

the dana report

February 2019 Issue

A publication of Dana Consulting Group, Ltd.

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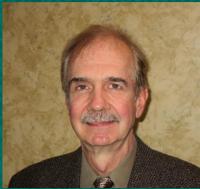
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ABOUT THE FIRMS



Dana Consulting Group, Ltd. and Jennings Law Firm, Ltd. were established to provide employers with a single source of comprehensive legal and consulting services relating to retirement plan and employee benefit matters.

If you know someone who would like to receive *the dana report*, click the link below.



→ EPCRS CORRECTIONS

Administering a qualified retirement plan is difficult and errors occur. Recognizing this, the IRS initiated a program a long time ago to permit plan sponsors to correct various errors in their retirement plans. This program is called EPCRS (short for Employee Plans Compliance Resolution System). We recently concluded an EPCRS filing that allowed a company to completely rewrite a retirement plan that did not reflect what the company had intended. The corrections we proposed, and the IRS approved, included taking away significant benefits for many NHCEs. We mention this to notify our partners and non-client that we have substantial experience structuring these kinds of corrections and negotiating them through the IRS process. In this recent filing we made, we saved the company substantial contributions that it did not intend to make (and did not wish to make). If your company (or your client) has a retirement plan that is out of compliance, you should give Lee T. Jennings in our office a call. Lee can be reached at (630) 802-7644.

→ WORKERS'S FINANCIAL STRESS CAUSING EMPLOYER ANGST

A survey by John Hancock Retirement Services concludes that about seven in ten employees are stressed out over their finances and that is costing employers about \$2,000 per employee. The leading financial factor causing their stress: lack of retirement savings. Nearly half of employee respondents indicated they worry about it "a great deal." This stress exhibits itself by individuals feeling anxiety, losing sleep and feeling overwhelmed.

There are a variety of measures employers can take to encourage employees to save more for retirement using the employer's existing retirement plan. Measures include better financial education and regular 401(k) meetings, and automatic enrollment/escalation. We have said it before and we will repeat it here: one of the best measures an employer can take is hire an experienced and dedicated financial advisor to work with employees to use the 401(k) plan to its utmost.

→ TO FINANCIAL ADVISORS EVERYWHERE: 401(K) PLANS MAY BE YOUR BEST SOURCE OF NEW BUSINESS

First it was \$18 trillion, then \$35 trillion, then \$41 trillion - and now? \$68 trillion of wealth will be passed to heirs over the next 25 years. These eye-popping numbers are part of a report from Cerulli, who defines transfer of wealth as any shift of assets from a household to an heir or charitable organization. Most (roughly 93%) of this wealth will transfer as a result of death. Many of these beneficiaries are participants in your clients' 401(k) plans. Low income-low balance participants are often avoided by financial advisors who want to focus on the owners and wealthier participants. However, if ten participants inherit \$100,000 in the course of a year, that translates to new business PER YEAR of \$1 million from participants who nobody is talking to now.



SPEAKING OF LOW HANGING FRUIT

Younger savers are not convinced of the value provided by financial advisors and use self-directed brokerage accounts by a margin of 4-1, according to a YCharts survey. Further, almost 31% say they use investing apps or robo-advisors to pick their investments. For financial advisors who service 401(k) plans, this is a group that is crying out for a better solution. You should encourage your employer-clients to schedule regular education meetings AND make attendance mandatory. Don't think Millennials don't want to save, the YCharts survey suggests that 44% of Millennials save more than 15% of their pre-tax income, while 50% are saving at least 12%.



2019 KEY FINANCIAL DATA

George Rizos is a financial advisor we partner with and he has prepared a great two-sided summary of various key financial data, like individual tax brackets, estate and gift tax rates, qualified retirement plan dollar limits, to name a few. Your author loves these kinds of quick summary sheets so I have them at my fingertips when needed. If you would like to obtain a copy for yourself, give George a call at Wintrust at (847) 870-6502.

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