AMERICAN WORKERS MUST BETTER PREPARE FOR RETIREMENT PER RECENT SURVEYS

Now that the American economy has largely shaken off the effects of the Great Recession, it is sobering to note that recent surveys indicate most American workers are not on track with respect to retirement planning. The majority admit they are behind scheduled retirement financial security targets and the prospect of rapidly escalating health care costs adds to their retirement security concerns. For example, **64%** of polled workers admitted that they are behind where they should be with their savings according to the *2015 Retirement Confidence Survey* conducted by the Employee Benefits Research Institute. Furthermore, only **22%** of those surveyed indicated that they were "very confident" they will have sufficient money in retirement. Per the National Institute on Retirement Security, from a macroeconomic viewpoint, **45%** of Americans have no retirement savings, and the median retirement account balance is a mere $3,000 for working age households. This statistic climbs to only $12,000 for households approaching age 65.

Probably even more daunting than rising health costs is the prospect of living a long life (but not necessarily a prosperous one). Actuarial statistics quantify the fact that the life expectancy for the typical American continues to increase at a significant rate. For example, a 65 year old woman can expect to live another 20 years, while the typical man can look forward to living another 18 years. An upper-middle-class couple now age 65 has a **43%** chance that one or both will live until age 95, according to statistics published last year by the *Society of Actuaries.*

Formal employer provided retirement plans fill a definite economic need for employees, as well as providing income tax advantages for both the employer and its employees. National Retirement Services can help in the design, implementation, and administration of tax favored employer retirement plans.

NEW MORTALITY TABLES MAY PRESENT FINANCIAL OPPORTUNITY FOR PENSION PLANS

Anyone who has had experience with small to medium defined benefit pension plans knows that the great majority offer participants the option of taking a single sum payment at retirement instead of lifetime periodic income. What is not so commonly known is that these optional single sum payments include a federally legislated minimum single sum benefit based on a prescribed mortality table and interest rates. The retirement industry has been anticipating that the *"applicable mortality table"* would be updated in 2016 to reflect the increasing life expectancy of the American workforce. However, the IRS published *Notice 2015-53* announcing that the current *applicable mortality table* will not change for payments made in 2016. Given the continued increase in life expectancy, many in the industry predict a new and stronger table will be introduced in 2017.

This information presents financial opportunities for both employers who sponsor

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defined benefit plans and for the employees that participate in these plans. An employer who wishes to minimize plan benefit costs (possibly including "per head" administrative charges and PBGC insurance premiums) will encourage the commencement of benefits in 2016 in order to avoid anticipated higher lump sum benefits in 2017. Employees, if they are aware of this development, will be more likely to postpone commencement of benefits until 2017 or later in order to maximize the size of the single sum benefit. However, if interest rates increase in 2017, this will tend to offset the effect of life expectancy increases and could even result in lower 2017 single sums.

DON'T FORGET TO GET THOSE REQUIRED MINIMUM DISTRIBUTIONS PAID BY DECEMBER 31

Retirement plan participants entitled to benefits that are over age 70.5 and either own more than 5% of the employer or who have terminated employment must receive a Required Minimum Distribution ("RMD") no later than December 31. A few exceptions apply, such as delaying the initial payment until the April 1 immediately following the year in which age 70.5 is reached or the year in which employment termination occurs, whichever is later. Participants who fail to receive an RMD by year end face a **50%** excise tax penalty unless it is waived by the IRS. In addition, failure to make these minimum distributions can result in risk of plan disqualification unless a special government filing is made. NRS makes every effort to assist its clients in properly administering RMD requirements. However, any clients who believe there may be any participants who should receive an RMD for 2015, not identified by NRS, should check with their NRS Account Manager.

OCTOBER 2015 REMINDERS

October 15 – Retirement plan employer contributions are due if contributions are claimed as deductions on tax returns due October 15.

October 15 – Deadline for retroactively amending calendar year plans to correct coverage or non-discrimination failures for 2014.

October 15 – Forms 5500 series and Form 8955-SSA are due for Plan Years ending December 31, 2014.

October 15 – The PBGC premium filing due date for small plans, those with less than 100 participants, with a premium payment year ending August 31, 2015.

November 2 – Forms 5500 series and Form 8955-SSA are due for Plan Years ending March 31, 2015, unless an extension applies.

FOR MORE INFORMATION OR TO REQUEST A PROPOSAL, PLEASE VISIT OUR WEBSITE AT WWW.NRSERVICES.COM, OR FOR SALES SUPPORT, PLEASE CONTACT:

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