

# CREDIT CHECK

Reaching Retirement Readiness in the Age of Debt

April 30, 2019

---

Mike DiCenso, Executive Vice President



# How to Participate in this Webinar

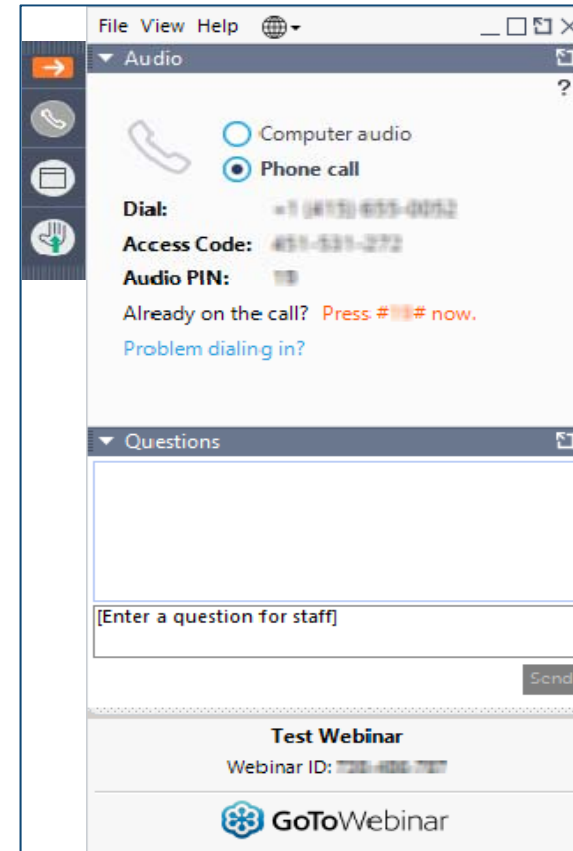
**How to Listen:** Choose *Computer Audio* to use your computer's speakers or *Phone Call* and dial in using the information provided

**Ask Questions:** Submit questions and comments via the *Questions* section of the main control panel

**Learn More:** Download additional materials via the *Handouts* section of the main control panel

**Help Us Improve:** Complete the brief survey at the end of today's webinar so we can incorporate your feedback in future events

**Watch Again:** A recording of this webinar will be available in the days ahead



# CREDIT CHECK

Reaching Retirement Readiness in the Age of Debt

April 30, 2019

---

Mike DiCenso, Executive Vice President



## Quick Poll

### Before we begin...

- Do you think we have a retirement readiness crisis in the United States?

A. Yes

B. No

C. Not sure

Stay tuned for the results!

## Quick Poll

### Before we begin...

- What is the current total U.S. household debt?

A. \$1.5 trillion

B. \$13.5 trillion

C. \$50.5 trillion

Stay tuned for the results!

# Agenda

**Retirement Coverage**

**Types and Amounts of Debt**

**Life Expectancy**

**Inflation**

**Savings**

**Plan Design**

**Non Qualified Plans**

**Testing Solution**

**Questions**

**Wrap-up**



## U.S. Retirement Crisis

**55,000,000** U.S. Workers DO NOT have access to a retirement plan

*Data from Employee Benefits Research Institute Databook on Employee Benefits, July 2014.*

**Over 40 percent** of Americans have less than \$10,000 in assets

*Data from GOBankingRates, here's how many Americans don't have access to a 401(k) plan, March 12, 2018.*

**65 percent** of Americans have NOTHING saved for retirement

*Data from Bankrate.com, 65% of Americans save little or nothing—and half could end up struggling in retirement, March 19, 2018.*

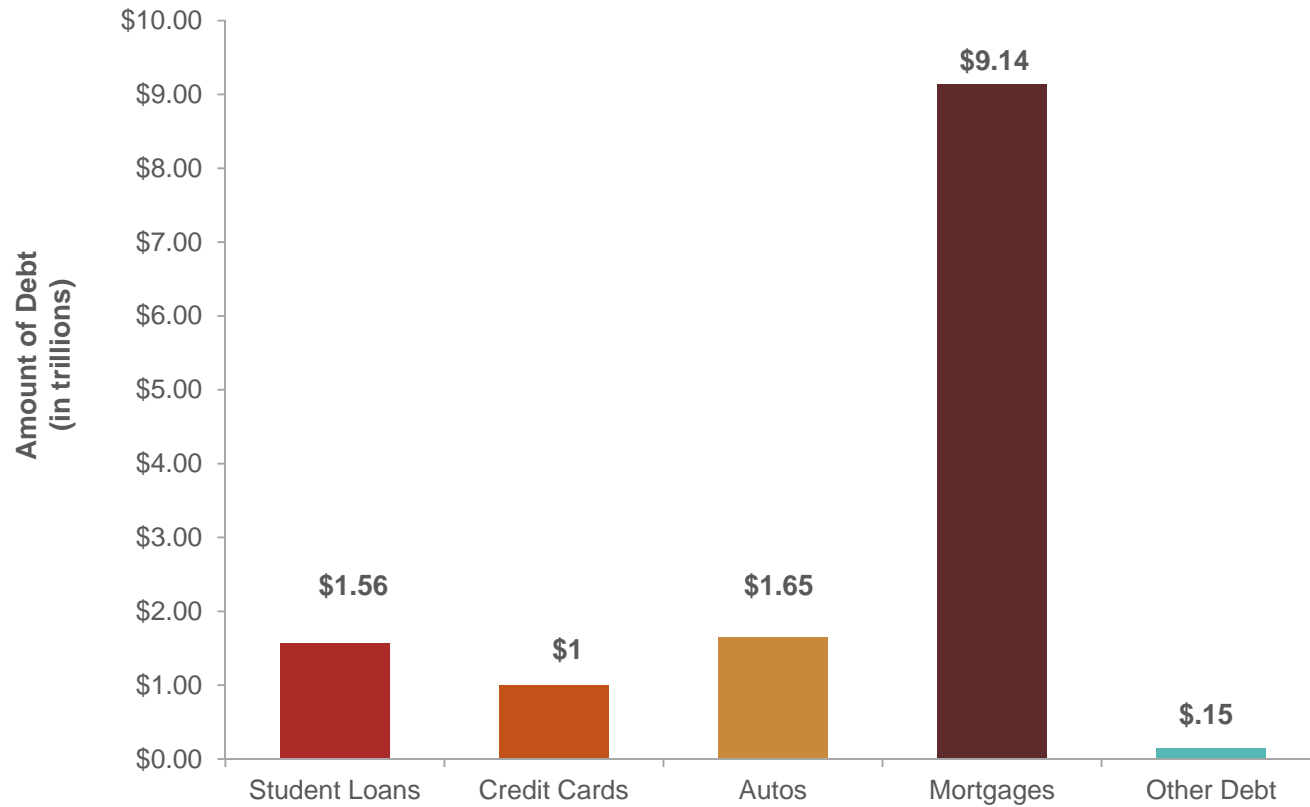
**\$3,000** Median retirement balance for working-age households

