many feel they won't need long-term care, and there is a lack of awareness about what Medicare or Medicaid will pay."

Nash said the conversation can be started by asking, "What is your plan for long-term care," "How will long-term care affect your family," "How will the expense affect your family," "What kind of care do you want," and "If you were to need care and are unable to make decisions, other than your spouse, who would you want to make those decisions?"

Brandon Buckingham, vice president and national director of Advanced Planning at Prudential Financial, pointed out that more Americans today have to rely on personal savings for retirement income than in the past. "A retirement income plan is more than just taking out money from defined contribution plans as needed; it will likely require a combination of investments, strategies and products. It will involve making informed decisions such as when to take Social Security, understanding health care costs and what Medicare costs and covers, and knowing how to structure decumulation to address inflation risk, longevity risk and market risk."

Weatherford noted that the theme of this year's National Retirement Planning Week is "Rethink Retirement." She said it is important for Americans to have a plan, save as much as they can and seek the help of retirement professionals to make sure they are using all possible resources to prepare for a comfortable retirement.

IRI's survey report is here.

Tagged: Retirement Income, Retirement Readiness

Source: PLANSPONSOR.COM

Taft Hartley
Quarterly Review

March 31, 2018

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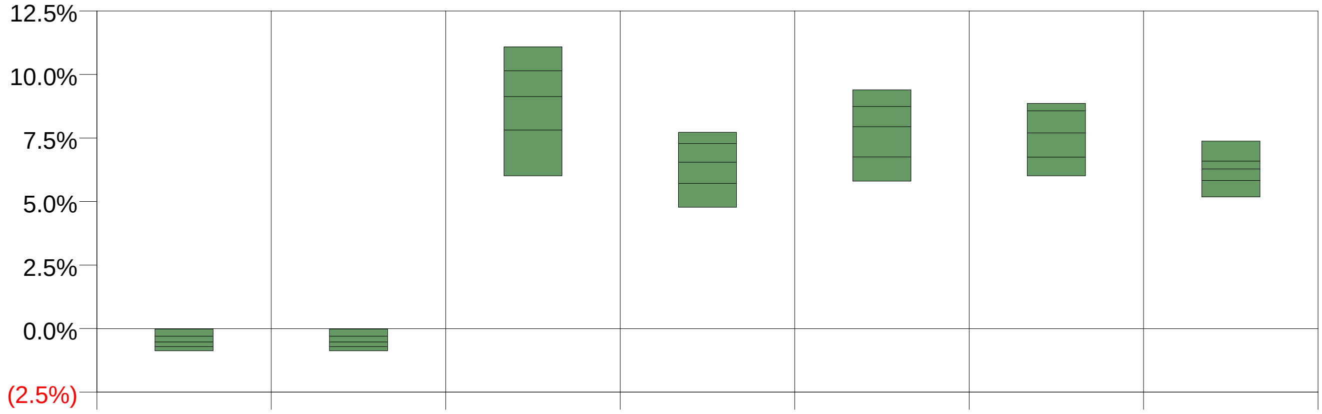
Peer Group Performance Comparisons: Small Taft Hartley Database (<$100m)

Returns for Periods Ended March 31, 2018
Group: Callan Taft Hart Fd Spr Small DB (<100M)



	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	0.0	0.0	11.1	7.7	9.4	8.9	7.4
25th Percentile	(0.3)	(0.3)	10.1	7.3	8.7	8.6	6.6
Median	**(0.5)**	**(0.5)**	**9.1**	**6.5**	**7.9**	**7.7**	**6.3**
75th Percentile	(0.7)	(0.7)	7.8	5.7	6.8	6.8	5.8
90th Percentile	(0.9)	(0.9)	6.0	4.8	5.8	6.0	5.2
Plan Count	76	76	73	73	63	61	59

Source: Callan Associates

The Floating Bar chart analyzes data in both a graphical and numerical format. The top part of the chart shows floating bars, which represent the distribution of the Callan Associates' Small Taft Hartley Database over multiple time periods. These plans have less than $100 Mil in assets.

