Forbes
The Top 50
Wealth Managers

2014
PLANSPONSOR
RETIREMENT
PLAN ADVISER
MULTIOFFICE
TEAM OF THE YEAR

planadviser's 2015
TOP100
RETIREMENT PLAN ADVISERS

CENTRE FOR FIDUCIARY EXCELLENCE

CEFEX
CENTRE FOR FIDUCIARY EXCELLENCE

DALBAR ERISA 3(38) Adviser Due Diligence 2013

SAGE VIEW

Retirement and the HSA

Prepared for:

FPHRA 2016

Presented by:

Jeffrey M. Petrone, AIF
Managing Director
jpetrone@sageviewadvisory.com

Speaker Introduction

Jeffrey M. Petrone, AIF

Managing Director, SageView Advisory Group

- In 2014, Jeff was named one of the Top 50 Under 40 retirement plan consultants in the country in the country by the National Association of Plan Advisors*
- SageView Named 2014 Plan Advisor of the Year by PLANSPONSOR and 2013 Top Wealth Manager in the Country by Forbes. Recognized in 2007 - 2013 by PLANSPONSOR Magazine as one of the top Retirement Plan Consulting Teams in the United States (consulting to over $65 billion dollars in assets).*
- In 2010, Jeff was recognized by 401k Wire as one of the "300 Most Influential Advisors in Defined Contribution" as one of the "Top 100 Retirement Plan Advisers" in the country by PLANADVISER Magazine*
- The South Florida Business Journal named Jeff as one of the Top 40 Business Professionals under 40 in south Florida in 2012*
- 15 Yrs Experience – Prior to his role at SageView, Jeff helped build the middle market retirement plan advisory practice for Mercer in Florida.
- Mr. Petrone is an active member of:
  - The American Society of Pension Professionals & Actuaries (ASPPA)
  - National Association of Plan Advisors (NAPA)
  - Society for Human Resources Professionals (SHRM)
- Jeff serves on advisory boards providing thought leadership to some of the largest retirement plan providers in the country

* Listing in these publication does not guarantee success

Session description

» The retirement plan landscape has continued to evolve at a rapid pace. Provider consolidation combined with regulatory changes have kept plan sponsors on their toes. Advances in technology are changing the world in which we live on a daily basis. How will the convergence of healthcare and retirement impact the future of retirement plans? Jeff Petrone will guide a tour of what tomorrow's retirement plan could look like.

» More info can be found on Jeff here:
  - www.linkedin.com/in/jeffreypetrone

» More info on SageView Advisory Group can be found here.
  - www.sageviewadvisory.com

What we'll cover today

1. A brief history of retirement plans
2. Trends impacting plans today
3. The convergence of healthcare and retirement
4. Financial technology's impact on retirement planning
5. Conclusions


A Brief History

Evolution of Retirement Plans

SAGE VIEW

- The first pension plan was created in 1875
- The 401(k) plan was created in 1980
- HSA's became law in 2003

- Target Date Funds introduced in 1994 by Wells Fargo & Barclays

- Automatic enrollment became a Safe Harbor in 2006 under the Pension Protection Act in private sector, but has not made its way in to the regulations in the state of Florida yet, nevertheless some plans are adopting this provision with union approval.

- According to the latest PLANSPONSOR Survey, about 40% of private sector plans utilize automatic enrollment. Trend is for public sector employer to follow.

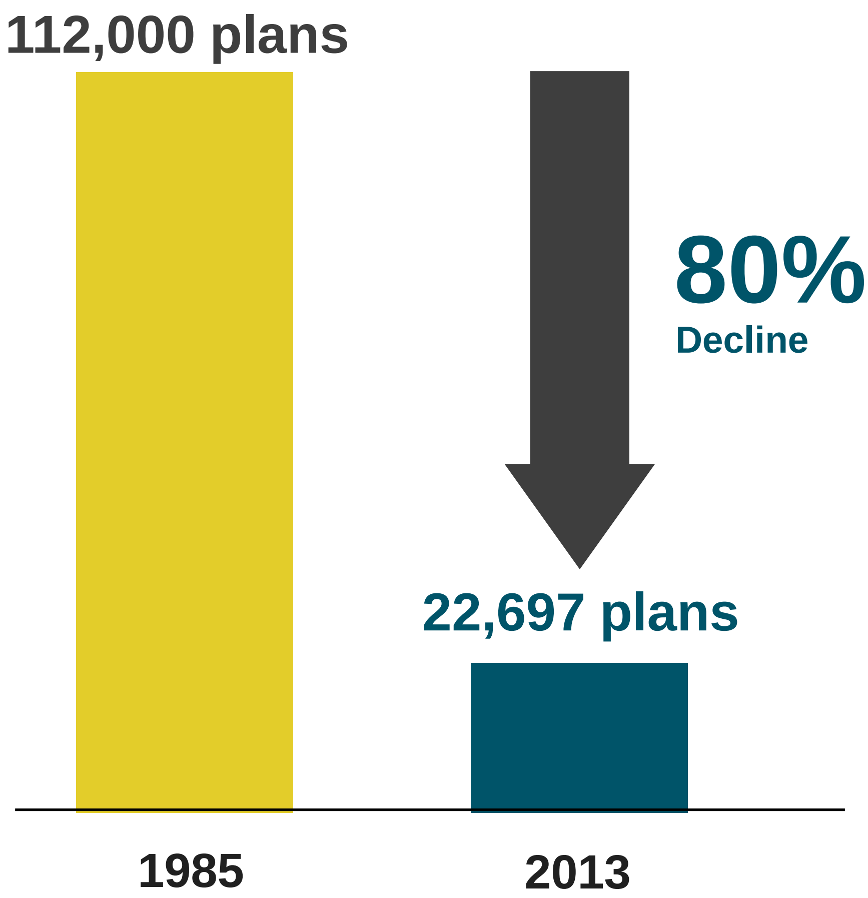
- To date, Americans have amassed over $14 Trillion dollars in defined contribution plans and another 10 Trillion in defined benefit plans

Source: Wikipedia, ICI Survey cited on slide 9

Changing retirement landscape

Since the early 1980s, the private sector has shifted away from defined benefit plans