*Data from National Institute on Retirement Security, September 2018*

**\$12,000** Median retirement balance for near-retirement households

*Data from National Institute on Retirement Security, September 2018*

# Types of Debt



SOURCE: Yahoo! Finance December 2017

For Financial Professional Educational Use Only



## Debt Balances

### Student Loan Debt

Average college debt among US student loan borrowers in 2019 is **\$32,731**, according to the Federal Reserve.

Average annual student loan payment: **\$4,800**



### Credit Card Debt

On average, each household with a credit card carries **\$8,284** in credit card debt.\*

Average Annual Minimum Payment is approximately **\$4,500\***



### Auto Loan Debt

Average 2018 New Loan Balance: **\$30,977\*\***

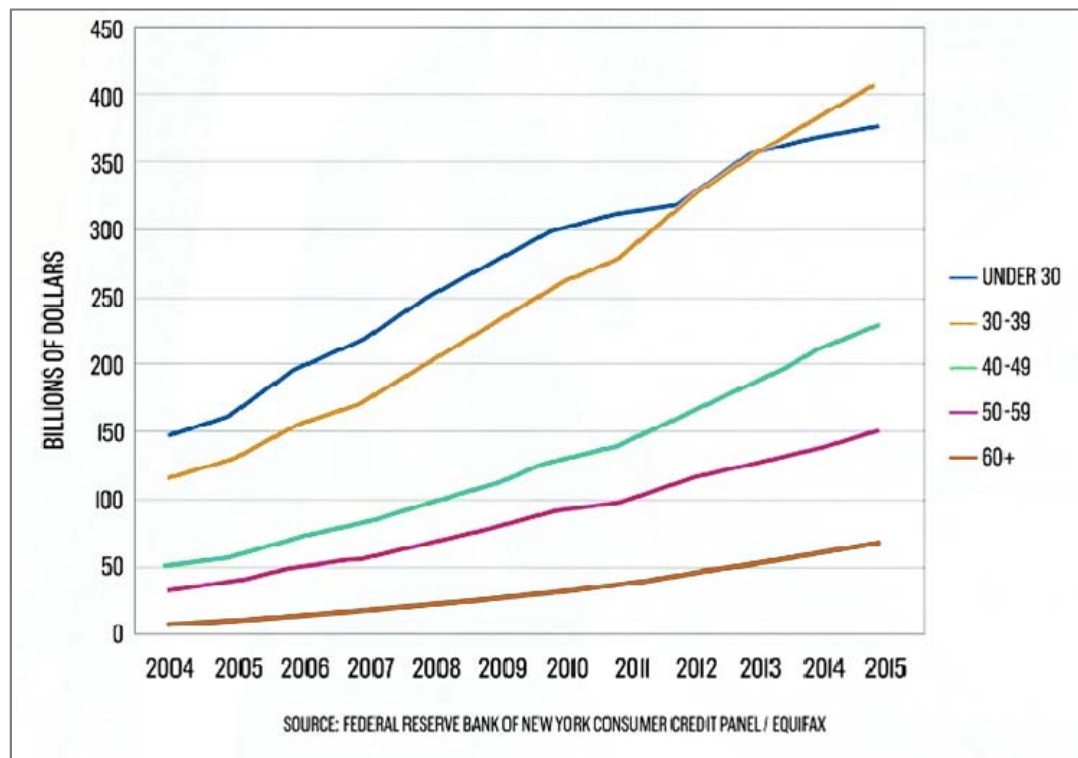
Annual Loan Payment: **\$6,360\*\***



\* SOURCE: debt.org, 2019

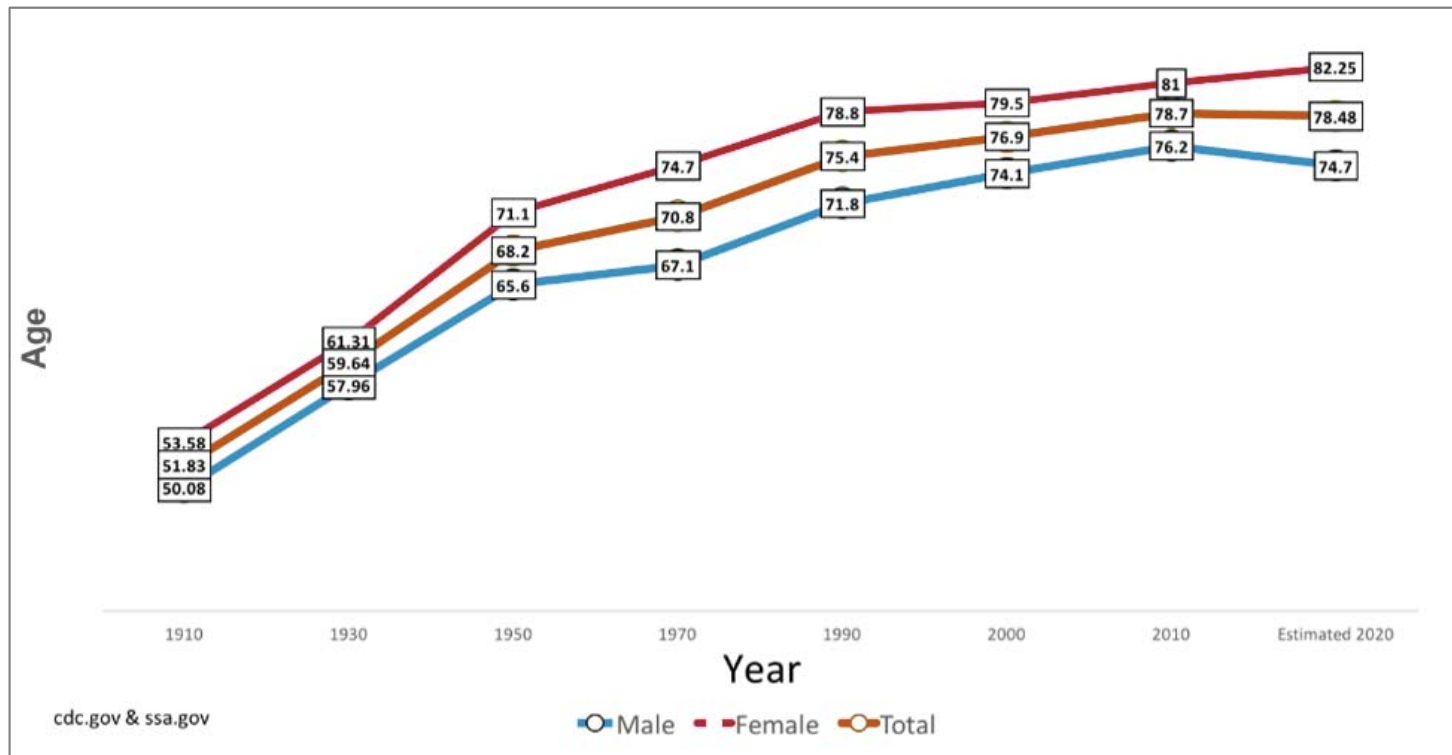
\*\* SOURCE: Experian Automotive study, 2018

# Total Student Loan Balances by Age Group



SOURCE: Federal Reserve Bank of New York Consumer Credit Panel/Equifax; February 2016

