Revamping Retirement Podcast Episode 65 - Hearts & Wallets

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Speaker 2: Hello, and welcome to revamping retirement, a podcast brought to you by CAPTRUST, where we explore the opportunities and challenges facing today's retirement plan sponsors and fiduciaries, our hosts, Jennifer Doss and Scott Matheson. Lead the employer sponsored retirement plan practice at CAPTRUST. One of the largest registered investment advisors in the U.

S. And a thought leader in the retirement plan, advisory, and consulting space. We hope you enjoy revamping retirement.

Audrey Wheat: Hello and welcome to Revamping Retirement. I am Audrey Wheat and I am joined by my esteemed co host this month, Matt Patrick. Matt, how are you doing today?

Matt Patrick: Doing well, Audrey. Excited to be here today. I

Audrey Wheat: we are in the midst of Volunteer Month at CAPTRUST right now and so we are encouraged to get out and volunteer within our communities.

Matt, have you volunteered this month or are you planning to?

Matt Patrick: haven't yet, but next week I'm volunteering with a group called Interfaith Food Shuttle. So we're going to be at a farm locally. I'm not sure yet what they're going to be doing, either farming or weeding or sorting food, but that's, that's what I have going on. What about you?

Audrey Wheat: Very good. So I actually volunteered earlier this week at the Food Bank of Central and Eastern North Carolina and had the pleasure of bagging and sorting green peppers for about three hours. And let me tell you, I don't think I want to have fajitas for quite a while. so we were set up at stations and I shared a table with a gentleman named Larry.

So Larry and I got to talking and I learned that Larry retired in 2018. And, I just think it's so funny, being in this industry, we think about retirement. Way more than the average person. And so I always love to ask retired people. How's it going? Anything unexpected? Like how has it been since you retired?

So Larry actually shared with me. He had a lifelong career in IT But he mentioned that he actually had a bit of a rough start in retirement when he retired in 2018 because he got laid off unexpectedly. He, had started conversations talking to his manager about wanting to scale back and maybe go part time before retiring, but he wasn't planning on retiring until a few years from 2018.

So the decision was made for him to retire And I just thought that was so interesting that I got paired up with Larry at that table because today we are actually going to talk about surprises in retirement as well as advice, data and analytics and measurement of data around money. And I'm, I just thought it was so cool that, you know, it was fate that Larry and I met.

I do want to give you the end of the story. I think Larry's doing okay because after we were done volunteering, he drove away in his Porsche. So I was like, I think Larry's doing good.

Matt Patrick: maybe Larry needed the push, you know, he was ready. He just didn't know it yet.

Audrey Wheat: Maybe. Yeah. he seemed very happy. he was a great guy. so that brings me to introducing today's guest, Laura Varas, founder and CEO of Hearts and Wallets, which is an independent data and benchmarking firm that specializes in savings, Wealth and Retirement. Laura, welcome to the podcast.

Laura: Thank you, Audrey. Good to be here.

Audrey Wheat: Laura, let's just start off. Tell us about your background and how you came to found Hearts and Wallets and about Hearts and Wallets.

Laura: Thanks, Audrey. Well, as you said, we're an independent data and benchmarking firm, and we specialize in saving, investing, and financial advice. And firms use our data to continually improve their products and services. subscribers are twice as likely to be in positive net flows and 70 percent more likely to be the primary firm for their customers. So clearly paying attention to the competitive landscape and listening to what people want really works.as for me, I come from a family of artists. My father was a composer and I was a professional musician as a child. I broke his heart by going into, economics and finance. But Hearts and wallets in some ways is what happens when great analytics and the right data are seen through the lens of an artist and, and made scalable by a great team. we, cover strategy, product distribution, channel, customer management, and people in those roles tend to find good stuff to, improve their products and services, make them better for people like Larry.

Matt Patrick: That's great. well, I feel like the only, only reasonable follow up question is what instrument or instruments do you play?

Laura: Oh, thank you for asking. I started singing

And then, piano and, flute. I was a flutist.

Matt Patrick: All right. Well, we'll pivot from music, to some of the work that you all have done at Hearts and Wallets. So one of your recent studies that you all have put out called Getting Real About Retirement talked about some of those surprises that people experience, things that maybe others don't think about as things that you might run into in retirement.

could you run through the basics of that study and then what your key findings were?