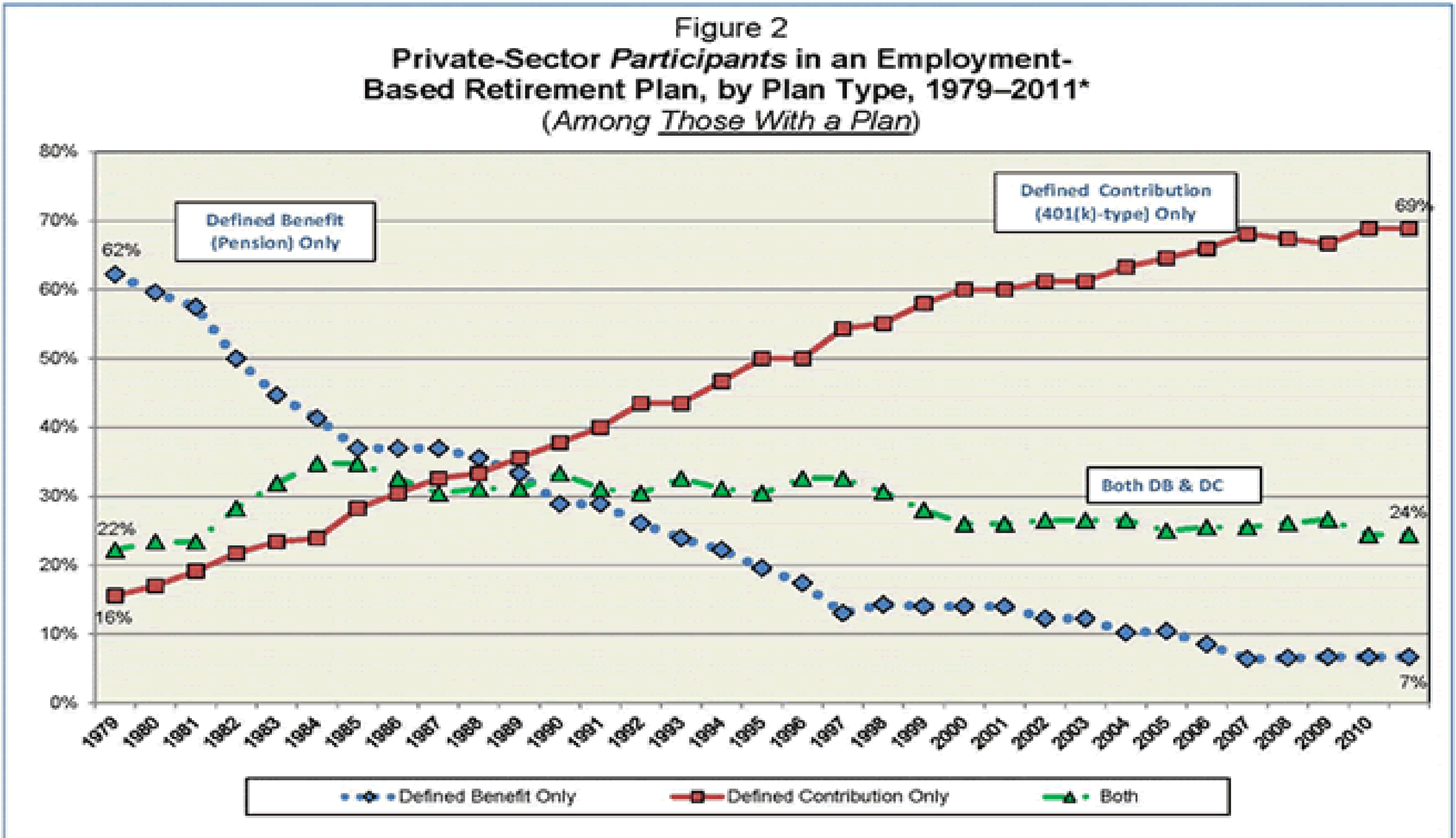
While this trend is expected to impact the public sector, change has been at a much slower pace.



1. Employee Benefit Research Institute (EBRI). "Retirement Income Adequacy for Boomers and Gen Xers: Evidence from 2012 EBRI Retirement Security Projection Model," Employee Benefit Research Institute (EBRI), May 2012.

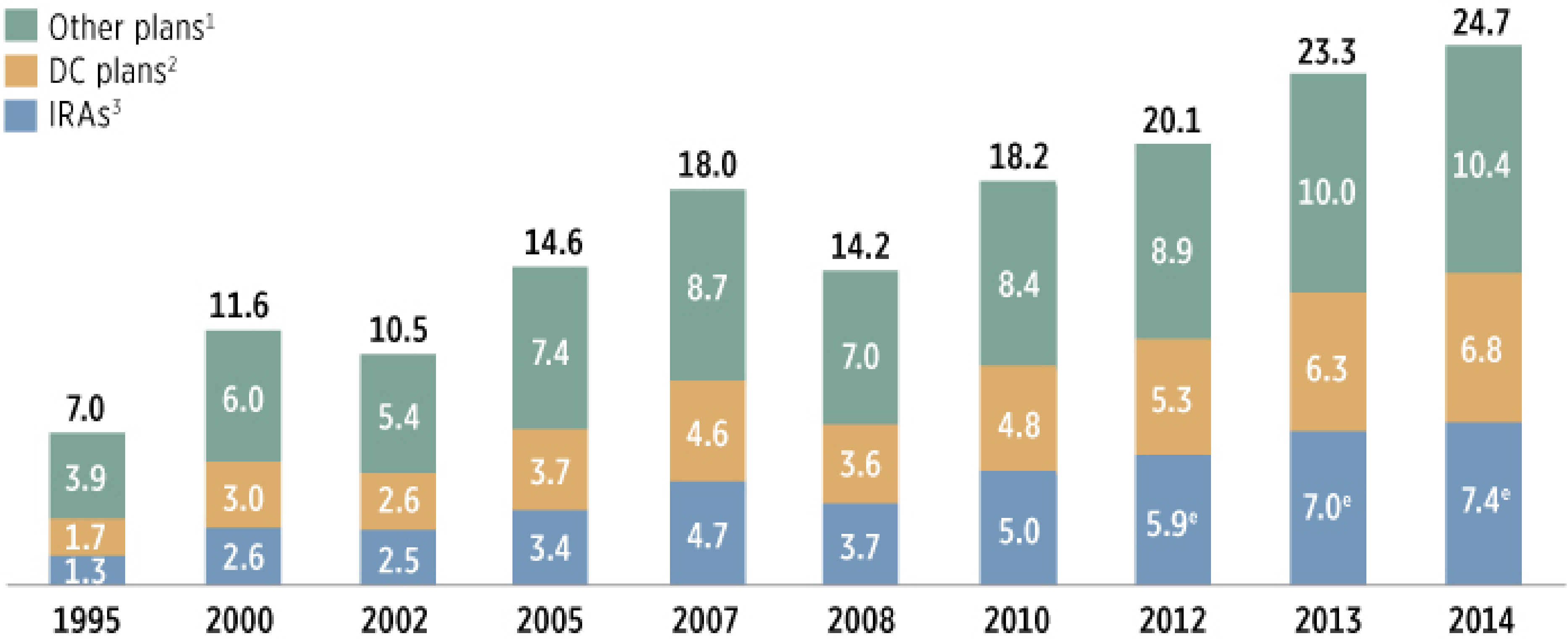
Figures represent Pension Benefit Guaranty Corp., insured defined benefit plans in the private sector. Source: Pension Benefit Guaranty Corp.