# Life Expectancy

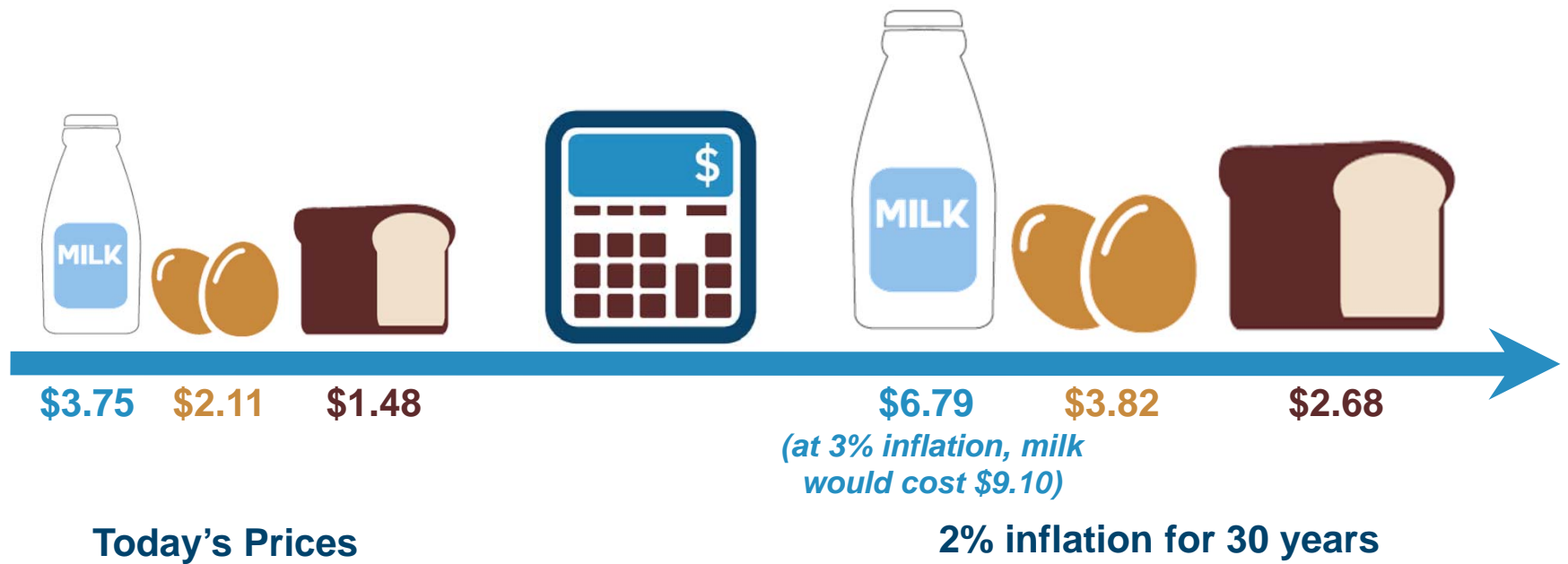


SOURCE: U.S. Census Bureau, International Data Base; 4/16/2008

For Financial Professional Educational Use Only

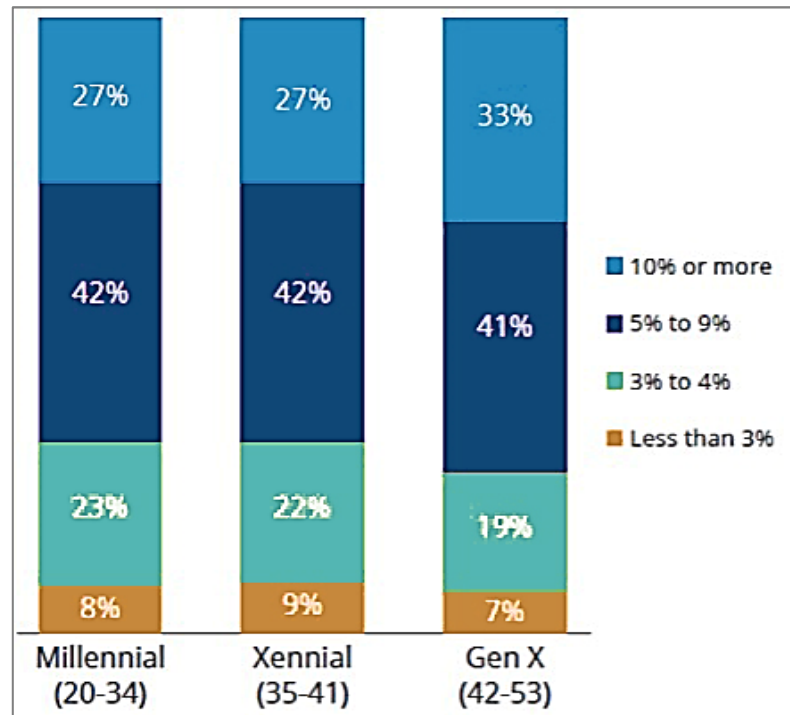
# Inflation over the Next 30 Years

Here is how your expenses would look if **inflation** were a **flat 2% a year** for the **next 30 years**:



2016 Society of Actuaries

