Retirement at a Glance

1. **TOP 3 PAINPOINTS** – Employers cite the top 3 challenges to improving their employee benefits programs as rising benefit costs (82%), difficulty communicating benefit choices to employees (53%), and differing wants and needs of a multigenerational workforce (50%) (source: Willis Towers Watson).

2. **2020 COLAS (FINALLY)** – The IRS recently announced the 2020 cost-of-living adjustments for retirement plans. The limit for salary deferrals will increase from $19,000 to $19,500. The catch-up contribution limit will also increase from $6,000 to $6,500. The annual additions limit for contributions to a defined contribution plan also increases, from $56,000 to $57,000 (source: IRS).

3. **NEW E-DELIVERY SAFE HARBOR PROPOSED** – The DOL has issued a proposed rule that would allow employers to post retirement plan information and participant disclosures online in lieu of paper delivery methods. The DOL estimates industry-wide cost savings of $2.4 billion over the next 10 years. It also estimates 81.5% of participants who currently receive paper notices would receive electronic versions of this information (source: Department of Labor).

4. **CLUES TO BUDGET BUILDING IN RETIREMENT** – Average annual spending generally decreases as retirees age, but the allocation of expenses stays roughly the same. One study shows that from age 65–74, retirees spend about $50,400 per year as follows: 45% on housing, 12% on transportation, 11% on food, 11% on vacations/dining/arts, and 10% on healthcare. Those above age 75 spend approximately $39,500 per year as follows: 46% on housing, 10% on transportation, 11% on food, 8% on vacations/dining/arts, and 11% on health care (source: Employee Benefit Research Institute).

5. **SOCIAL SECURITY BENEFIT DISPARITY** – For 2020, the maximum monthly retirement benefit increases from $2,861 to $3,011. The average benefit received, however, will be $1,503 per month (source: Social Security Administration).

6. **PLAN SPONSORSHIP GOALS** – Employers of all sizes have similar reasons for offering a plan, like helping employees save for retirement and retaining existing employees. Large companies, however, cite attracting new employees as a reason for offering a plan more often (61%) than small (42%) or medium sized companies (49%) (source: Transamerica Center for Retirement Studies).

7. **SMALLER RMDs COMING** – The IRS has proposed updates to the life expectancy tables used to calculate required minimum distributions (RMDs). Under the Uniform Lifetime Table, the life expectancy factor used to calculate an RMD for a 70-year-old would increase from 27.4 to 29.1. These new tables would be effective beginning in 2021 if finalized as anticipated (source: IRS).

8. **SEC ENFORCEMENT FIGURES** – In its 2019 fiscal year annual report, the SEC reported that its enforcement activity was up: 862 enforcement actions in 2019 versus 821 in 2018. The report indicated the SEC obtained judgments or orders totaling more than $4.3 billion in 2019, up from $3.9 billion in 2018 (source: SEC).

9. **IN-PLAN ROTH DECREASE?** – In 2019, 21% of employers asked whether they allowed in-plan Roth conversions in their 401(k) plans said they did. Surprisingly this is a decrease from 2016 when 32% allowed them (source: Society for Human Resource Management).

10. **ARE YOU READY FOR WINTER?** – The astronomical (position of earth to sun) start of winter is December 21, also known as the winter solstice. The Northern Hemisphere sees the fewest hours of sunlight on this day because it is leaning most away from the sun for the year. Your noontime shadow should be the longest of the year around this day (source: earthsky.org).

**QUESTION** – In a recent survey of employers who do not currently sponsor a plan, only 31% said they were likely to do so in the next two years. Of those who said they were not likely to sponsor a plan, what percentage said they would, however, consider joining a multiple employer plan (MEP)? The answer can be found by calling your MFS representative.