Migration of the retirement System



Source: U.S. Department of Labor Form 5500 Summaries 1979–1998, Pension Benefit Guaranty Corporation, Current Population Survey 1999–2011, EBRI estimates 1999–2010.

Assets invested for retirement



[1] *Other plans* include private-sector DB plans; federal, state, and local DB plans; and all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds. Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust.
[2] DC plans include 401(k) plans, 403(b) plans, 457 plans, the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP), Keoghs, and other private-sector DC plans without 401(k) features.
[3] IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).
[e] Data are estimated.
Note: Components may not add to the total because of rounding. Figures in trillions of dollars.
Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, Internal Revenue Service Statistics of Income Division, and Government Accountability Office. See Investment Company Institute, "The U.S. Retirement Market, Fourth Quarter 2014."

Savings today

- According to one study the average retirement savings of American workers is $63,000.
- Averages can be misleading:

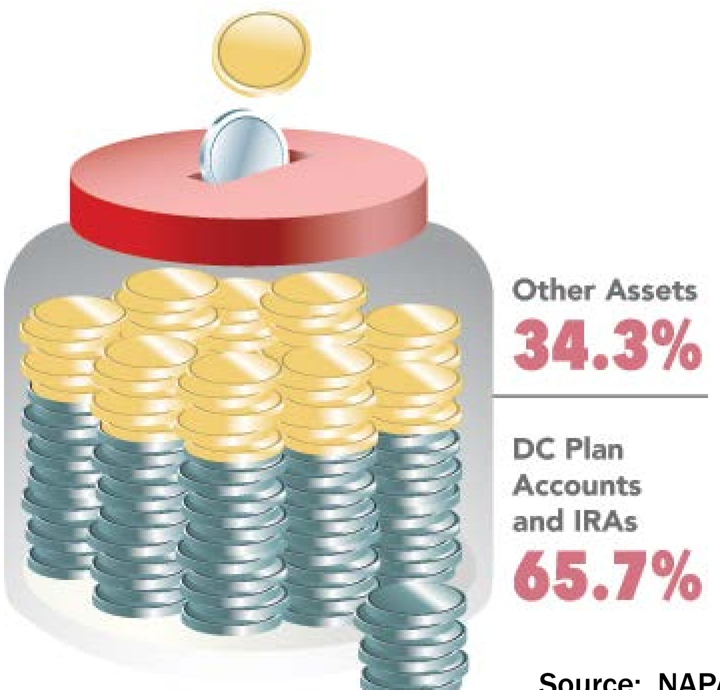
Age Group	Median Retirement Savings
20s	$16,000
30s	$45,000
40s	$63,000
50s	$117,000
60s	$172,000

Source: Transamerica Center for Retirement Studies 2015

Potential of the DC System

SAGE VIEW

- Statistics on participants saving for retirement are greatly dependent on their employer offering a 401(k)
- 78% of full time workers have access to a 401(k)
- Of employees with a DC Plan or IRA, 65.7% of the family's assets are saved in them.



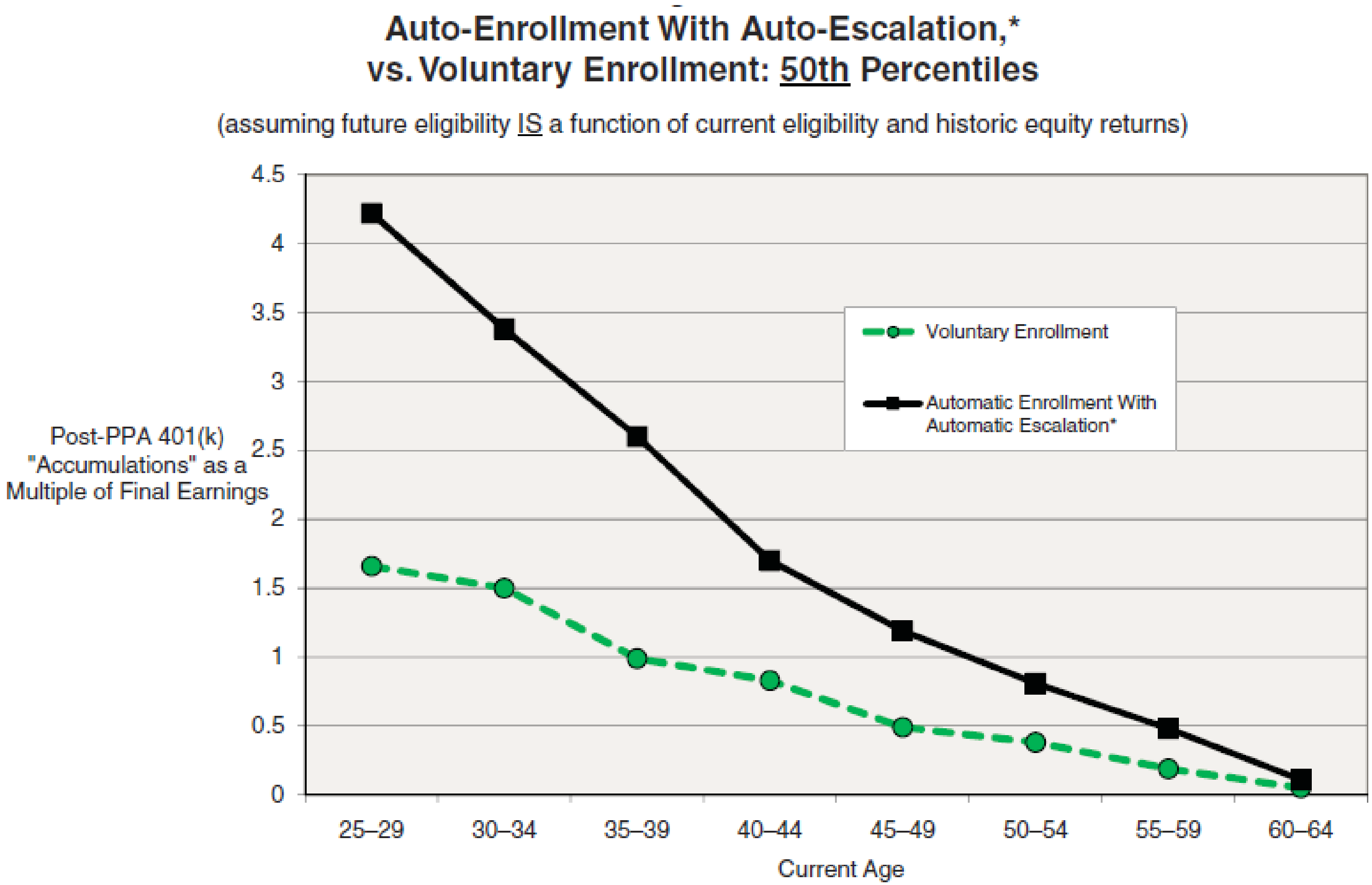
The **single most important factor** in determining if a worker is saving for retirement is whether or not there is a plan at work – but they must be used effectively.