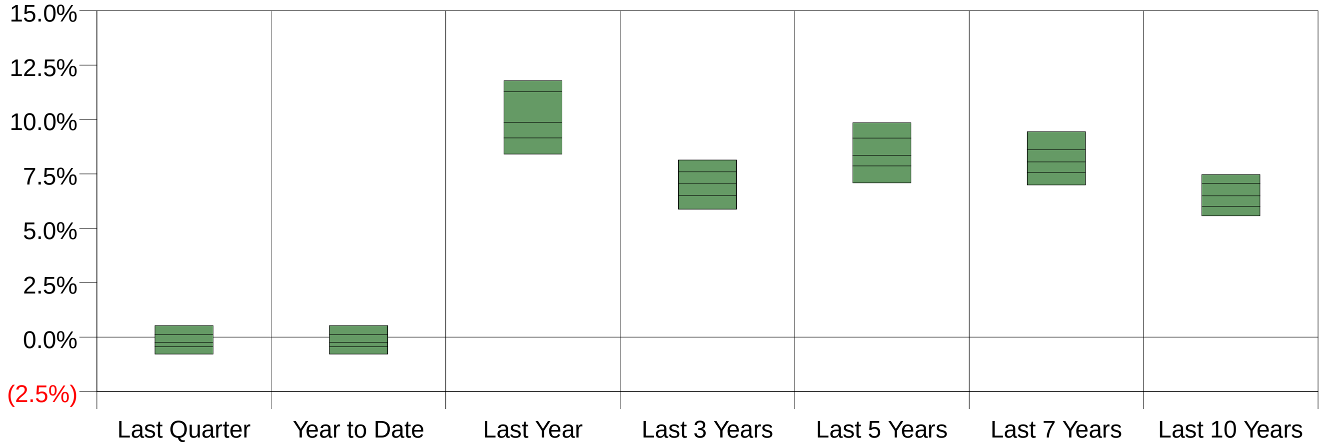
The bars represent the range of returns for all funds included in the database. The Plan Count is the number of Plans included for the specific time period. The table at the bottom of the chart displays the same data in numerical format.

The median return may be useful in comparing the returns of other Small Defined Benefit plans to the Callan Database of returns. ***Please be aware that the returns will vary significantly based on the specific asset allocation and risk tolerance of the Plan. The average asset allocation of the Small Taft Hartley database would generally be considered Moderately Aggressive. As of the most recent period, they had an average allocation to equity of 50%***

As of 3/31/2018, the Small Taft Hartley Database is comprised of 117 Defined Benefit Plans representing $3.5 Bil in assets. The average plan size was $46.9 Mil and the median plan size was $47.8 Mil.

Peer Group Performance Comparisons: Mid Taft Hartley Database ($100m-$1B)

Returns for Periods Ended March 31, 2018
Group: Callan Taft Hart Fund Spr Mid (100M-1B)



	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	0.5	0.5	11.8	8.1	9.9	9.4	7.5
25th Percentile	0.1	0.1	11.3	7.6	9.2	8.6	7.1
Median	**(0.2)**	**(0.2)**	**9.9**	**7.1**	**8.4**	**8.1**	**6.5**
75th Percentile	(0.4)	(0.4)	9.2	6.5	7.9	7.6	6.0
90th Percentile	(0.8)	(0.8)	8.4	5.9	7.1	7.0	5.6
Plan Count	78	78	76	75	75	75	73

Source: Callan Associates

The Floating Bar chart analyzes data in both a graphical and numerical format. The top part of the chart shows floating bars, which represent the distribution of the Callan Associates' Mid sized Taft Hartley Database over multiple time periods. These plans have more than $100 Mil but less than $1 Bil in assets.

