

Retirement Plans: Beneficiary Designations Matter

Retirement plan beneficiary designations are often overlooked, yet they play a pivotal role. Contrary to popular belief, retirement assets are not governed by wills or trusts, but by the beneficiary named on the account.

The Impact of Outdated Beneficiary Designations

Failure to update beneficiary designations can lead to undesired results, such as an ex-spouse or distant relative inheriting the retirement savings. This can cause emotional and financial turmoil for the rightful heirs and potentially lead to protracted and expensive legal battles.

Guidelines for Plan Sponsors

Plan sponsors are instrumental in ensuring beneficiary designations are current and accurate. Here are some strategies:

- 1. Educate Participants:** Regularly stress the importance of beneficiary designations, emphasizing that they supersede wills and trusts for retirement funds.
- 2. Provide Clear Instructions and Reminders:** Give clear guidance on designating beneficiaries at enrollment and send reminders to review and update information, particularly after major life events.
- 3. Streamline the Update Process:** Facilitate easy updates to beneficiary designations, offering both online and paper options, and clearly outline the process in the summary plan description (SPD).
- 4. Annual Reviews:** Encourage yearly reviews of beneficiary designations, ideally during financial wellness programs or open enrollment periods.
- 5. Utilize Technology:** Use automated systems for reminders and provide an online portal for viewing and updating beneficiary designations.
- 6. Promote Financial Advisor Consultations:** Encourage participants to consult with financial advisors to align beneficiary designations with overall estate planning goals.
- 7. Highlight the SPD:** Ensure the SPD contains clear rules for creating and updating beneficiary designations and communicate these rules effectively to prevent misunderstandings.

Safeguarding Participant Wishes

Maintaining accurate beneficiary designations is crucial for distributing retirement assets as per the participant's wishes. Plan sponsors, by implementing these best practices, aim to help secure the financial future of their employees' loved ones, offering confidence to all parties involved.

The “Magic Number” Gap in Retirement Planning

A concerning trend is emerging in retirement planning: the “magic number” - the amount Americans believe they need for a comfortable retirement - is skyrocketing, while actual savings are dwindling. This widening “magic number gap” underscores a growing challenge for participants and plan sponsors.

Northwestern Mutual’s 2024 Planning & Progress Study reveals that U.S. adults now estimate they need \$1.46 million for a comfortable retirement, a 15% increase from last year’s \$1.27 million. This figure has surged by 53% from the \$951,000 reported in 2020, outpacing inflation and widening the gap between retirement aspirations and financial realities.

Why the Growing Gap?

Several factors contribute to this growing disparity:

- + **Inflation:** Persistent inflation may lead people to increase their retirement targets, fearing their savings will lose value over time.
- + **Healthcare Costs and Longevity:** Rising healthcare costs and longer life expectancies may necessitate larger savings to cover extended retirement and potential medical expenses.
- + **Personal Debt:** Increasing personal debt, including student loans, mortgages, and credit card debt, can hinder retirement savings.
- + **Social Security Uncertainty:** Concerns about Social Security’s long-term viability may prompt individuals to save more independently for retirement.

Sources:

The Peak Boomers Impact Study, Retirement Income Institute, April 2024

How Much Care Will You Need?, LongTermCare.gov

Two-thirds of Peak Baby Boomers are not Financially Prepared for Retirement, PR Newswire, April 2024

Bridging the Gap: Role of Plan Sponsors

Plan sponsors can help employees navigate these challenges and narrow the magic number gap with these strategies:

1. **Financial Literacy:** Implement comprehensive financial wellness programs to educate employees about realistic retirement planning, investment strategies, and the importance of regular contributions.
2. **Contribution Rates:** Promote catch-up contributions for employees over 50 and consider increasing matching contributions to encourage higher savings rates.
3. **Auto-enrollment and Escalation:** Introduce automatic enrollment for new employees and automatic escalation features to gradually increase contribution rates, aiding effective savings accumulation.
4. **Personalized Planning Support:** Offer one-on-one retirement planning sessions with financial advisors to help employees set realistic goals and adjust strategies based on their circumstances.
5. **Health Savings Accounts (HSAs):** Incorporate HSAs into the retirement benefits package as a tax-advantaged way to save for healthcare expenses, a significant part of projected retirement costs.
6. **Emergency Savings Assistance:** Provide pension-linked emergency savings accounts (PLESAs) to help employees manage unexpected expenses without depleting retirement savings or accruing credit card debt.

Communication is Key

A person’s magic number may not accurately reflect their actual retirement needs. The recent surge in the magic number may reflect growing economic anxiety rather than financial reality. While boosting retirement savings is beneficial, it’s equally important to provide clear, data-driven retirement planning goals to reduce financial stress and enhance financial wellness.

Navigating Cybersecurity: A Guide for Plan Sponsors

Retirement funds, often one of the largest assets people possess, are increasingly becoming targets for cyberattacks and identity fraud. The infrequent monitoring of these accounts makes them attractive to cybercriminals. Data breaches, such as the recent leak of 1,833 Walmart participant 401(k) plans due to an isolated email error, are becoming more common. However, with proper precautions and a well-established response plan, the risk of such incidents can be mitigated.