Laura: So like Audrey said, you know, the three of us and everybody else who works in our industry and plan sponsors, we think about retirement a lot more than average people. Right. And so it's great, Audrey, that you got to spend the day with Larry and I'm not surprised to hear what Larry said because back in 2013 in some qualitative work we were doing, Explore Qualitative, we separated consumers that were age 53 to 75 into three different groups to have really candid, honest, safe discussions with people who had similar experiences. One group was people who had pensions, another was people who didn't have pensions and had to, like Larry, retire earlier than planned, and then the third group was people who didn't have pensions and were in control of the timing of their retirement. So it was super interesting to hear, what you When people are in these homogeneous groups or segments, if you will, they, they really open up and they told us, the biggest surprises. The number one was actually really good. you know, that it can be, surprising how much they enjoy it. But there was also a really big surprise, which was not as good, which is the that work opportunities run out and it can be hard to find a job. So they offered up some pearls of wisdom, if you will.

and the top one was plan and save. It'll be here before you know it.so we've been tracking these surprises of retirement quantitatively in the IQ database, the investor quantitative database, the single deepest and broadest data set on consumer buying patterns and saving investing and financial advice. And in that most recent study, Matt, that you asked about getting real about retirement. It was good. 47 percent of the more than 40 million households, in the U. S. who are retired. We have a quite representative sample of, 6, 000 households every year, 47 percent were surprised by how much they enjoy having more time and less stress.

Maybe to do volunteering like you and Larry did, right? Unfortunately, 27 percent were forced to live more frugally than they had wanted, and 23 percent had to retire earlier than they or their spouses or partners had wanted. so those are the biggest ones, right? Number one is a good surprise.

It's fun to, you know, have more time and less stress. number two, some people are forced to live more frugally and that, like they said, 10 years ago, work opportunities run out. It can be hard to find a job. In general, what's happening that's new today is that a little bit more people are having to work because they need the money. It's not a ton of people. It's about one in 10 said that. So about 9 percent up from 4 percent a decade ago. But then a good surprise is that fewer are saying that low interest rates make it hard to generate income. So that's only 13 percent today, down from 28 percent a decade ago.

Matt Patrick: I do want to ask a follow up on the work opportunities disappearing. Is that, is it more the Larry example of retiring early? Is it more like they want to work part time and the opportunities just aren't available to people with their skills? Or is it that they get in retirement and they decide that they. They don't want to work anymore. Like they thought they would.

Laura: Well, it does depend. there are definitely people like Larry who, they talked about work opportunities running out.looking around and seeing the younger people getting the opportunities. some of them though, also talked about feeling satisfied.

It came as a surprise to them. They felt satisfied. They had accomplished what theyset out to accomplish in their careers and they were ready for this next phase. So it is a very personal, experience this. surprise that work opportunities run out. and I think it's such a good idea, isn't it?

To listen to people that have experienced things that we haven't experienced yet, right? that's why I personally just, love learning from people that have had experiences and the retirees said, save and plan. It'll get here before you know it.

Audrey Wheat: Absolutely. I know there was an advice component of that study. can you just tell us a little bit about how you see the role of financial advisors evolving in in the context of helping people prepare for retirement.

Laura: it's really complex. it depends on what kind of advisors, as we will get into later. On the surface, the mere presence of advice doesn't reduce the incidence of surprises. which is a little bit troubling or should be, right, to people that deliver financial advice. on the good side, households of many asset ranges tend to be more likely to have the good surprise of enjoying having more time and less stress when they are professionally advised. But some households who are professionally advised are actually more likely than the unadvised to have this bad surprise that we're talking about of having had to retire earlier than they wanted. And what consumers are reporting, aligns really well with what we see in advice experience benchmarking. so two big areas. You know, for innovation, just to get to your exact question, in retirement planning, we believe are more information about work span. There isn't really a lot of great language to describe this at the beginning of our careers, where we ramp up and hopefully, we move up from minimum wage jobs to, maybe salaries and compensation increases as we gain experience and things like that. There's not a similar amount of information on the other end. of human capital, right? what happens at the end? Do we just work,work, and it comes to a screeching halt one day? That's not what the data show, right? The data show, Matt, like what you're saying is that work is a great way to generate income, right? And a lot of retirees want to be able to work part time. I think, to your point, Matt, the Labor markets need to catch up a little bit to that reality, COVID taught us that not everybody has to, be in the office 40 hours a week to be productive. There's lots of ways to work. The other area is real estate. And by real estate, I mean, where should you live, And, In some ways, a lot of retirement planning is looking at the trees and missing the forest, Because the decision about where to live, what kind of a house, what state to live in, it's one of the biggest decisions affecting life and financing retirement.

