

CONTRIBUTORS

Jeb Graham CEBS®, CIMA®, CPFA®
Chair, Editorial Board
CAPTRUST Financial Advisors

Jason Burlie
Prudential Retirement

John Curry
CAPTRUST Financial Advisors

Marcela Curry
Milliman, Inc.

Matt Demet CEBS®, CRA®, CRC®
LPL Financial

Robert Massa AIF®, CBC, ChFC, CEBS®
Qualified Plan Advisors

Michael R. Paris, AIF®
Paris International

Mike Reilly
Empower-Retirement

Daniel Schatz
Hartford Funds

Courtenay Shipley, CRPS®, AIF®, CPFA
Retirement Planology

Rich Sotell CFP®
Kraematon Group

Financial Wellness Programs for Executives



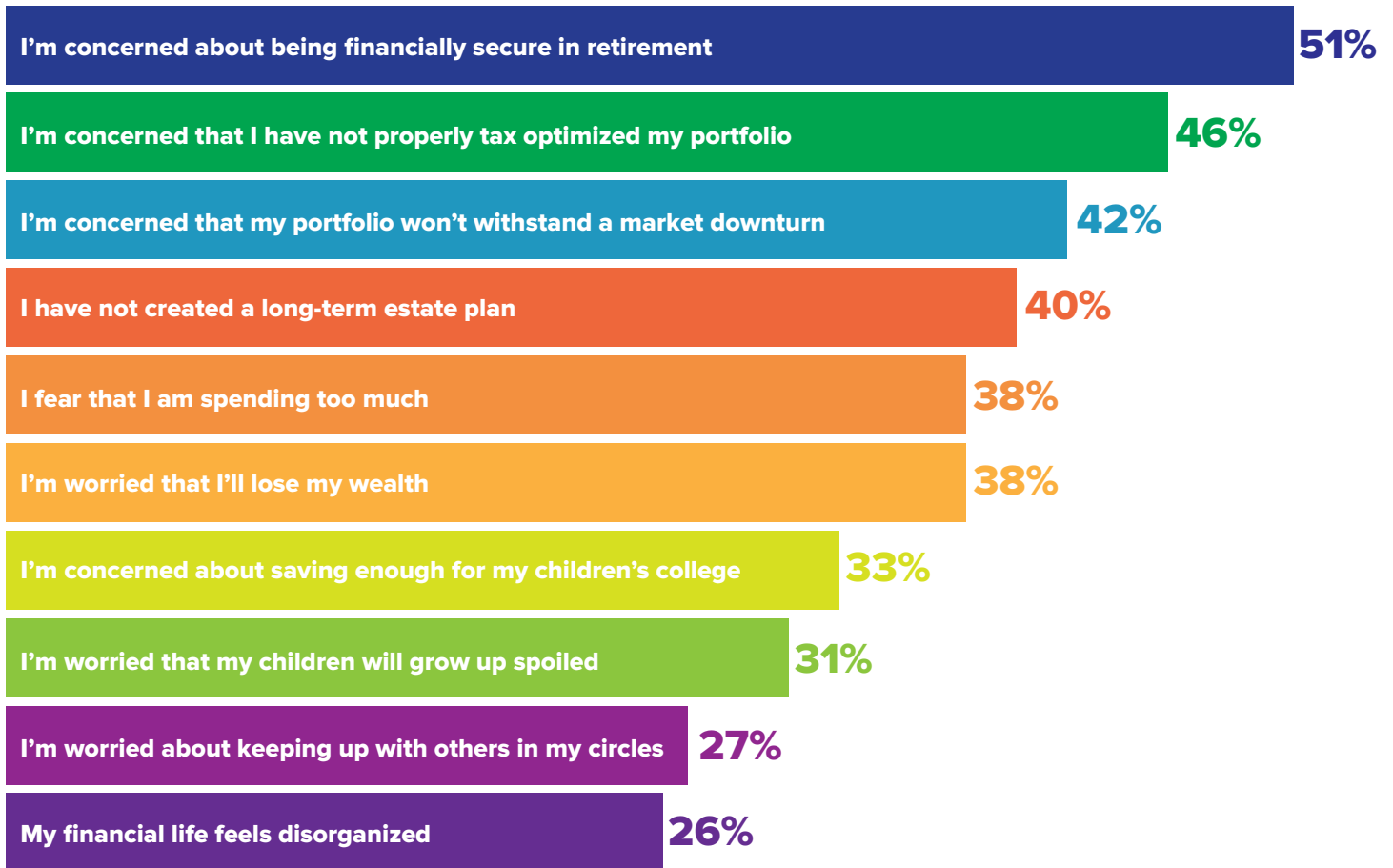
Summary

C-suite executives and upper tier management (collectively, “Executives”) earn top compensation, both to reward them for their talent and contributions, and as an attraction and retention tool by their employers. However, despite their high earnings, and even because of them, Executives face unique financial challenges and financial stress that is apt to impact their job performance. These unique financial challenges include maintaining a socio-economic lifestyle that they consider commensurate with their position, regardless of earnings, and saving enough to continue to support that lifestyle in retirement. Limitations on contributions to workplace defined contribution plans by ‘highly compensated employees’ and lower percentage of earnings replaced by Social Security benefits contribute to the financial challenges of Executives.

According to a recent study, 51 percent of investors who have total investable assets of \$500,000 or more report concern about being financially secure in retirement, and 46 percent are worried that their portfolios are not properly tax optimized.¹ The Urban Institute research reveals that one in ten high income families have no retirement income at all.