Preventive Measures

One of the most effective preventive measures is participant education. A robust cybersecurity defense relies on everyone's awareness. Regular updates on the latest cybercriminal tactics and common scams can help ensure digital safety. Plan sponsors should also collaborate with recordkeepers who employ advanced security technologies, such as two-factor authentication, photo ID requirements at login, and facial recognition software to detect suspicious login attempts.

Another preventive strategy is the purchase of cybersecurity insurance. Key considerations for plan sponsors include determining liability in the event of a breach, identifying who is insured, understanding how the plan will be purchased, and clarifying what is covered.

Response Plan

Despite the best precautions, data breaches can still occur. Therefore, having a response plan in place with the recordkeeper is crucial. In the event of a breach, the first step is to work with IT to isolate compromised systems and prevent a full database leak. Next, it's important to identify the type of data compromised. If private customer information is leaked, prioritizing account safety and increasing surveillance of distributions can help prevent theft. Crafting a communication plan for affected customers is also essential.

Continuous Vigilance

By continuously updating security procedures and fostering a proactive approach to cybersecurity, plan sponsors can mount a strong defense against evolving threats. These efforts not only help prevent attacks but also instill confidence in plan participants about the protection of their digital assets. By staying prepared, the security of retirement funds can be effectively safeguarded, ensuring peace of mind for all stakeholders.

Sources:

How Should a Plan Sponsor Respond to a Data Breach?, Plansponsor, May 2024
Retirement Plans & Cybersecurity: Insights for Plan Sponsors, BDO, November 2023



IMA's Externship Program Opens Doors to New Talent

Last year, IMA launched a new rotational program—the IMA Externship Program—developed in partnership with [Safari](#), a career placement service dedicated to creating opportunities for a diverse pool of job seekers for the insurance industry.

The program offers a ten-week, part-time introduction to IMA and the broader insurance industry. Upon successfully completing the program, externs are offered a full-time position, involving a more in-depth rotational experience to be completed over the course of two years. At the conclusion of the two-year period, the associate has the opportunity to join a training program to become an account executive at IMA or to compete for any other open position.



Aaron Thammathi
IMA's Newest Extern

Joining the team as our newest Extern in 2024 is **Aaron Thammathi**, a Finance major from MSU-Denver. Initially aspiring to be a music teacher, Aaron shifted his career focus to finance and was drawn to insurance through the externship.

Aaron's parents immigrated to the United States from Laos, a small Southeast Asian country. Growing up in Westminster, Colorado – where the population is predominately white and Hispanic – Aaron found it difficult at times to identify with peers whose backgrounds, interests and language differed from his own.

A first-generation college graduate, Aaron is also navigating new systems and seeking to build connections that align with his career goals.

"The IMA Externship Program has enabled me to meet so many unique people. Everyone has been welcoming, helpful and willing to answer questions. I've specifically enjoyed learning more about who our clients are and developing an understanding of their range of needs."



Diana Camargo Serrano
Account Specialist

Diana Camargo Serrano, Account Specialist, came to IMA as an Extern during the program's inaugural year, in 2023. The first in her family to graduate from a four-year college, the IMA Externship Program enabled Diana to make the most of her education by gaining access to a career path aligned with her skills and interests.

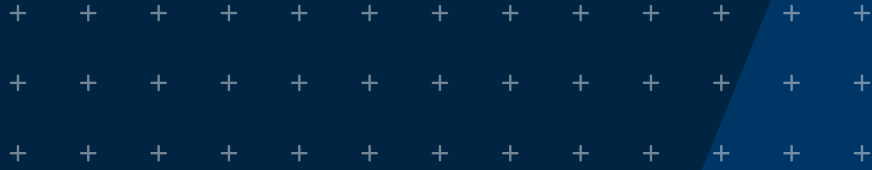
As an Extern, Diana completed the Core 180 course through IMA Academy, which ultimately helped her prepare for and earn her Property and Casualty (P&C) license, a designation which was sponsored by IMA. During her first eight-month rotation with the Construction practice, an opportunity to join the team permanently surfaced.

Today, Diana is an integral part in the residential/wrap up unit in the Denver Construction team. Diana's serves as the primary day-to-day contact for client requests relating to endorsements, invoicing and accounting, premium financing, certificates, policy processing, extensions, and audits. And while 'what we do' at IMA attracted her to the role, 'who we are' is what's keeping her here.

"The people and culture at IMA are incredible. And I value the work-life balance the organization provides. It's so meaningful that I can adjust my schedule to take my parents to their appointments. My parents do not speak English well, so it's essential I accompany them to translate, and IMA makes that possible."

Diana hopes her experience will help open doors for others and aims to encourage future Externs to explore the many amazing aspects of the company in order to find their home at IMA.

Let's Connect



For assistance with your retirement needs, contact an IMA Retirement Advisor at 877.305.1864 or retirement@imacorp.com

SAFEGUARDS FOR YOUR RETIREMENT

Retirement Benefits Matter. We believe in the power of a well-planned retirement. It's not just about numbers, it's about investing in the people who make your organization shine. We partner with you to design a retirement plan that speaks to every individual, from the moment they join your team to the day they wave goodbye – helping them blossom both today and tomorrow.

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