March 2022


# RETIREMENT TIMES

In This Issue:

March 2022

# Survey Says… What's Your Take on Financial Wellness Programs?

A recent comprehensive TIAA survey of financial wellness plan participant perceptions may be helpful to plan sponsors who have, or are considering implementing, a wellness plan for their employees.

Employees' definition of financial wellness varies considerably: "having the means to take care of your family and others" (53%), "not worrying about money or debts" (51%), and "feeling protected financially from life's unexpected events" (51%), well ahead of retirement financial security (36%). Also, they rank the "ability to pay monthly bills without difficulty" (38%) and "having a reliable source of income" (38%) ahead of being on track with retirement savings (16%) when asked about their current priorities for securing financial wellness.

Interestingly, the TIAA survey found most people don't consider retirement planning as a component of their financial wellness. However, 57% of respondents are interested in learning more about retirement planning through an employer financial wellness program. Many employees feel that it is difficult to focus on their retirement when there are more immediate pressing needs. "The most impactful financial wellness programs help address both short-term and long-term goals since they are linked together." according to Snezana Zlatar, senior managing director and head of financial wellness advice and innovation at TIAA.

Employees who have participated in a wellness program appear to be much more confident about their progress on key markers of good retirement planning in areas of being able to retire when they want to (54% vs. 32%), afford the retirement lifestyle they want (54% vs. 29%), and live comfortably in retirement without running out of money (50% vs. 29%).

Some obstacles to employees who choose not to engage with a financial wellness program include:

Worried about hidden costs or fees – 27%; Don't want to disclose finances/issues to employer – 25%; Wouldn't be as effective as offerings you could find on own – 20%, Don't think offerings would make a difference – 17%.

These impediments can be mitigated through targeted, ongoing education about the benefits, confidentiality of financial information, explicit cost reporting and recognition of a diverse employee population.

Zlatar says, "Whether employees are interested in guaranteed income for life or help managing their federal student loans, we've seen that increased flexibility in benefits, more financial education and personalized advice ultimately lead to better outcomes and increased feelings of financial wellness,"

The TIAA "Financial Wellness Survey" was conducted online from October 22 to November 3, surveying 3,008 Americans ages 18 and older on a broad range of financial management issues and topics.

# Retirees' Retirement Asset Withdrawal Rate: Will Your Money Last?

For many years the investment advisory community has proposed that if retirees withdrew their retirement assets at the rate of 4% annually there is a high probability that assets would last to normal life expectancy.

The 4% "rule" is not a one-size-fits-all solution, and there are several variables to consider, but it could at least provide a starting point to be adjusted based on individual circumstance.

This starting point is based on actuarial tables and thousands of return based scenarios. The rule determined that a 65-year-old retiree withdrawing at the rate of 4% annually (inflation adjusted) had a high likelihood of not outliving their retirement assets based on current life expectancy, assuming no portfolio changes.

However, in previous generations retirees could live off bond portfolios that yielded 4% to 5%. Currently, 10-year bond yields are closer to 1.5%, producing potential negative returns after inflation. As we begin 2022, we see annual inflation is close to 7% annually for 2021. As a result, it becomes appropriate to review these basic assumptions.

Based on Morningstar's research, the projected starting safe withdrawal rate for the next 30 years is 2.7% for assets in a cash account. The highest safe withdrawal rate is 3.3% for portfolios with 40% to 60% in stocks. But even so, if you retire soon, this fixed withdrawal rate is not certain as there is much uncertainty about inflation and potential market volatility.

Any current projection should assume potential variability in income from year to year. One approach worthy of consideration and that can lead to a higher rate gives retirees an opportunity to increase the subsequent year's withdrawal when the portfolio has done better than projected and to reduce withdrawals when underperforming.

Certainly, this is a difficult time to project long range withdrawal rates and the current bond market is not as reliable as in the past, but the S&P 500 in 2021 did end up 26.9%, which virtually no one projected.

Bottom line…don't simply assume the "old law" of 4% withdrawal rates going forward. Assess your retirement income needs and adjust as appropriate going forward. Consider current portfolio alterations, acknowledge fixed vs. discretionary expenses, and be flexible but diligent in your retirement planning. You may want to seek professional advice if you are close to retirement. An error in planning, at this stage, can be more costly than this potentially transitory inflation and bond yield environment.

If you are not near retirement…. save more so you can withstand future unexpected financial events and have a wonderful retirement experience.

## APPLYING OVER 100 YEARS OF EXPERIENCE TO YOUR FUTURE WEALTH

HHM Wealth Advisors, LLC, serves as a proactive and trusted financial advisor, partner and guide to individuals, families, businesses, organizations and nonprofits. At HHM Wealth, we apply more than 100 years of combined wealth management experience to your future. Our dedicated team of advisors analyzes past and present trends. They use that knowledge to design a customized plan to assist you in making more informed decisions for your future wealth.

As a fee-based, independent advisory firm, our clients are priority number one. We strive to maintain a solid record of focusing on each client's future path. Every journey is different. Step by step, we are here to help you manage your wealth and investments.

## HHM WEALTH'S LEADERSHIP TEAM

**TRAVIS HUTCHINSON, CFP®**
**MANAGING PARTNER**
**THUTCHERSON@HHMWEALTH.COM**
**423.933.1826**

**ANDREW COOK, CFP®, AIF®**
**RETIREMENT PLAN SPECIALIST**
**ACOOK@HHMWEALTH.COM**
**423.933.1825**

**CHRIS SISLO, CFP®, MBA**
**WEALTH ADVISOR**
**CSISLO@HHMWEALTH.COM**
**423.933.3897**

HHM Wealth Advisors offers custom wealth management services to help you meet your financial goals... Every step of the way.