Heartland Institute of FINANCIAL EDUCATION

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Instructor's Tutelage

The First Step in Preparing for Retirement

If there is a single recurring theme that runs through the subject of retirement, it is the "acceptance of responsibility". Each individual must make the decision to learn, be enlightened and take action. This concept is critical for ultimate success and a true change of behavior. We must embrace our own responsibility to change; it is the first step to financial security. This is a very important principle. As an adult, you are solely responsible for all the choices in your life. So many people look to blame others or circumstances for things that are not right in their lives. This attitude is self-delusional; pretty much every long term situation that happens to us in adult life can be traced back to some decision or lack of decision made by us either at a conscious or subconscious level sometime in the past. Once we stop denying, blaming and whining and accept that we had our part to play in how things turn out, we are in a better position to move forward and to learn from our mistakes.

Motivation is defined as "a force, stimulus or influence; incentive or drive". Certainly, it's a critical element in the learning process, but even more important, relative to taking action. Adults need to use that motivation to drive them towards greater education regarding retirement options and solutions. The bottom line is that most of us need more knowledge….and that comes from education. It has been said that "adults are volunteers in the educational process". They don't come to class to get a grade…they come to class to gain knowledge that they can apply to their lives. And they want to apply that knowledge right away, if possible. The initial motivation that drives them to a particular class or subject offering is usually related to an immediate issue with which they are dealing; like a trip to the fast-food restaurant, they're seeking a quick solution. It's important, therefore, to provide both short and long-term solutions to problems during the learning process.

In particular, the problem-solving process must recognize and deal with both of these needs.

ISSUE GUIDE

States helping workers save for retirement

By Paula Aven Gladych, ebn, Employee Benefit News, September 14, 2015

Oregon is the latest state to approve a state-sponsored retirement plan for those employees who don't have access to a retirement plan at work.

According to a 2011 study by the Oregon State Treasury, about 45% of employed people in Oregon don't have access to an employer-sponsored retirement plan, and of those who do have access, nearly one-quarter do not enroll.

Oregon Gov. Kate Brown signed the Oregon Retirement Security Bill, HB 2960, into law in June to create the Oregon Retirement Savings Fund Board, which is tasked with forming a state-run defined contribution plan that is available to all employees through payroll deduction.

"A number of states are looking to establish variations of the mandatory payroll deduction IRA for workers when there is no employer plan," says Brad Campbell, counsel for Drinker Biddle & Reath LLP in Washington, D.C. "Obama clarified that ERISA does not apply to state-based IRA programs. I'm not sure mechanically how they will do that."

A proposed regulation exempting states from ERISA coverage when offering investment vehicles to workers on a payroll deduction basis was sent to the Office of Management and Budget on Sept. 1, he says.

Under the Oregon plan, employers don't have to contribute to the plan, but the idea is that workers will be automatically enrolled in the plan at a contribution rate set by the board. They will have to opt out if they don't want to participate. The retirement accounts are portable, so workers can take them with them when they change jobs.

Employers that offer 401(k), 403 (b) or other defined contribution or defined benefit plans do not have to participate in the state-run plan.

"This is a huge win for those who worry about how to save for their retirement years," said Oregon State Treasurer Ted Wheeler. "By providing a voluntary, portable and secure way for Oregonians to consistently save some of the money they earn, we will provide security for families, communities and the state's bottom line."

The goal of Oregon's plan, which is slated to go into effect no later than July 1, 2017, is to be voluntary, easily accessible and easy for employees and a minimal burden on small businesses. The funds will be pooled and professionally managed by a private-sector plan administrator.

Under the plan, businesses will not be exposed to fiduciary liability, the state will not guarantee returns and the state will not be liable for investment losses. The plan, funded through account fees, will be self-sustaining and cannot be raided by the legislature, Wheeler said.

Oregon joins California, Illinois and Connecticut, who have also passed state-run retirement plan initiatives.