¹ French, Sally, The No. 1 Financial Fear Among Rich People Should Have You Seriously Concerned, MarketWatch, 2017,

THE BIGGEST FINANCIAL CONCERNS OF AFFLUENT INVESTORS¹



Summary continued...

A Financial Wellness program that addresses the unique financial challenges of executives is needed to help reduce the financial stress that can impact their job performance. It helps to ensure that Executives have the tools and knowledge to take care of their financial health, and therefore are able to manage a key stress and distraction to doing the job they are hired to do.

“Financial Wellness Programs for Executives” is one of seven RAC topical pieces from the Council to guide employers and their plan advisors. Other VIEWPOINTS written by the Retirement Advisor Council cover related topics such as Financial Wellness defined, the return on investment on Financial Wellness programs, and Financial Wellness programs for women.

Financial Wellness Program Component for Executives

Executives can benefit from the general components of a Financial Wellness program that is provided for all employees. These components include debt management, budgeting, emergency and college savings, managing income in retirement, etc. Below is a chart of the Financial Wellness program components generally offered to all employees from which Executives could benefit.

Tax Planning needs to take into account	<ul style="list-style-type: none">• Any non-qualified savings that cannot be rolled over into an IRA, as well as personal investments• Source state taxes on non-qualified earnings and deferred compensation• Estate tax management• Management of distribution and timing in decumulation phase• Stock compensation
Retirement Savings (how much to save in employer plan and investment options)	<ul style="list-style-type: none">• Emphasize Social Security will represent a small percentage of pre-retirement income and the need to save a greater percentage to support pre-retirement lifestyle.• Integrating additional employer provided savings vehicles, particularly when contributions to qualified DC plan are limited, such as nonqualified deferred compensation plans, HSAs, stock options or stock purchase plans
Financial Protection (life and disability insurance)	Supplemental life and disability insurance for Executives can be funded through payroll deduction, or purchased directly; increase awareness of the need for supplemental insurance, as well as personal liability and property insurance
College savings	As children of Executives are not likely to qualify for financial aid or any income-based subsidies, Executives should be advised about tax advantaged ways of saving for their childrens' education, such as 529 plans.
Transition to Retirement	<ul style="list-style-type: none">• Assistance with financial planning, or how to access such assistance as the Executive nears retirement (five – ten years prior to normal retirement date) to ensure that he/she understands decisions that need to be made prior to and at retirement, particularly for transitioning benefits and equity holdings, and for claiming Social Security benefits advantageously.• Phased retirement programs to retain Executives may also be offered.
Managing Savings in Retirement (annuities, periodic distribution, etc.)	<ul style="list-style-type: none">• Best use for non-qualified savings that cannot be rolled over into an IRA• Evaluating guaranteed income versus periodic distributions from investments• Implications for planning current taxes and future estate tax management
Financing Long Term Care in Retirement	Education regarding available options for care, as well as advising how to help avoid spending down assets to access Medicaid for long term care needs.
Executive Compensation Plans and Benefits	If applicable; benefits may include access to a financial planning professional.

Unique Financial Wellness Challenges of Executives: More Money, More Problems

While Executives earn a higher disposable income than other employees, they share many of the same financial stresses in terms of adequately maintaining their financial health.² Executives typically increase their standard of living commensurate with their disposable income. The social pressure to keep up with their peer group as they seek to advance their career cannot be understated. They may need to understand basic budgeting matters to overcome the belief that the more they earn, the less they need to worry. Many Executives, in fact, have incurred significant debt during their working lives as they attempt to support their lifestyle.

Executives also carry more risk. They have more personal assets to protect from loss and increased personal liability because of perceived “deep pockets.” Finally, Executives have a higher level of income to be replaced in the event of disability or death to protect loved ones. Many workplace benefits are inadequate to provide financial protection that Executives need and those benefits must be supplemented. For executives, Financial Wellness also involves being more guarded against fraud. Executives of publicly-traded companies are particularly vulnerable to attacks by cybercriminals. Indeed, information about these executives shared with stockholders and investors is more readily accessible.

Saving for retirement compounds the financial challenge. The amount of savings needed during working years to maintain the same high standard of living in retirement increases relative to compensation. At the same time, the replacement rate of Social Security decreases as compensation increases. Qualified plan deferral limitations for highly compensated employees make retirement savings through the workplace more complicated, and Executives must understand how to maximize savings through non-qualified deferred contribution plans, health savings accounts (“HSAs”), and other forms of savings. Finally, higher earnings and reduced qualified plan deferrals lead to increased tax exposure.

Executives may be reluctant to admit that they don’t have the capacity to fully understand the unique financial challenges they face, or how to adequately address those challenges on their own. The complex interrelationship of workplace retirement plans, health plans and other benefits, such as insurance, stock, and bonus plans, add to the confusion. While Executives may have insurance agents, stock brokers, financial advisors and tax accountants, they often lack a comprehensive plan for a complex financial situation. Different advisors, different plans (qualified and nonqualified), different insurance policies, and different savings and investment accounts need to be navigated and integrated to achieve financial and retirement security goals.



About The Council

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified retirement plan advisors, investment firms and asset managers, and defined contribution plan service providers.



twitter.com/RetAdvisors



[linkedin.com/showcase/retirementadvisorcouncil/](https://www.linkedin.com/showcase/retirementadvisorcouncil/)

Retirement Advisor Council | 61 Rainbow Road | East Granby CT 06026 | www.retirementadvisor.us