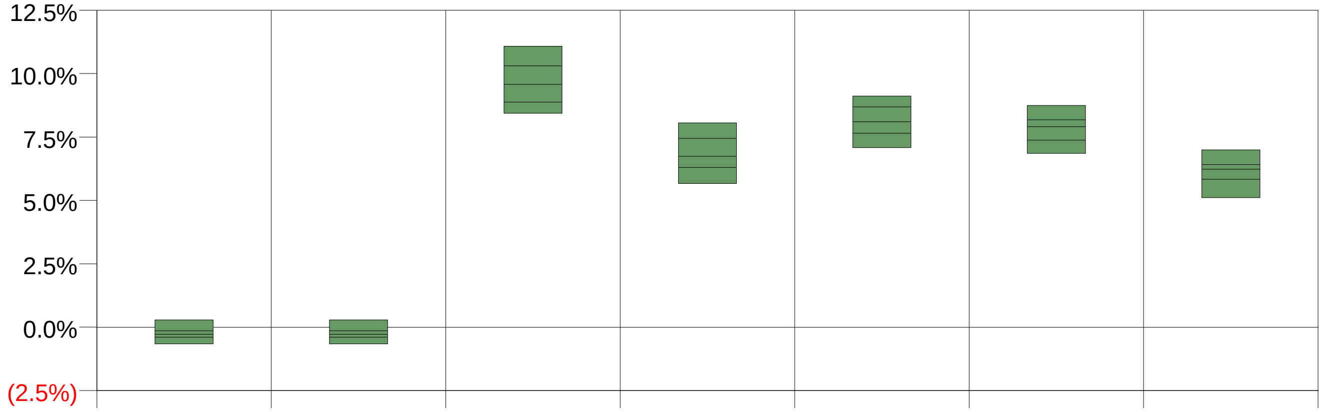
The bars represent the range of returns for all funds included in the database. The Plan Count is the number of Plans included for the specific time period. The table at the bottom of the chart displays the same data in numerical format.

The median return may be useful in comparing the returns of other Mid sized Defined Benefit plans to the Callan Database of returns. ***Please be aware that the returns will vary significantly based on the specific asset allocation and risk tolerance of the Plan. The average asset allocation of the Mid sized Taft Hartley database would generally be considered Moderately Aggressive. As of the most recent period, they had an average allocation to equity of 48%.***

As of 3/31/2018, the MId Taft Hartley Database is comprised of 106 Defined Benefit Plans representing $23.5 Bil in assets. The average plan size was $301.5 Mil and the median plan size was $234.8 Mil.

Peer Group Performance Comparisons: Large Taft Hartley Database (>$1B)

Returns for Periods Ended March 31, 2018
Group: Callan Taft Hart Fund Spr - Large (>1B)



	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	0.3	0.3	11.1	8.1	9.1	8.8	7.0
25th Percentile	(0.1)	(0.1)	10.3	7.4	8.7	8.2	6.4
Median	**(0.3)**	**(0.3)**	**9.6**	**6.7**	**8.1**	**7.9**	**6.2**
75th Percentile	(0.4)	(0.4)	8.9	6.3	7.7	7.4	5.8
90th Percentile	(0.7)	(0.7)	8.4	5.7	7.1	6.9	5.1
Plan Count	23	23	23	23	23	23	22

Source: Callan Associates

The Floating Bar chart analyzes data in both a graphical and numerical format. The top part of the chart shows floating bars, which represent the distribution of the Callan Associates' Mid sized Taft Hartley Database over multiple time periods. These plans have more than $1 Bil in assets.

The bars represent the range of returns for all funds included in the database. The Plan Count is the number of Plans included for the specific time period. The table at the bottom of the chart displays the same data in numerical format.

The median return may be useful in comparing the returns of other Mid sized Defined Benefit plans to the Callan Database of returns. ***Please be aware that the returns will vary significantly based on the specific asset allocation and risk tolerance of the Plan. The average asset allocation of the Mid sized Taft Hartley database would generally be considered Moderately Aggressive. As of the most recent period, they had an average allocation to equity of 47%.***

As of 3/31/2018, the Large sized Taft Hartley Database is comprised of 33 Defined Benefit Plans representing $76.3 Bil in assets. The average plan size was $3.315 Bil and the median plan size was $2.105 Bil.

The Taft-Hartley group consists of multi-employer total funds including both Callan clients and surveyed non-Callan client funds. The perfmance of of these multi-employer funds are not and should not be construed to be indicative of returns earned by Ulrich Investment Consultants.

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