# Current Employer DC Plan Deferral Rates



Source: LIMRA Secure Retirement Institute 2018 Consumer Survey. Based on 909 Millennial, 462 Xennial, and 777 Gen X workers participating in their current employer's DC plan.

DC = Defined Contribution

For Financial Professional Educational Use Only

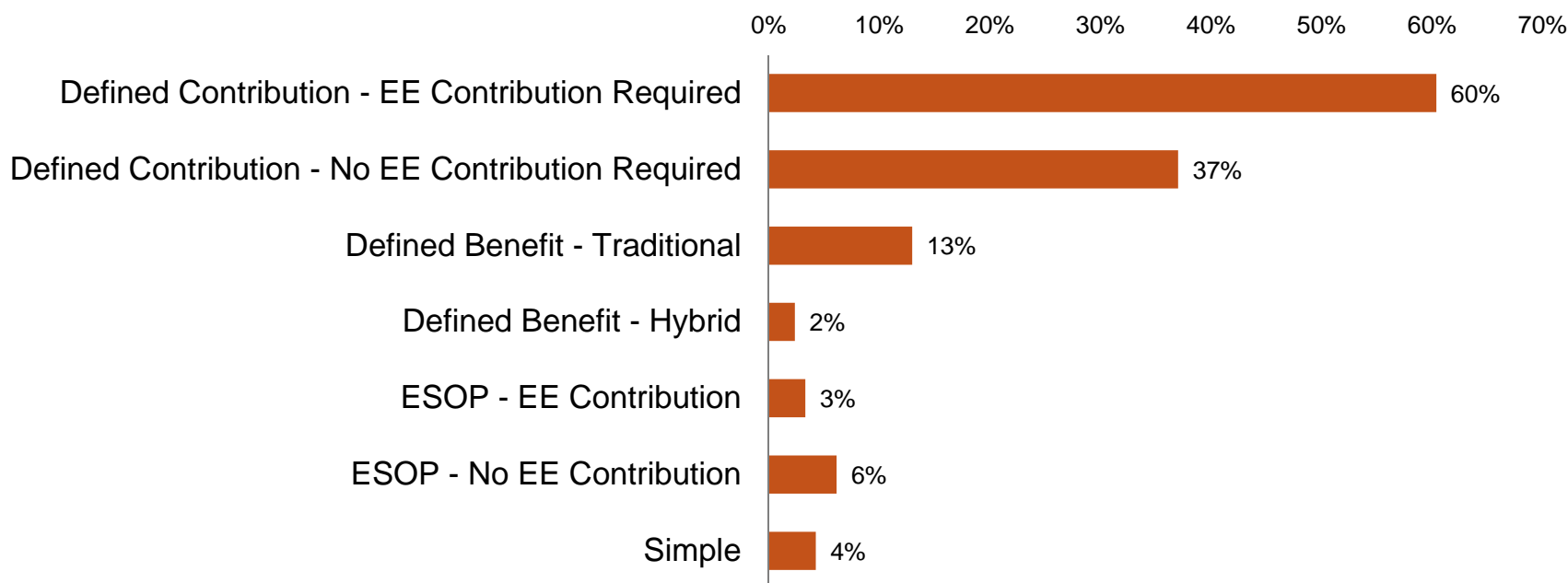
## 401(k) Account Balances

Age Group	Average	Median
20 – 29	\$11,600	\$4,000
30 – 39	\$43,600	\$16,500
40 – 49	\$106,200	\$36,900
50 – 59	\$179,100	\$62,700
60 – 69	\$198,600	\$63,000