Employer Plan		No Employer Plan
71.5%		4.6%

Source: NAPA / Employee Benefits Research Institute Consumer Finance Survey

The relevance of automatic

» When auto enroll and auto increase were used in combination, participants savings as a multiple of their final earnings increased substantially.



Savings for younger employees increased over 2.5 times with auto features.

Source: Employee Benefits Research Institute 2010 Briefing

Trends impacting plans today

Retirement plan design trends

» Continued migration from Defined Benefit to Defined Contribution

» Healthcare reform presenting new challenges to finance the cost of healthcare in retirement

- •Vehicles like the HSA gaining popularity
- •Potential for a defined contribution shift in healthcare

»Automatic Enrollment accepted best practice for DC plans – adoption in public sector expected to spread

»Auto Escalation of deferrals in DC Plans now being examined by sponsors

- 6% is the new 3%
- Some plans pushing the default rates higher to promote increase savings

»Success Measures Changing : Sponsors studying income replacement as basis for program design

- How much income will plan replace for average participant

»Number of investments in DC plans increased in recent years

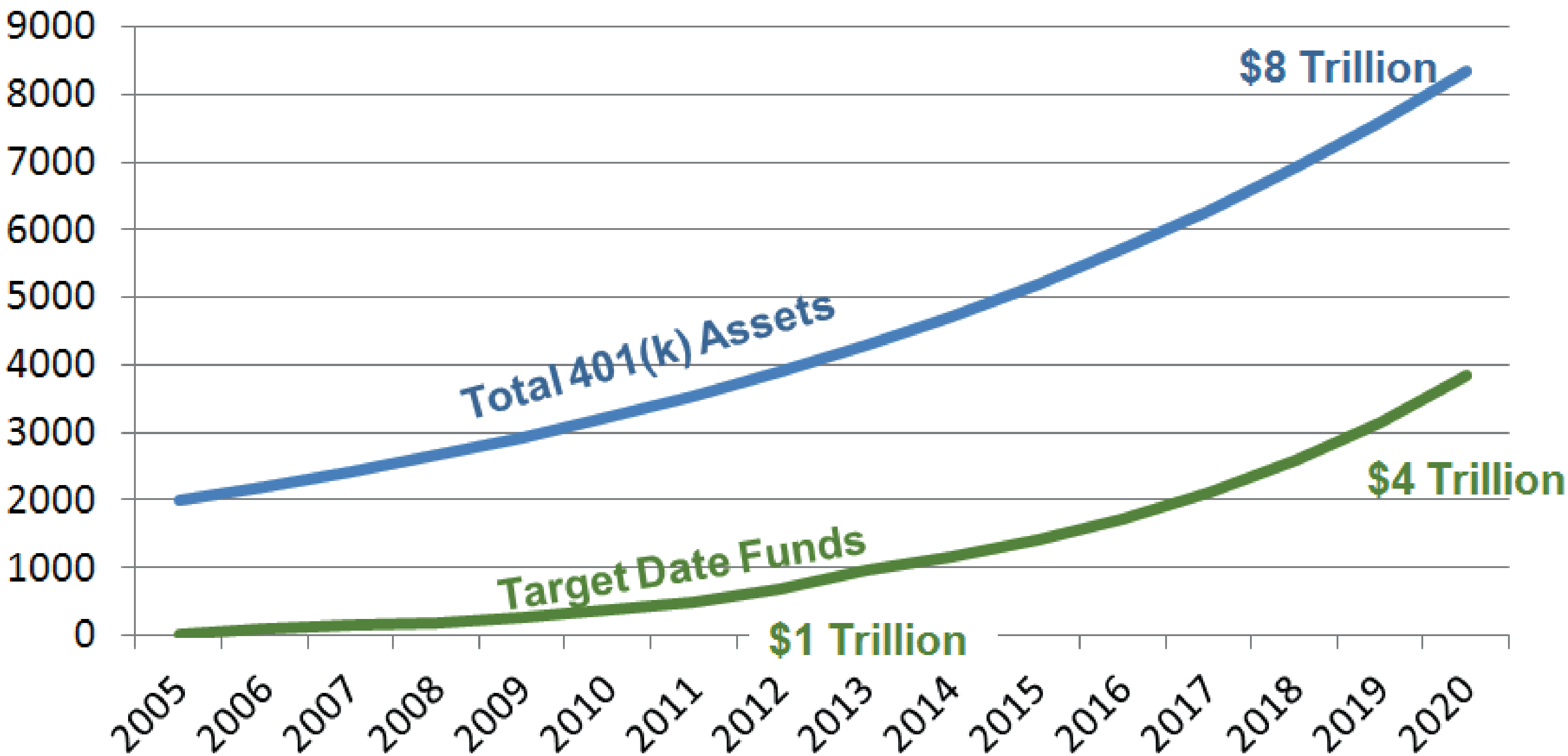
- •Average number of plans holding around 20 investment options

»Industry focusing on distributions and rollovers at separation

- •DOL Fiduciary Regulations finalized April 2016 – indicates a trend to promote retirement security at separation

Source: 2014 P&I DC East coast Conference

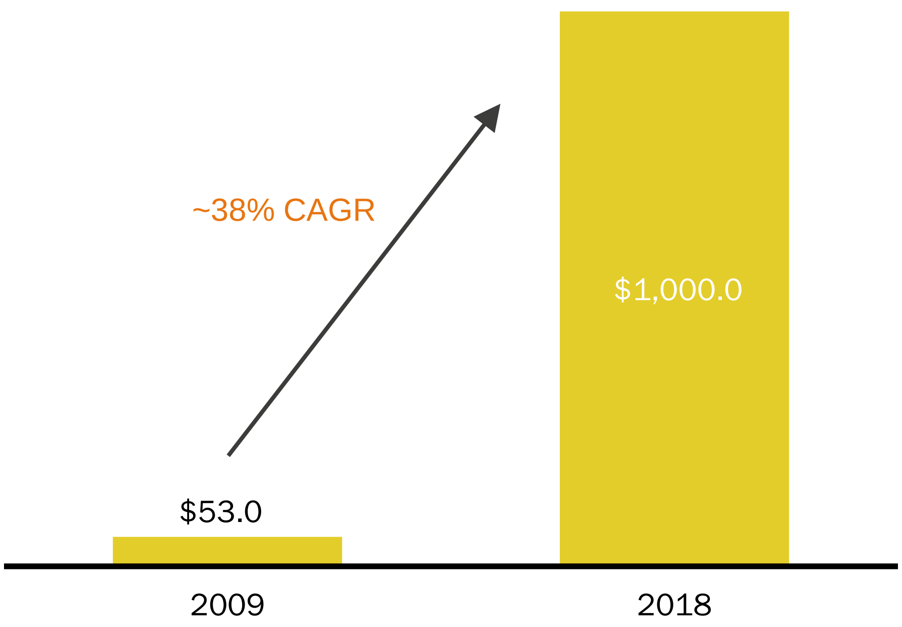
Growth of target date assets



Source: Target Date Solutions

Growth in customized target date solutions

Estimated growth of custom target date solutions ($B)



