

# RETIREMENT PLANNING IN A WORLD OF CHANGING CIRCUMSTANCES

LEANNA ROSS, CRSP, CISP  
VICE PRESIDENT RETIREMENT PLAN SERVICES



Working Together. Building Success.®

# PEOPLES BANK

**Peoples Bank Trust & Investment Services Department** has a long history of managing money for our clients; dating back to 1902.

We are a **\$3.4 billion regional bank** holding company (NASDAQ symbol PEBO), serving markets in southeastern OH, and adjacent areas of WV and KY.

**Our Mission** is to help clients identify their financial goals, propose actions, offer guidance for key decisions, provide specific products or services to achieve the goals, and monitor the process. This is done with professionalism, focus on the client's best interest, and a proactive team service approach.

We manage over **\$2 billion in assets** for individuals, corporations, and non profit organizations in the form of trusts, agency accounts, employee benefits, IRA's, 401k's, foundations, and endowments.

We have a **very high level of client satisfaction**, based on annual client surveys and feedback.

**Confidentiality, integrity, and a focus on doing the best for each client are key values of Peoples Bank.**

# BENEFITS TO CLIENTS

## **Professional Advice**

- Over 100 years of fiduciary experience.
- Customized portfolios to meet individual client needs.
- Convenient, local access to financial professionals offering expert advice and guidance.

## **Attentive, Proactive Service**

- We pride ourselves on a high level of service to our clients: individuals, corporate, institutions, foundations, non-profits.
- We take the initiative to stay in contact with our clients.
- We provide complete and reliable accounting and comprehensive reporting.

## **Very reasonable cost**

- Our institutional status enables us to offer access to institutional class shares of mutual funds (no-load). Institutional class shares also have reduced internal management expenses compared to retail funds.
- We trade securities at institutional rates and are able to consolidate trades in order to further reduce costs for our trust clients.

## BUNDLED RETIREMENT PLAN SOLUTION

### PEOPLES BANK SERVES AS TRUSTEE

- Reduces risk of liability
- Plan oversight by a qualified, experienced team of retirement specialists
- Provides regular, onsite educational meetings for participants
- Maintain compliance with all regulations pertaining to retirement plans
- Performs required reporting and testing for the plan
- Suggests plan design changes to maximize the benefits of your retirement plan
- Total Fee Transparency

### INVESTMENTS

- Open architecture; not limited to specific fund families
- Plans can offer asset allocation portfolios managed by the Peoples Trust & Investment Team
- One-on-one access to financial advisors to assist participants with financial planning

## BUNDLED RETIREMENT PLAN SOLUTION

### SERVICE

- Strong, consistent service from a local representative
- Frequent contacts to the plan sponsor and communications to participants
- Flexible methods for delivery of data between the plan sponsor and Peoples Bank
- Personalized audit assistance
- Certified retirement services professionals dedicated

### RECORDKEEPING

- Daily valuation of accounts
- Online access for both participants and sponsors
- Quarterly statements
- A “bundled” solution means just one point of contact for all aspects of the plan



## SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT ACT (SECURE ACT)

- Was signed into law on December 20, 2019 by President Donald Trump
- Was the first major retirement plan legislation since the Pension Protection Act of 2006
- Was designed to bolster retirement plan savings
- The law will require all effected plans to adopt a mandatory interim amendment by the 2022 plan year
- Now let us breakdown the SECURE ACT

## SECURE ACT

- Repeals the maximum age for traditional IRA contributions, which is currently 70½.
- Increases the required minimum distribution (RMD) age for retirement accounts to 72 (up from 70½). For those who turned 70 ½ after 2019
- Allows long-term, part-time workers to participate in 401(k) plans.
- Offers more options for lifetime income strategies.
- Permits parents to withdraw up to \$5,000 from retirement accounts penalty-free within a year of birth or adoption for qualified expenses.
- Allows parents to withdraw up to \$10,000 from 529 plans to repay student loans.

## SECURE ACT

### Required minimum distributions (RMDs) now begin at age 72

- Americans are working longer and will no longer be required to withdraw assets from IRAs and 401(k)s at age 70½.
- RMDs now begin at age 72 for individuals who turn 70½ in the calendar year 2020.
- If you turned age 70½ in 2019 and have already begun taking your RMDs, you should generally continue to take your RMDs.
- The IRS may provide further guidance on this point, so you might want to speak with your tax advisor regarding any 2020 distributions.

### You can make IRA contributions beyond age 70½

- As Americans live longer, an increasing number are continuing to work past their traditional retirement age.
- Under the act, you can continue to contribute to your traditional IRA past age 70½ as long as you are still working. That means the rules for traditional IRAs will align more closely with 401(k) plans and Roth IRAs.