Source: 2018 Fidelity, Nerdwallet

# Retirement Plan Options

*What type of qualified retirement plan(s) do you offer?*

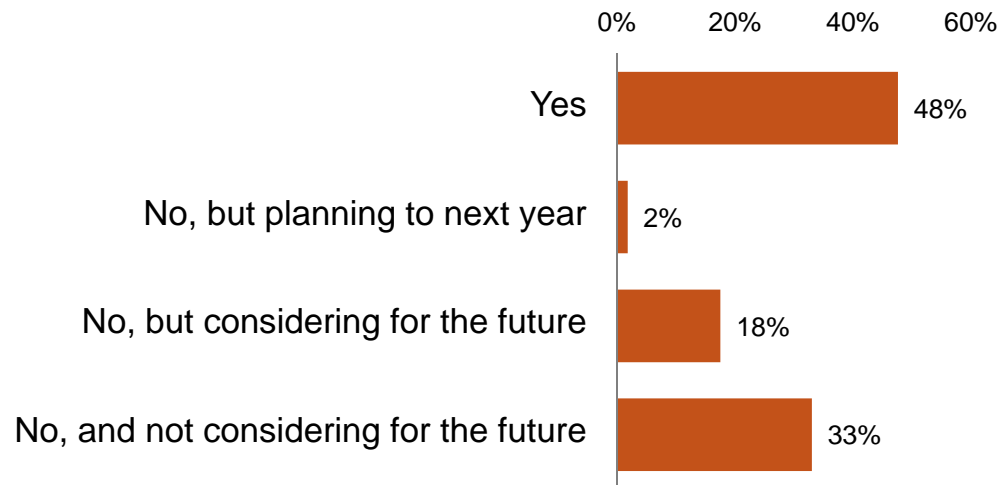


SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

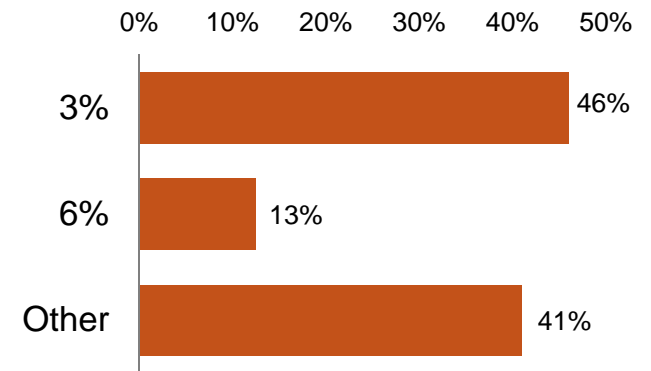
For Financial Professional Educational Use Only