Custom target date statistics :

- 34% Control of underlying managers
- 31% More diverse asset allocation
- 17% Fee transparency / cost
- 9% Fiduciary concerns buying off-the-shelf
- 9% Custom glide path
- Custom mapping
- Custom glide path
- Open architecture

Plan sponsor considerations:

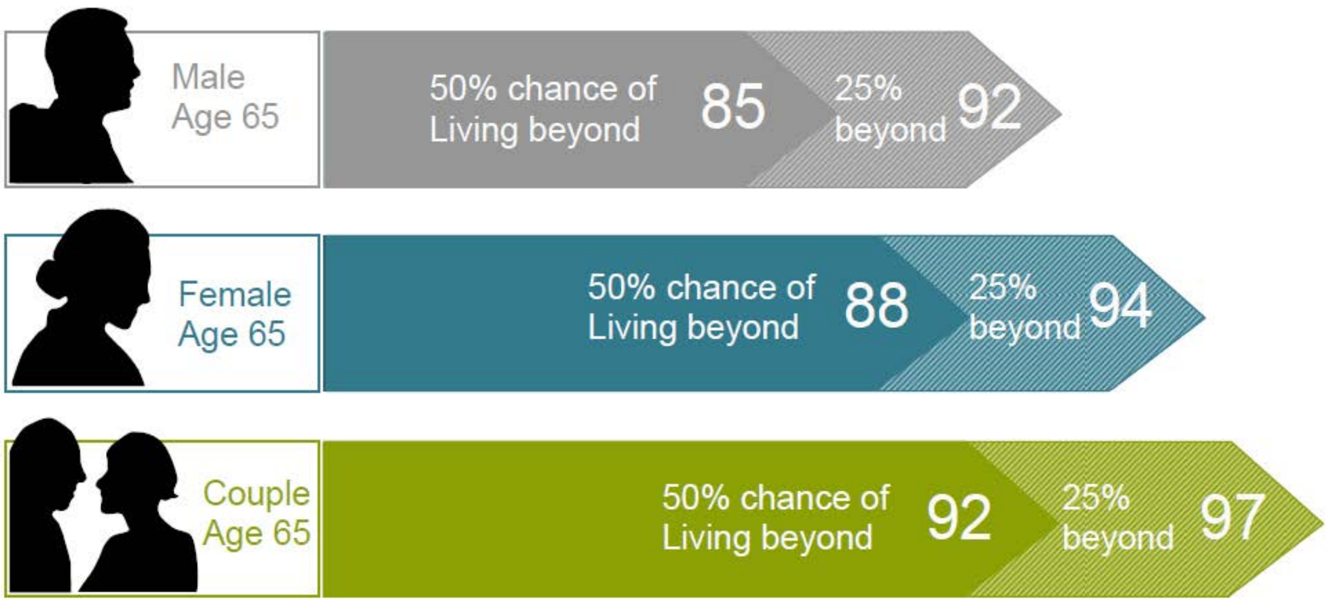
- Large plans
- Increased cost
- Significant time commitment

The target date of a target date fund may be a useful starting point in selecting a fund, but investors should not relay solely on the date when choosing a fund or deciding to remain invested in one. Investors should consider the fund's asset allocation over the whole life of the fund. Often target date funds invest in other mutual funds, and fees may be charged by both the target date fund and the underlying mutual funds. A fund with higher costs must perform better than lower cost fund to generate the same net returns over time.

Source: Casey Quirk, "Target Date Retirement Funds: The New Defined Contribution Battleground," November 2010

Increased longevity

» On average, people are living longer. In many cases, retirement plan distributions will need to supplement 30+ years in retirement



Source: Society of Actuaries Annuity 2000 Mortality Table

But what if?

» Appeared on the cover of Time Magazine in February of 2015

Best practices promote retirement readiness

Plan sponsors should encourage participants to:

- ✓ Start saving earlier
- ✓ Establish an appropriate asset allocation
- ✓ Increase participants contribution rates
- ✓ Understand income replacement level

In general, employees should
save at least 8 times their salary
by the time that they reach age 67 in order to generate sufficient income in retirement.*

***** Source: Fidelity Investments Viewpoint, “How Much Do you Need to Retire?” as of 10/2013.

Convergence of healthcare and retirement

Healthcare challenges in retirement

- Living longer in retirement = need for greater savings and better understanding of available options
- Health care costs may consume a large portion of retirement income/savings
- Many intend to continue to work in some capacity beyond age 65
- Preparing for the unexpected:
    - Support parents
    - Support adult children
    - Death of a spouse
    - Long-term care
    - Other life transitions

Cost of healthcare in retirement

62%

Retirees expecting to cover their health expenses with Medicare may be unpleasantly surprised, as Medicare covers on average only 62% of expenses.

190%

A couple retiring in 32 years will need 190% of their social security benefit to cover health care costs.

Traditional Medicare covers only 62% of medical costs in retirement

Traditional Medicare is not free

Glasses, hearing aids, and dental work are not covered by Traditional Medicare

Retirees can expect to spend most, if not all, of their Social Security check on health care expenses throughout their retirement

Sources: Manning & Napier (EBRI, HealthView Services, Medicare.gov, and HVS Financial.)

Tomorrow's retirement plans

401(k) & Equivalents

Health Savings Account

Together 401(k) plans and Health Savings Accounts can be a powerful combination to help ensure a secure retirement.

HSA's are an excellent savings vehicle

Tax-preferred savings account for qualified medical expenses

Can be used for current and future health care expenses – even in retirement

1

Pre-Tax
Contributions

2

Tax-free
Earnings

3

Tax-free
Distributions for Qualified Medical Expenses

A Triple Tax Benefit

HSA vs. 401(k)

Health Savings Account

Tax Savings
- Contributions are pre-tax (in most states)
- Earnings grow tax-free
- Distributions are tax-free if used for qualified medical expenses

HSA balances carry over from year to year,
and are completely portable if you leave
your employer.

If you don't need to spend your HSA dollars,
you can invest them and they will grow tax-free.

Maximum Annual Contribution for 2016
- Self-only health coverage: $3,350
- Family health coverage: $6,750
- Catch-up contribution (age 55+): $1,000/year

- No Required Minimum Distributions (RMD)
- 20% penalty for non-medical withdrawals
- At 65, can use for any expenses without penalty

401(a) / 457

Tax Savings
- Contributions are pre-tax (in most states)
- Earnings grow tax-free

401(a) / Govt 457(b) balances carry over from year to year,
and are completely portable if you leave
your employer.

Your account is invested and will grow tax-free.