And there's not a lot of advice out there about that. And I'll just add as a note before I let you guys respond that in general, target replacement rates are too high,It's great to put an ambitious goal out there, but setting it too high can be discouraging. Even having three times assets to income is enough to reduce the incidents of bad surprises and increase the incidents of the good ones. So not everybody's going to be able to drive away in Larry's Porsche maybe, but let's try to get more people to a basic cushion and then improve from there.

Audrey Wheat: Yeah, so not an all or nothing approach.

Laura: Exactly. Little improvements, right? Lose a couple pounds, you know, drink a little less, save a little more. Little improvements.

Matt Patrick: It is interesting with the psychological element of if you set the goal too high and it feels unattainable, maybe people don't, you know, they don't even pursue it, but let's make it something that's attainable. Cause that's better than not pursuing it at all.

We talked some about. Areas for innovation, I guess, are there any trends in the market that you see? And I guess, do they align well with the areas that you see that are most prime for innovation?

Laura: Yeah. I think, as I mentioned, the work span and real estate are two big areas for innovation. So most of retirement advice experiences start with a date that you're going to stop working. Right? Target, date retirement funds. Listen to the words I just said. Target date retirement funds. Start with the date. Okay. This is reasonable, but 64 percent of Americans who haven't retired yet say they don't know the date. So it's odd to have a product and a solution that's the premise is that it's something people don't know. In general, advice experiences cluster around target dates of 67 to 70, but 70 percent of Americans have already stopped working in their main occupation by age 70. And as I mentioned, the decision of where to live is one of the biggest decisions that affects retirement. And there's very little advice out there about that.

Audrey Wheat: So many different considerations there. one of my other favorite podcasts that I listen to says you can't live your life in a spreadsheet. It's a balance of what works for you, but also what makes financial sense. But sometimes they're not mutually exclusive.

Laura: Couldn't agree with you more, Audrey.

Audrey Wheat: I was really intrigued by one of the, studies that you can help businesses with. it's called Inside Advice Benchmarking.as you've, helped your clients through that benchmarking, what observations have you gathered in the delivery of advice from a plans record keeper versus a retirement advisor like CAPTRUST?

Laura: So first of all, financial advice is a consumer purchase decision like any other. And there's different categories of financial advice. we can get more into that later, but in the past, record keeper Has been very bare bones.save more, put all your savings into the 401k, right? And that's a big part of why in general consumer trust in the workplace relationships has been so much lower than trust from relationships that are based on other types of accounts. In general, what you see with the advisor is broader advice, right? In the context of all your goals. to your point about you can't live life in a spreadsheet.

In the context of all your goals, here's where retirement should fit. You pay off your debt, get your budget in order, save more, yes, but spread it across different accounts. And here are the investments you should consider, if it's guidance, or even the ones you should choose, if it's advice.

Matt Patrick: you were alluding earlier to some of the mismatch that's out there in terms of what people need or what the advice is pointing them towards, and we were listening to a previous podcast appearance that you did and you referenced that, people need to be solving problems in the way that People want them to be solved and that a lot of, investment products and advice products out there are not doing that.

And I think you've alluded to some of those, but I guess in terms of, current landscape, you know, you're alluding to like current state of advice with record keepers, consultants, all these different types that are out there. what do you see in terms of what people have now?

And then what do you think that we need to have moving forward to actually like address those problems that people have? how do we solve them in the way that people want them to be solved?

Laura: I love the idea of solving Problems that are real problems, right? and certainly choosing investments is a real problem. There's a lot of solutions for that.

So generally like looking forward, the top 10 trends that we see in advice are number one is to balance goals. retirement's really important, but so can education or buying a home, right? number two is to broaden the scope of advice of retirement advice to encompass, more topics, maybe health, for example,

Work span, as we talked about. Number three is what we call diagnostic metrics. for example, if we're spending too much, we don't necessarily need to do a huge budgeting exercise if we're only saving 5%. Maybe we can just say, Hey, you ought to be saving eight or 10%, or if you're saving zero, maybe you get to five, right? Number four is for advice to be more periodic and on demand. So less than the, like a. Annual interaction, let's be checking in more frequently. And then number five is inclusivity in data fields, It's really surprising how much advice, from record keepers is limited to just the plan participant, but the plan participant may have a partner, may have kids, may have people he or she cares about.

so this number five is inclusivity in data fields. The rest of them get into like the non linear nature of life, Especially for caregivers, you might have to take some time off from work. Life isn't linear. Optimizing taxes over lifetimes, recommending next steps to improve new techniques for interactivity, categories of advice.