# Retirement Plan Automatic Enrollment

## Do you have Auto Enrollment?



## What percentage contribution rate do you use for automatic enrollments?

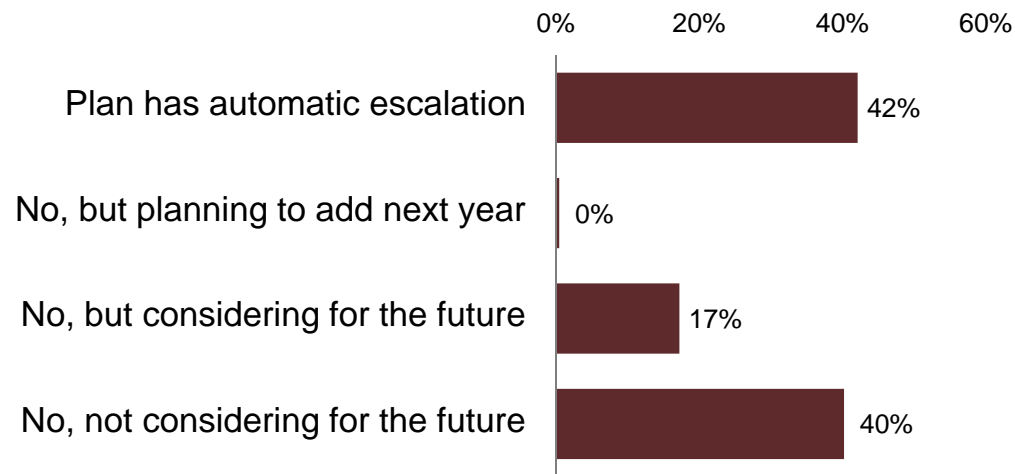


SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

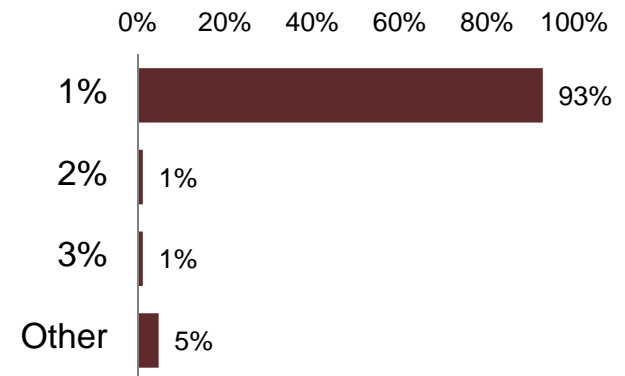


# Retirement Plan Automatic Escalation

## Do you have Auto Escalation?



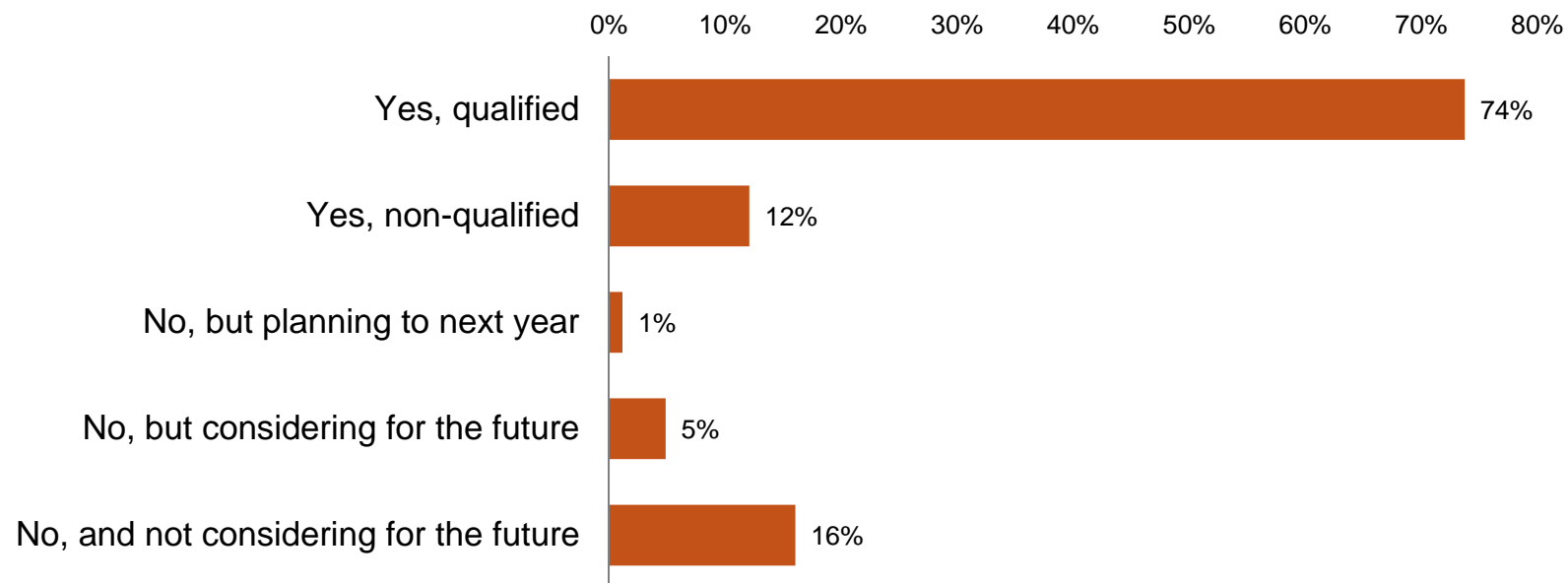
## If "yes" for automatic enrollment and/or automatic escalation, what percent are you considering escalating each year?



SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

# Retirement Plan Matching Contributions

## Does your company offer matching contributions?

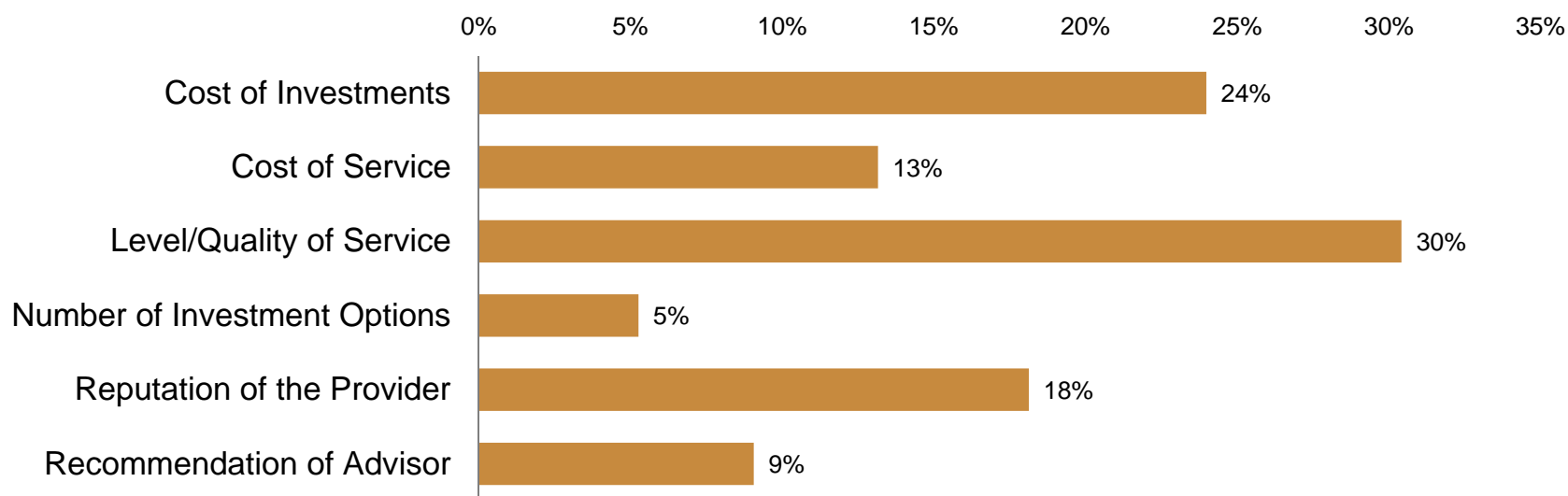


SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

For Financial Professional Educational Use Only

# Evaluating Retirement Plan Services

***Which of the following factors is MOST important in evaluating retirement plan offerings?***

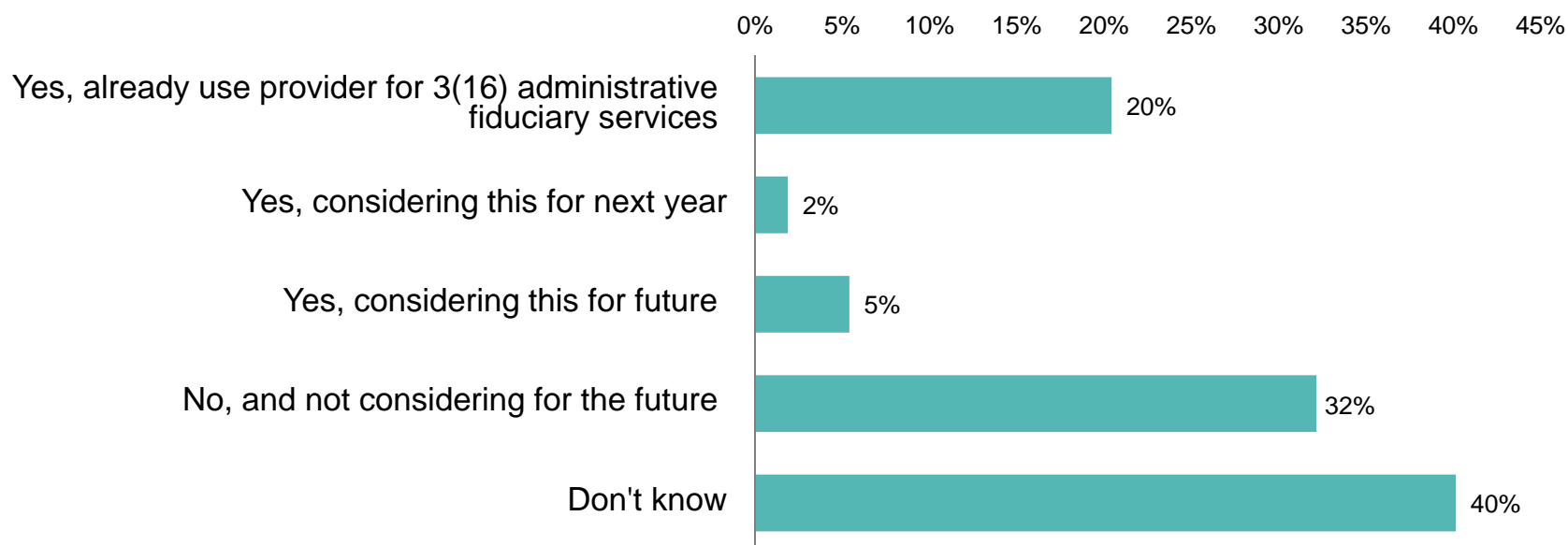


*Note: can have multiple factors as "MOST" important.*

SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

## 3(16) Administrative Fiduciary

*Would the services of 3(16) administrative fiduciary be of interest to you?*



SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

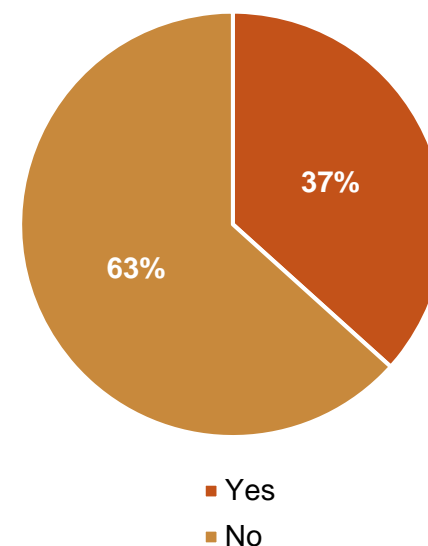
## Non-Qualified Deferred Compensation Plans

### ***Do you offer a Non-Qualified Deferred Compensation, Non-Qualified Benefit, or other Key Person benefit plan?***

- 37% offer a non-qualified deferred compensation or benefit program to their employees
  - Slight increase versus previous rate of 33%

#### *Note:*

- Use of plans increases significantly as organization size grows (percentages essentially reverse)
- Prevalence at 72% when size exceeds 1,500 full-time employees
- Increase in percentage is consistent with our non-qualified survey which indicates that 92% of *Fortune* 1500 companies offer deferred compensation plans