Maximum Annual Contribution for 2016
- Employee Contribution: $18,000
- Catch-up contribution (age 50+): $6,000
- Employer and employee contribution limit: $53,000

- RMD at age 70 ½
- No 10% penalty for early withdrawals

Data as of 01/01/2015.
Sources: Manning & Napier (HSA Center, IRS, 401k Help Center, and Kiplinger.)

HSA's can preserve wealth

SAGE VIEW

21%

of cash-outs from Retirement Plans held at a former employer were used to pay medical expenses.

15.8%

of Hardship Withdrawals from 401(k) plans went to pay medical expenses.

20% to pay off debt — 58% — 10% health care costs

of respondents to a T. Rowe Price Survey have taken money out of a retirement account to pay for something else.

Sources: Manning & Napier (T. Rowe Price 2015 Family Financial Trade-Offs Survey and Aon Hewitt.)

Trend to high deductible health plans

SAGE VIEW

Utilizing the HSA

1 **Must be enrolled in a qualified high deductible health plan (HDHP) with:**

Minimum deductible
$1,300 single/$2,600 family

Maximum out-of-pocket expenses
$6,450 single/$12,900 family

2 **Allows annual contributions – from employee and employer combined**

Up to IRS limits:
$3,350 single/$6,750 family in 2016
(based on HDHP enrollment)
$1,000 catch-up contribution for age 55+

65% of employees may be financially better off in a HDHP*

Data as of 01/01/2015.
*Based on: (i) case study in "The case for CDHPs...", Change Healthcare, December 2012, and (ii) statistics showing that 80% of individuals in the U.S. account for only 18.30% of total health spending, "Concentration of Health Care Sending in the U.S. Population, 2010," Kaiser Family Foundation.
Sources: Manning & Napier, ConnectYourCare, Blue Cross Blue Shield, Concepts in Benefits, Inc., and Change Healthcare.

Public Sector Opportunity

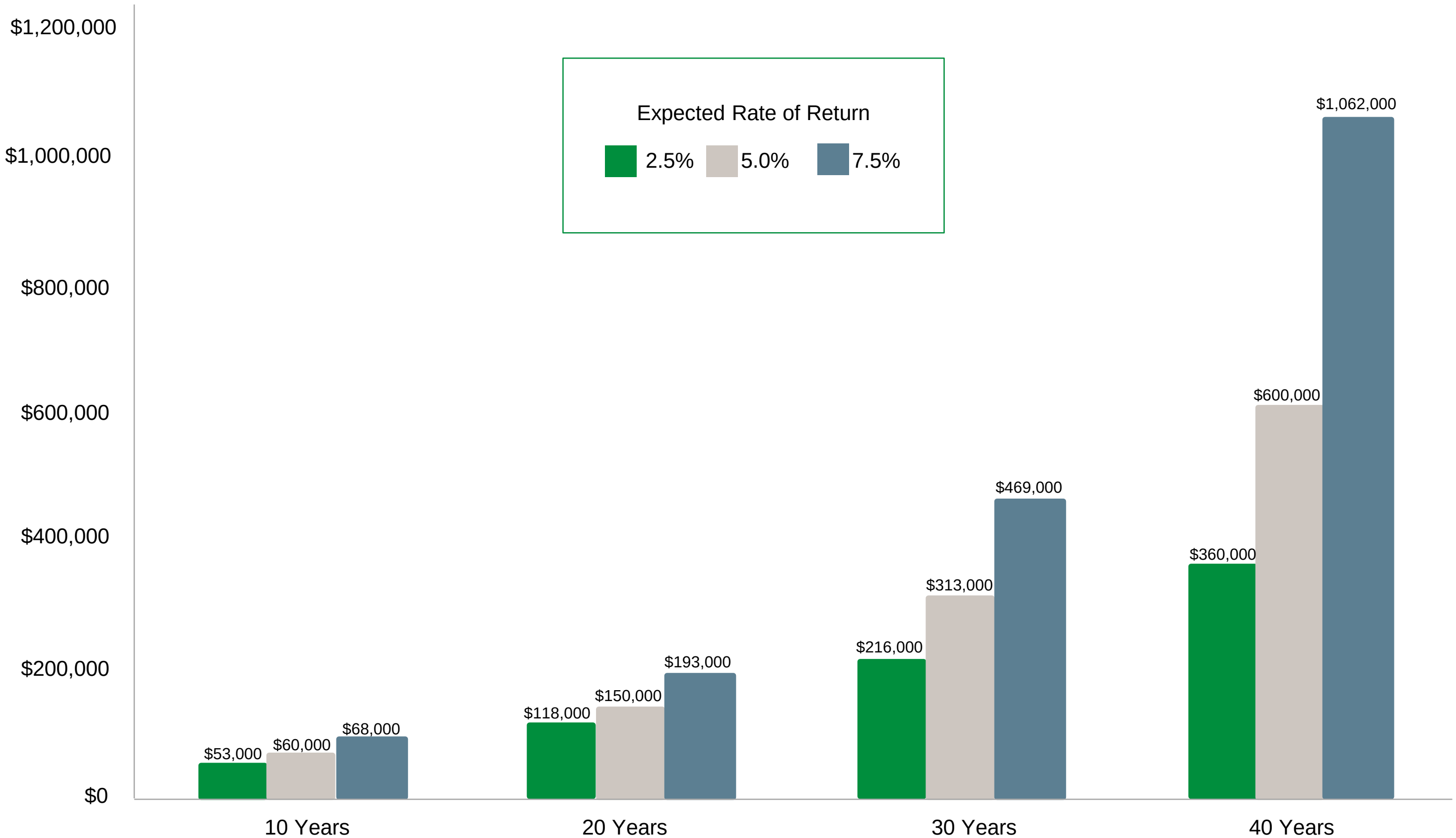
- Public sector DC plans do not have to perform the same annual non discrimination testing that the private sector equivalents do.

- Allows for unique cafeteria style plan design where employer can allocate dollars to an employee for them to choose how to spend.