California's governor signed the California Secure Choice Retirement Savings Trust Act into law back in September 2012. To date, the state has raised the necessary funds to conduct a market analysis and legal analysis of the program. The report is expected to be completed in late 2015. As proposed, the California plan would require all businesses with five or more employees to enroll them in a new type of savings plan based on IRAs. The funds would be professionally managed and employees would be automatically enrolled in the plan at about 3% of their wages.

The Illinois Secure Choice Savings Program Act was signed by Illinois Gov. Pat Quinn on Jan. 4, 2015. That makes Illinois the first state to fully enact legislation requiring that private-sector employers offer their workers retirement benefits, according to the Pension Rights Center. That program will be implemented by June 1, 2017.

States helping workers save for retirement (cont.)

It requires employers with 25 or more workers, that don't already offer some sort of retirement plan, to automatically enroll their workers over the age of 18 into the state-run payroll-deduction Roth IRA. The program is available to smaller businesses on a voluntary basis. Costs for the plan will be paid for through employee contributions.

The Connecticut General Assembly passed legislation in May 2014 that sets the stage for a state-run retirement savings plan for private-sector workers who don't have access to a workplace pension or defined contribution plan. The bill provided funds to create a 14-member Retirement Security Board that is conducting a market feasibility study for a new plan and developing an implementation plan, all which must be completed by April 1, 2016.

At least 21 other states have introduced similar bills in their state legislatures but have not acted on them yet.

Boomers, Gen X say they're not ready for retirement

Money Talk News, Jim Gold, September 2015

Nearly half of the people closest to retirement age don't feel ready financially, says a newly released survey.

Gen Xers, generally born in the late '60s and '70s, and baby boomers, born between 1946 and 1964, rank health and wealth as critical for their overall well-being, says the survey done on behalf of life insurance giant John Hancock.

"More than ever, Americans are at the cross-roads of health and wealth and are looking for ways to improve both areas of their life," said Michael Doughty, John Hancock president.

While 47 percent of respondents ranked "making sure you're financially secure" as one of the most important aspects in life, 54 percent ranked "being healthy," 55 percent named "being happy with where you are in life," and 55 percent wanted to have "close relationships with family and friends."

However, only 53 percent say they feel prepared for their financial futures, and only about 1 in 10 say they feel "very prepared."

Nearly all said they could live healthier lives.

The survey, rolled out in tandem with marketing of a new insurance product, John Hancock Vitality, revealed that respondents did feel they had made positive changes in the past year:

58 percent spent more quality time with friends and family.

- 58 percent ate healthier.
- 47 percent reduced monthly bills.
- 44 percent paid off debt.
- 30 percent made a budget.

THE HEARTLAND INSTITUTE OF FINANCIAL EDUCATION

8301 E Prentice Ave.
Ste. 312
Greenwood Village, CO 80111

Phone: (303) 597-0197
Fax: (303) 369-3900
Email: info@hife-usa.org
www.hife-usa.org

Boomers, Gen X say they're not ready for retirement (cont.)

Those 50 and older generally are eligible for $6,000 in catch-up payments in 401(k) and IRAs, beyond the regular $18,000 limit.

If your employer is one of the 40 percent offering a fixed match of 50 cents per $1 up to a specified percentage of pay, usually 6 percent, make sure you're maximizing your contribution to get the maximum match in virtually free money.

Make sure your investments aren't eaten up by administration fees.

Check your expenses to see if you could close your retirement gap by cutting back on eating out or drinking specialty lattes to save just $25 a week that you could put toward retirement.

These steps and others may help you not only feel better about retirement planning, but have an easier time in retirement once you get there.

HIFE Financial Wellness

Financial well-being is fundamental to the foundation of a successful society. The Heartland Institute's mission is to provide quality educational courses conveniently offered in the workplace or community settings in cities across the nation.

The Institute provides a unique, dynamic learning opportunity in the critical area of financial education. Course instruction occurs in the workplace or in privately hosted group settings. This offers employees and/or association members convenient access to education that will give them a better understanding of financial fundamentals.

Instruction is provided by instructors who have earned the CFEd® credential; they have also received further training and have been selected to become part of the Institute's Registry of instructors. For more information, please visit our website at www.hife-usa.org.