We could go on forever. There's a lot of, things I think looking forward that over the next three, five, ten years will be the key things that make retirement advice of the future even better than retirement advice is today.

Matt Patrick: And do you think improving some of these areas would drive greater adoption or like use of these advice services by participants in retirement plans? I think that's the other, that's the other thing is, you know, we have solutions out there, but maybe because they're not fit to what people need, they don't use them.

And so we look into like, Oh, well, we've got all these great things out there, but no one's using them. is that you think this will nudge people in that direction?

Laura: Yeah, I do. And I think we got to make it a lot more fun, It's fun for us. We chose this industry. We choose to think about this all day. So it's super fun for us. We are not doing a good job of making it fun for other people, Views on one of the fields we track in the IQ database is I enjoy thinking about money. Okay, everyone that we work with all day enjoys thinking about money. A lot of other people don't, So let's make it a little more fun. it's a serious topic, but I think injecting a little more levity into it will make it less intimidating.

Audrey Wheat: it sounds like from what you've said, the industry is prime for disruption. I know there's disruptors out there, and when we think of disruption, my mind goes to technology. in your observations, how has technology influenced the delivery of advice and retirement planning?

Laura: there tends to be this perception of the world was black and white before. It's almost like the Wizard of Oz, like before they get to Oz, right? It's black and you either have an advisor or you use tools.no, the world's in color, And there's nine categories of advice, which, and technology is improving across all nine of them. So in kind of the more, basic categories that are maybe simpler and a little more self directed technologies, allowing consumers to answer more sophisticated questions themselves. And in more robust categories advisors and clients are working together, collaborating through technology.

So technology is affecting all the categories of advice in a positive way.

Matt Patrick: can you outline what the nine categories of advice are

Laura: Sure. so just like any other purchase decision, financial advice has categories, So when we buy cars, you can think of big, medium, small, expensive, medium, and, maybe low price. So financial advice is the same. And one of the dimensions of financial advice we call scope. and we say level one, level two, level three.

So level one is pretty basic. It's, asset allocation, retirement topics covered, level two would get into multiple goals. And then level three would get into really sophisticated things like detailed retirement, income planning, tax optimization. That's what's practiced today in the market,

This changes over time as advice gets better, where, what the categories include in them. And then the other dimension is. Self service, where people can really do most of it themselves, things like, planning tools and calculators. The middle category is, a lot of people think of this as kind of, quote, hybrid, but as I mentioned, technology affects all nine.

So the middle category is called mid service. And, then the most advanced category is really full service. But here's the thing, In order for something to be full service, it doesn't have to do all of the topics that I mentioned, So there's a lot of consumers who have, just want to focus on retirement and asset allocation, but they want someone to talk with And, whereas the world was very focused on kind of self service tools versus an advisor giving the full Monty. now there's choices in all nine categories, and they all come with different prices, which is the cool part about it. Because consumers are starting to realize that there's just no such thing as a free lunch, It doesn't make sense, What's the catch? Why is this free? How does the firm offering it make money? It's better to have an explicit price and each category comes with different prices. So no category is better or worse than any other,

they're just like cars. You could, uh, you know, choose any number of cars and, uh, they would all be, pretty safe and pretty good. That's what I hope to see in retirement advice in the future.

Matt Patrick: that is really interesting to think about? firms offering various solutions along that spectrum that you laid out, I guess, in both directions, in terms of scope and level of service. and I can definitely see the where the mind goes with AI and like tools coming out there.

it could probably do some really basic, if you gave it a formula, I could give you advice on that.

But I guess the touch points and what the look and feel is and whether people trust technology in that capacity, I think it'd be interesting to see like how that develops and how people use those tools.

Laura: the trust factor with AI, there's obviously there's people that are programming it and things like that. Sometimes nothing is as good as just sitting down with somebody in the cafeteria or meeting over the kitchen table with someone that, you know, I don't think AI is going to ever be able to replace that, good feeling of having a person that you can talk to. Not everybody wants to pay for that, and that's fine, So it's really cool that there's options along both dimensions, that people can purchase and that their employers can make available to them. and, it's like you said, it's a combination of the scope of how complex and things you want to get into it, whether it's simple or pretty complex.