- This compliments existing Defined Benefit or Defined Contributions benefits strategies

Savings potential of the HSA

Potential Savings in a Health Savings Account, by Years Saved and Expected Rate of Return

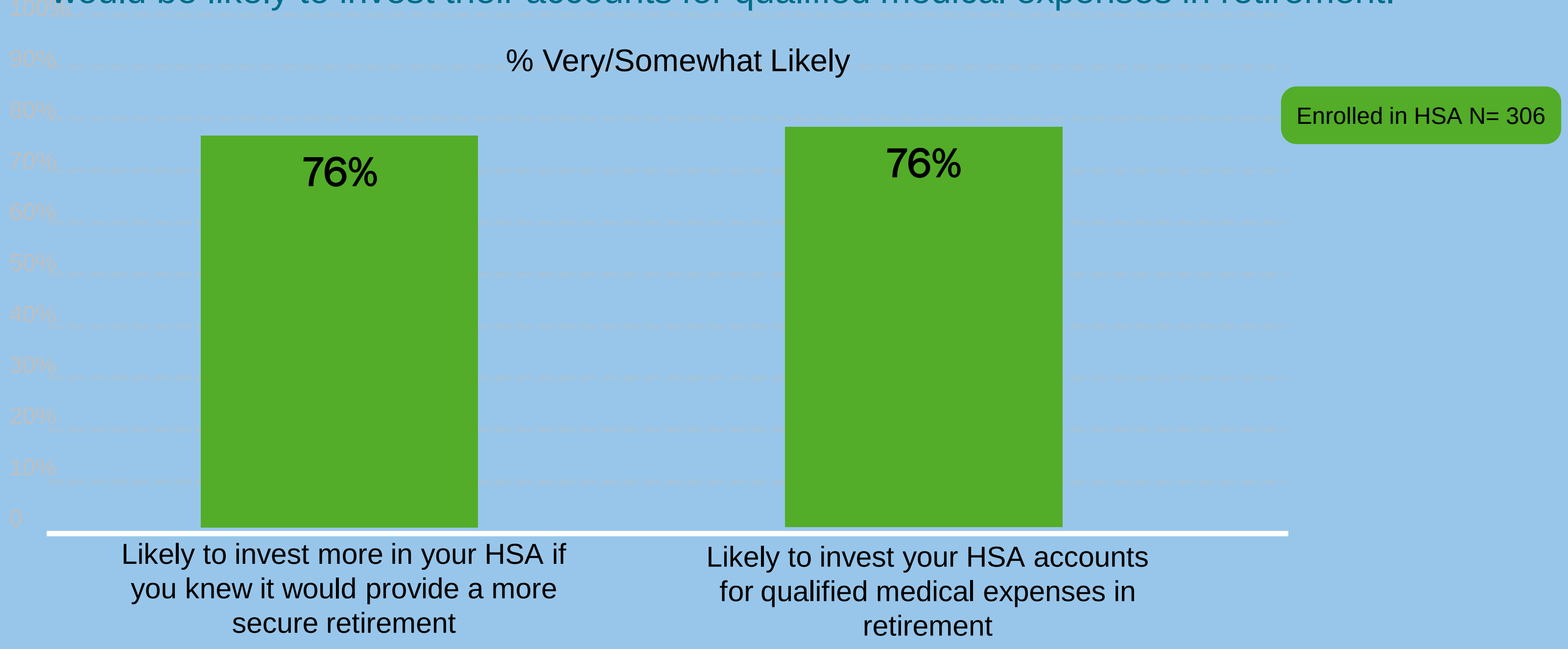


Source: Manning & Napier, EBRI. For illustrative purposes only.

A number of assumptions were made to generate the potential savings: 1) It was assumed that the maximum contribution was made each year. Contributions were assumed to have been made monthly, where the monthly contribution was one-twelfth of the maximum annual contribution. The maximum contribution thresholds were increased 2.5 percent each year. 2) Individuals eligible to make catch-up contributions (those ages 55 and older) were assumed to have made those contributions. As a result, in the 10-year savings estimates, catch-up contributions were assumed to have been made in each of the years. In the 20-, 30-, and 40-year savings estimates, catch-up contributions were assumed to have been made during the final 10-year period. In other words, the 10-year savings estimates represent the amount a 55-year-old could save by the time he or she reached age 65. The 20-year savings estimates represent the amount a 45-year-old could save by the time he or she reached age 65. The 30-year savings estimates represent the amount a 35-year-old could save by the time he or she reached age 65. And the 40-year savings estimates represent the maximum amount a 25-year-old could save by the time he or she reached age 65. The maximum catch-up contribution was not indexed to inflation.

Savings potential of the HSA

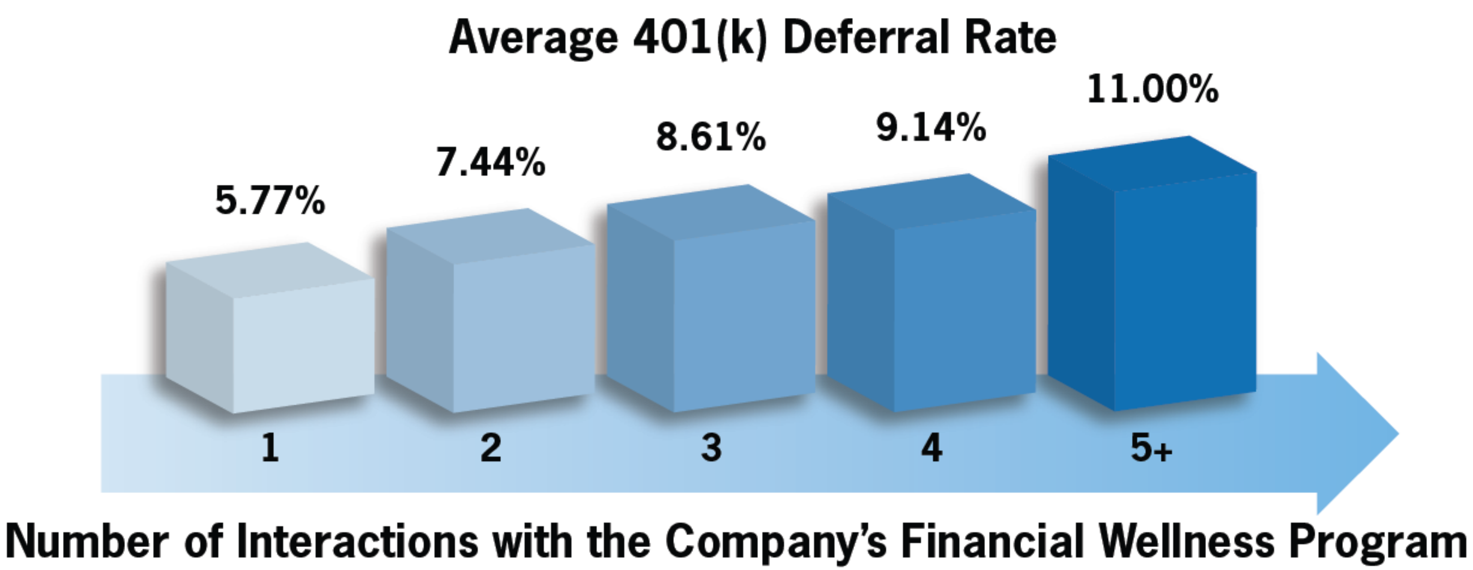
More than three-quarters of those enrolled in the HSA say they would be likely to invest more in their HSA if they knew it would provide a more secure retirement and that they would be likely to invest their accounts for qualified medical expenses in retirement.



Fidelity-sponsored online survey of 1,836 working Americans conducted by GfK Public Affairs & Corporate Communications in February 2013.