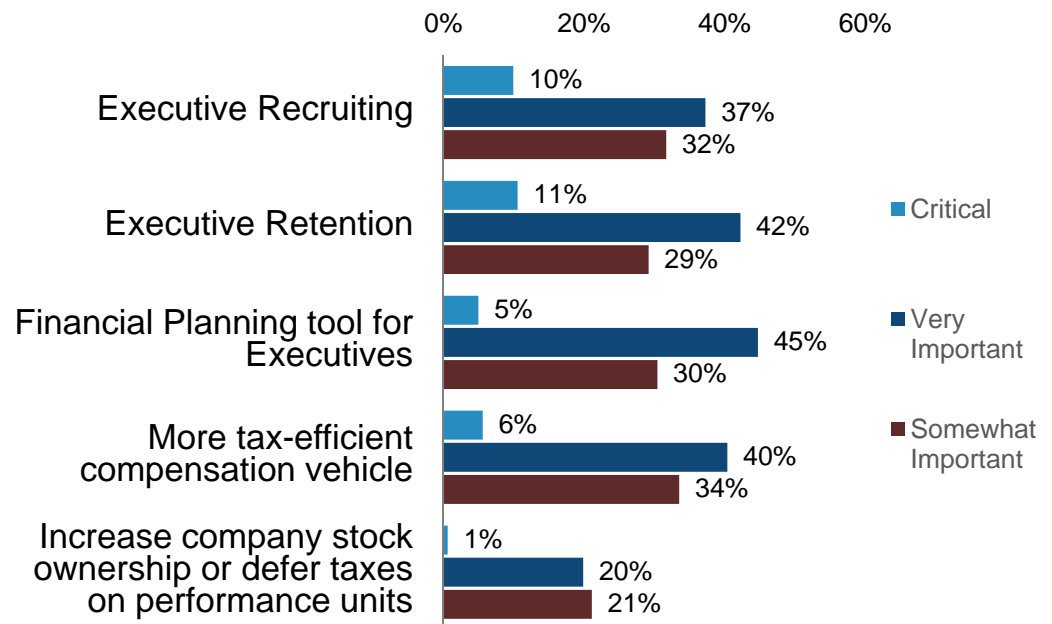


SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

# Non-Qualified Deferred Compensation

## How important are each of the following for your non-qualified benefit programs?

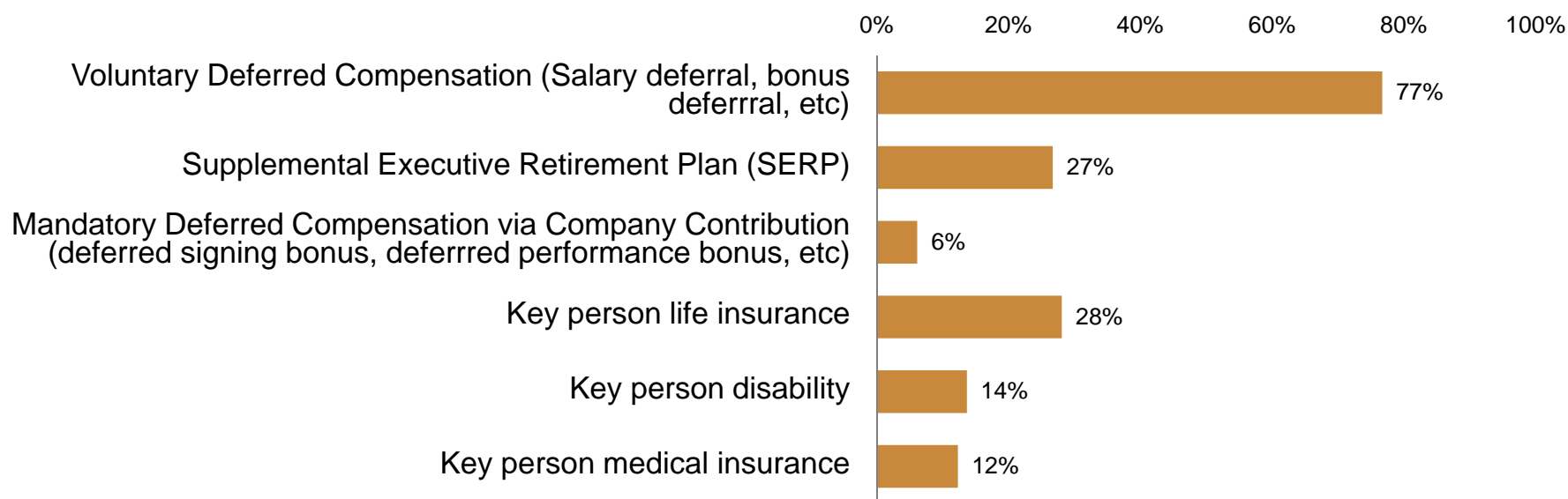
- Half the companies found use of non-qualified programs “Critical” or “Very Important” for executive recruiting (47%) and executive retention (53%)
- Offering a financial planning tool and the tax efficiencies offered by these plans were also highly valued.



SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

# Non-Qualified Deferred Compensation Plans

*Does your company offer the following non-qualified benefit programs?*



SOURCE: 2018/2019 Compensation, Retirement and Benefits Trends Report.

For Financial Professional Educational Use Only

# Case Study

## An Integrated Approach to a Complete Retirement Solution

When a retailer faced ongoing discrimination testing issues with its 401(k) plan, Newport Group and its advisor partner proposed a new approach—integrating a non-qualified deferred compensation plan with its qualified retirement offerings.

### Situation

This retailer with 200 employees was generally pleased with the company's 401(k) plan. But with approximately 20 highly compensated employees (HCEs), the plan was experiencing discrimination testing failures every year. The company turned to Newport Group and its advisor.

### Fast Facts

- Client: Retail
- Client Since 2013
- Plan Type: 401(k)

#### 401(k)

- Plan Assets: \$25 million
- Plan Eligibles: 200
- Plan Participants: 170

The information contained herein is for informational purposes only; client results will vary.



# Case Study

## An Integrated Approach to a Complete Retirement Solution

### Solution

Newport Group and its advisor partner recommended integrating a non-qualified deferred compensation plan with the client's current 401(k) plan. This approach was designed to resolve the discrimination testing issue and offer HCEs an additional retirement savings opportunity.

### Outcome

Approximately 60 percent of HCEs enrolled in the new NQDC plan, which offered the same company match as the 401(k) plan. These employees reported being happy with having an additional vehicle for retirement savings and opportunities for in-service distributions. Importantly, the inclusion of the integrated NQDC plan successfully eliminated the previous discrimination issues the company was encountering with its 401(k) plan.

#### How We Helped the Client

- Resolved discrimination testing issues
- Provided additional savings opportunity for key employees
- Offered low-cost solution

#### How We Helped our Advisor Partner

- Competitive solution for the client
- Increased assets under management
- Further solidified and deepened client relationship

#### NQDC

- Plan Assets: \$1 million
- Plan Eligibles: 20
- Plan Participants: 12

The information contained herein is for informational purposes only; client results will vary.

# Questions?



**Contact Us:**  
**[www.newportgroup.com](http://www.newportgroup.com)**

# Notice of Confidentiality and Disclosure

The attached material was prepared by Newport Group. The format and substance of the material contained in this report were developed by and constitute the confidential work product of Newport Group. This report is provided solely for the use of the recipient and any other use, dissemination or distribution of such, including dissemination or distribution to outside consultants or advisors, without the prior written consent of Newport Group is prohibited.

Newport Group and its affiliated companies do not render tax or legal advice. Clients should consult their tax or legal advisors with respect to specific tax or legal decisions.

© Newport Group, Inc. 2019. All rights reserved.

20190429-830484-2512770