And then, how much interaction with people do you want to have?

Audrey Wheat: I guess speaking of interacting with people, I know you've heard a lot of what people have to say about their thoughts about money. What are some of the common misconceptions or myths that you've encountered about money?

Laura: I think the biggest misconception is that money can buy happiness. And as we saw with the fairly modest assets to income ratio, reducing the incidence of. Bad surprises and increasing the incidence of good surprises. Like you said, Matt, let's not set the goals too high. We know it's a daunting task to, save enough money to support yourself when you're retired, but let's make it achievable and let's get people to, a basic level of security and then we can improve from there.

Matt Patrick: the the money not buying happiness feels like it ties into that first surprise you went through the positive one where like they're surprised how much they enjoy the free time and the you know the stress that's not as stressful as they think it's going to be in retirement they actually enjoy themselves a lot more it probably speaks to what you're talking about you have all this stress like am I going to be okay And then you get there and you're like, actually, I'm enjoying being with people that I care about and doing things that I love and exploring, things that I'm passionate about.

So it feels like there's a nice tie in there.

Laura: Totally. I mean, thinking back Audrey's experience volunteering with Larry, he was happy, right? You said he was okay. And,

we don't know where he lived. Did he live in a, had he downsized? Did he need a four bedroom house? Did, was he living in a smaller apartment that was more manageable and gave him more time to volunteer?

And then he splurged on his nice car. You know, Larry gets to, to find what it looks like for him.

Matt Patrick: thinking about advice moving forward to what challenges do you expect the industry to have trying to Meet this standard that you think would actually make these solutions more usable for people that need them.

Laura: yeah, I mean, I think this topic of the categories of advice, And how to price them is the number one challenge, Because things like, trying to set a standard, it's really tricky, What would happen if we had one kind of car, right?

It can't be one size fits all, but it also can't be totally bespoke. So I think the categories really help. to explain, what different experiences offer so that consumers can choose what's right for them.The best, most robust advice is really expensive to deliver, You've got to invest a lot in technology to have the tools. You've got to invest in training. It's highly experienced advisors and they're maybe meeting four or five times to develop detailed plans.

Not everybody needs that, That's really awesome. And the people who need it and want it should buy it. but there can be more streamlined approaches. That, don't cost as much. So I think the categories of advice and pricing them appropriately and fairly is the, the biggest challenge

Matt Patrick: It makes sense. And that, you know, certainly gives us perspective from, from the industry side, but then for plan sponsors to think through as well, just in terms of like, as they have to then pick and make services available to their employees. It's good to keep that in mind in terms of not, there's not going to be a one size fits all solution out there.

And there needs to be thought around,do I mix and match solutions to fill more spots on that spectrum or in that grid that you mentioned in terms of service and scale on it, like there'll be a really interesting and tricky thing for people to manage as we keep seeing new solutions come to market all the time,and finding the right balance, there'll be, a fun exercise.

Laura: Exactly.

Audrey Wheat: Well, Laura, it has been such a pleasure having you on the podcast. We could talk about this for hours. Um, thinking about retirement and how much time we think about retirement in our industry. We like to ask every guest on the podcast, the same question at the end. Um, and I, I know you've put some thought into it.

So what does retirement look like for you, Laura?

Laura: Oh gosh. I'm having too much fun right now to really think about retirement for me, but. If I take the advice of the people that I study with so much passion, when the time comes, and it probably will come, like they said, and it may come as a surprise, I'll probably spend more time racing sailboats, which I love, and, devoting energy to my charitable passions, notably literacy for all children.

I, I, think that's a really important, thing that I'd like to spend more time on and I hope I'll have lots of grandchildren between my partner and me. We have five kids, so.

But that's a couple years away, I think.

Matt Patrick: no pressure on you

Laura: Yeah, right, if my kids or any of the five are listening, they're still young, they shouldn't go right away. I'm talking maybe ten years in the future.

Audrey Wheat: well, Laura, thank you again. It was a pleasure speaking to you.

And for our audience, stay tuned for Matt and my wrap up.

Matt Patrick: Audrey and I are back. after we just let, let Laura drop off here, but Audrey, what did you, what'd you think? What was your biggest takeaway?