Focus on financial wellness

- Healthier employees cost organizations less over time to employ
- Rising healthcare costs & low savings rates have created risk
- Financial stress identified as one of the leading contributors
- Plan Sponsors are beginning to design wellness strategies to include financial wellness – correlation to 401(k) deferral rates



Source: Financial Finesse Case Study ROI of Financial Education in Retirement Plans with PFEEF. 2010

Communication Challenges

SAGE VIEW

Education critical to driving success

- 55% of those not electing HSA simply chose (or defaulted into) last year's plan.
- Two keys that HSA participants are much more likely to understand
- You don't lose your money at the end of the year
- You can invest and use for retirement.

Only
37%
percent of decliners say they will consider an HSA in future years

Fidelity-sponsored online survey of 1,836 working Americans conducted by GfK Public Affairs & Corporate Communications in February 2013.

Understanding generational differences

» What does this mean to you?

"We need to get this project done."

Older Boomers – Urgency & immediate action

Younger Boomers – An order

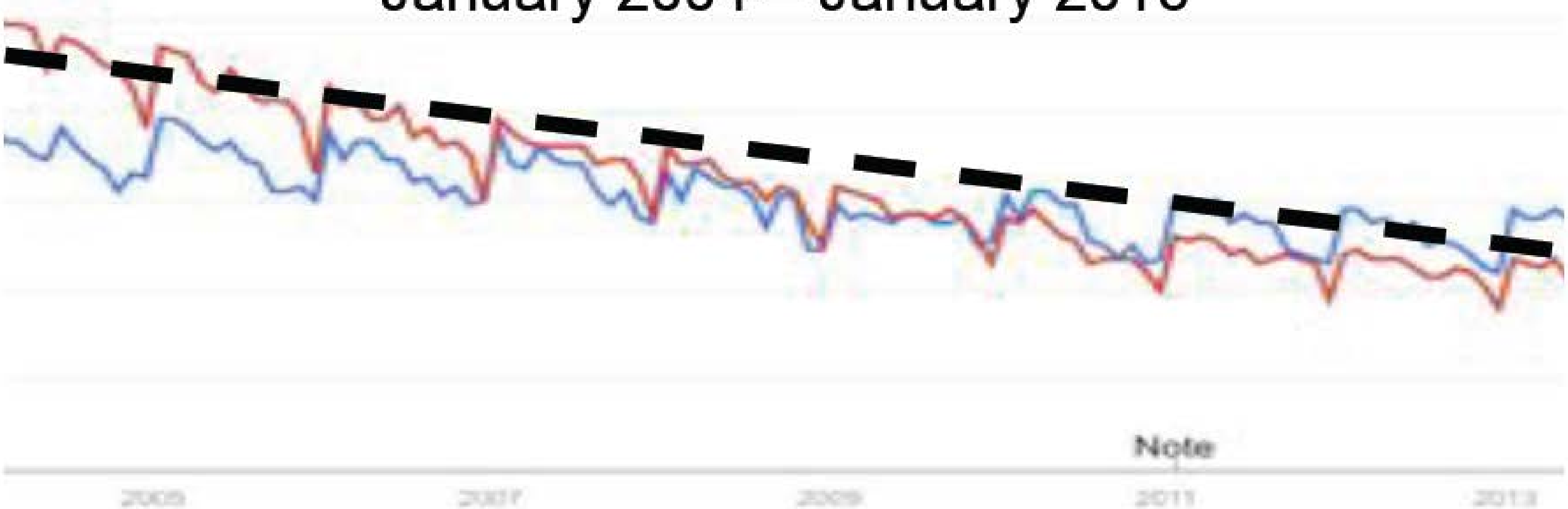
Gen X – An observation, not necessarily a command, nor immediate

Gen Y – Call for discussion and collaboration

Source: Coughlin MIT Age Lab

Is “Retirement” a bad word

Searches of ‘Retirement Planning’
January 2004 – January 2016



Source: Coughlin MIT Age Lab, Google Search Results

Communicating effectively

» Educational campaigns need to target participants in different generations

» Consider renaming the plan. "Savings plan" resonates much more with younger employees

» Use technology where it can add value, but don't rely on it

Technology's impact on retirement planning

Financial Technology (FINTEC)

»Robo Advisors

»Financial Wellness Solutions

»Wearable technology

»Integration of Payroll & HRIS Platforms

Source: 2013 P&I DC East coast Conference

Robo advisors

SAGE VIEW

»What if this could help participants plan for retirement?

amazon echo

Wearable technology

»If this can help us navigate roads, why not retirement?

Financial wellness solutions

- »Seeing the whole picture is essential
  - •Data aggregation technology has made applications able to better forecast what retirement will look like
  - •Participants are much more likely to take action seeing the impact of their actions today on their future
- »Virtual reality
  - •Visualizing retirement could be much less challenging

Conclusions & Implications

Conclusions & Implications

SAGE VIEW

» Continued growth of DC plan assets likely

» Greater responsibility placed on employees for preparing themselves for the future

» Plan Sponsors will need to design plans to help employees prepare

» Educating employees on the plan options will be critical to success

» Healthcare reform presenting new challenges to finance the cost of healthcare in retirement but unfunded gaps can be addressed today using vehicles like HSA's and financial wellness tools.

» New technology could improve the administrative efficiency of plans and allow participants a fully automated but comprehensive experience.

» Advancements in administrative capabilities will allow for comprehensive analysis of participants financial lives.

Source: 2013 P&I DC East coast Conference

Questions?

Thank you.

Jeffrey Petrone, AIF
Ph: (561)801-2556
Email: jpetrone@sageviewadvisory.com

www.sageviewadvisory.com

Disclosure & Disclaimer

Securities offered through Cetera Advisor Networks, Member FINRA, SIPC, SageView and Cetera are not affiliated companies.

STATEMENT OF OPINION: This and/or the accompanying information was prepared by or obtained from sources which SageView. believes to be reliable but does not guarantee its accuracy. Any opinions expressed or implied herein are not necessarily the same as those of SageView research departments and are subject to change without notice. The report herein is not a complete analysis of every material fact in respect to any company, industry, or security. Additional Information is available upon request.

ASSET CLASS SUITABILITY: Stocks of small companies are typically more volatile than stocks of larger companies. They often involve higher risks because they may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions. High-yield, non-investment grade bonds are only suitable for aggressive investors willing to take greater risks, which could result in loss of principal and interest payments. Global/International investing involves risks not typically associated with US investing, including currency fluctuations, political instability, uncertain economic conditions and different accounting standards.

PAST PERFORMANCE: Past performance is not an indication of future results.
ASSET ALLOCATION: Asset Allocation cannot eliminate the risk of fluctuating prices and uncertain returns.
INTERNATIONAL INVESTING: Global/International investing involves risks not typically associated with US investing, including currency fluctuations, political instability, uncertain economic conditions and different account standards.