Audrey Wheat: So Matt, just going back to the surprises in retirement and kind of tying it all back to Larry, it's, it was cool to hear about the data, that Laura had gathered on the surprises, how there's good and bad surprises. And I was thinking and reflecting on the conversation with Larry and just, What a different state of mind you're in when something happens to you versus you making that decision.

And he was on that path to making that decision, but then all of a sudden it was cut short right then and there. and I think it speaks to the resilience of people because obviously he was fine now,and mentally had seemed to, to accept it. But I think during that time, there was just a lot of uncertainty and.

He was probably feeling not as good about it, so I loved that she had data around that.

Matt Patrick: I think that data is really interesting because I think a lot of the studies we see is more around like retirement gap or like people don't have enough savings. Like they're not going to be able to meet their retirement goals. And I feel like that's what gets pushed out to you in the industry.

And I would imagine out to plan sponsors around, like you have to do this, or you have to engage with people this way. Cause no one's ready for retirement. And it's nice to see some of the data from actual retirees, just saying I'm okay. And I'm feeling happier than I thought I was going

I don't know, it's reassuring that, I think to your point about resiliency for people. So, um, yeah, I think my biggest takeaways on the advice side, I think it was interesting when Laura got into the range of different solutions that could be there from a like low touch up to high touch and then you know, kind of simple in scope up to you're getting into really complicated tax situations and estate planning and everything in between on that spectrum.

And just trying to think through, What those could look like and how, how you're able to address that. Cause I'm more thinking through, like she had nine areas on that grid and she's like, how can you offer that much flexibility, but still have it feel simple from a, like both a plan sponsor perspective, but also from.

An individual in the plan, if they're coming to you with pick amongst these nine advice solutions that, I think we do a lot around the, like, if you overload people with choice, it just, it deters them from making any choice and you don't engage. I think part of piecing these together to fit them to what people actually need is also like the.

Presenting them in a way that's easy for them to pick the one that's the best fit for them. And I think that will be really interesting. and to your question on there about like, how is technology progressing and how is that influencing it? I think that will play a big role in terms of how it's delivered and how it's executed upon and how can we make it as simple as possible for people to get the help that they need.

So like ton, ton of good stuff in there from her.

Audrey Wheat: Yeah, and what we need right now may be different in 5, 10, 20 years. We may be all over that grid just depending on the life stage we're in.

Matt Patrick: And there probably is a natural progression of like when you start, maybe the advice is simple. It's you just save as much as you can and put in an appropriate investment. And maybe that's good enough, but there is a progression where it needs to evolve over time. And I think some people have started to work through.

Some of that. And there's sort of like dynamic QDIA solutions out there where it's like, Hey, it's target data front. And then you get an advice solution on the back end. I think there's going to be just more development there. Cause I think that's an acknowledged need of people is, you know, fitting the advice to what they need along their career progression.

Audrey Wheat: Well, thank you again to Laura for coming on the podcast. We really appreciate her. And we are going to wrap this up with our, monthly Minute with Mike. So Mike, take it away.

Mike Webb: This month we will discuss how ERISA retirement plan sponsors can improve a process that is a source of dread for many, the filing of 5500 annual reports. The first area of improvement, at least for those plans with 100 or more participants, is taking control of the audit process to which such plans are subject.

The number one reason that 5500 is delayed is the audit. Plan sponsors should debrief their prior audit process now. Explain to the auditor the goal for the 200, 023 filing, or filings, is to prepare as though the filing is actually due on the non extended deadline date of July 31st. It is not impossible.

The second area of improvement is for plan sponsors to get a handle on the number of plans they maintain. Many employers sponsor just one arrested retirement plan, while others have two, three, or even five or more plans. Each additional plan can greatly complicate the 5500 process, never mind the fact that it also increases the overall reporting and disclosure burden Worse yet, employers who sponsor multiple plans often do not have a legitimate business reason for doing so.

Thus, plan sponsors should work to consolidate plans, or if that is not feasible, to explore the new group of plans option to determine if a single 5500 filing should be completed. The final area of improvement is for plan sponsors to keep the lines of communication open with all service providers involved in the 5500 process.

If there are significant changes to a plan during the year, for example, a record keeper change, trustee change, Or a change in anything else that is mentioned in the plan's audited financials. October is not the time to be informing the plan auditor or 5500 preparer. Service providers should be kept in the loop as changes occur.

If plan sponsors can take these simple steps, this year's 5500 process might actually be a pleasant one.

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