## SECURE ACT

### Long-term, part-time workers will be able to join their company's 401(k) plan

- Up until now, if you worked less than 1,000 hours per year, you were generally ineligible to participate in your company's 401(k) plan.
- Except in the case of collectively bargained plans, the law now requires employers maintaining a 401(k) plan to offer one to any employee who worked more than 1,000 hours in one year, or 500 hours over 3 consecutive years.

### Small-business owners can receive a tax credit for starting a retirement plan, up to \$5,000

- The new law provides a start-up retirement plan credit for smaller employers of \$250 per non-highly compensated employees eligible to participate in a workplace retirement plan at work (minimum credit of \$500 and maximum credit of \$5,000).
- This credit would apply to small employers with up to 100 employees over a 3-year period beginning after December 31, 2019 and applies to SEP, SIMPLE, 401(k), and profit sharing types of plans.
- If the retirement plan includes automatic enrollment, an additional credit of up to \$500 is now available.

## SECURE ACT

### **Small-business owners will find it easier to join together to offer defined contribution retirement plans**

- The new law facilitates the adoption of open multiple employer plans (MEPs) by allowing completely unrelated employers to participate in an MEP and eliminates the IRS's "one bad apple" rule, which stipulates that all employers participating in an MEP may face adverse tax consequences if one employer fails to satisfy the tax qualification rules for the MEP.
- Roughly half of private-sector workers in the US still don't have access to a retirement plan through their employer. Open MEPs can help deliver low-cost, high-quality retirement plans for millions of small business

## SECURE ACT

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## SECURE ACT

- **You can withdraw up to \$5,000 per parent penalty-free from your retirement plan upon the birth or adoption of a child**
- The new law permits an individual to take a "qualified birth or adoption distribution" of up to \$5,000 from an applicable defined contribution plan, such as a 401(k) or an IRA.
- The 10% early withdrawal penalty will not apply to these withdrawals, and you can repay them as a rollover contribution to an applicable eligible defined contribution plan or IRA.

### **529 funds can now be used to pay down student loan debt, up to \$10,000**

- In some cases, families have money remaining in their college savings plans after their student graduates. Now, they can use a 529 savings account to pay up to \$10,000 in student debt over the course of the student's lifetime.
- Under the new law, a 529 plan may also be used to pay for certain apprenticeship programs.

## Coronavirus Aid, Relief, and Economic Security Act (CARES ACT)

- On March 27th, the CARES Act was signed into law. Two sections of this large stimulus package apply specifically to the retirement industry (qualified plans & IRAs).

### Expanded hardship distribution

- Coronavirus related distributions (CRD) up to \$100,000 will be exempt from additional 10% early withdrawal penalty for individuals less than 59 ½ .
- Providers will waive mandatory 20% federal withholding for income taxes. Participants will have the option to spread out income taxes ratably over 3 year period.
- Coronavirus related distributions are individuals:
  - Diagnosed with the virus SARS=CoV-2 or COVID-19 disease
  - Whose spouse or dependent is diagnosed
  - Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).



## Coronavirus Aid, Relief, and Economic Security Act (CARES ACT)

### Participant loan increases

- For plans that allow loans those limits have been increased. Maximum loan amount is lesser of 100% vested account balance or \$100,000. This applies for 180 day period ending September 24, 2020.
- Qualified participants can also delay loan repayment due dates that fall between 3/27/2020-12/31/2020 for up to 1 year.

### Other Features

- Suspension of required minimum distributions due in 2020.
- Plan amendments - Plans may adopt the CARES Act provisions immediately provided that the plan is amended before the last day of the first plan year that begins on or after January 1, 2022, to reflect plan operations.

## SECURE ACT 2

- A bipartisan bill has been introduced in the House that would make significant changes to 401(k), 403(b), IRAs and other retirement plans

### Expanding Automatic Enrollment

- Regulations have permitted employers to automatically enroll employees in retirement plans since 1998. Automatic enrollment, which employees can opt out of, has boosted employee participation, particularly for Black, Latinx, and lower-wage employees, according to the House Ways and Means Committee. One study even found that automatic enrollment nearly eliminated the racial gap in enrollment rates among employees.
- The Secure Act 2 would require 401(k), 403(b) and SIMPLE plans to automatically enroll employees once they are eligible to participate in the plan. The initial enrollment amount must be at least three percent, but no more than ten percent. Each year thereafter the amount is increased by one percent until it reaches the 10 percent

## SECURE ACT 2

### Increasing RMD

The Secure Act generally increased the age when required minimum distributions (RMD) must be taken from 70.5 to 72. The Secure Act 2 would further increase the age when RMDs must begin to 75. The RMD would be waived for those with less than \$100,000 in retirement plans and IRAs on December 31 of the year before they turn 75.

### Increasing Catch-up Contributions

- The current IRA catch-up limit allows those 50 or older to save an extra \$1,000 a year in an IRA. Because the amount is not indexed to inflation, it never changes. Under the new law, the IRA catch-up contribution would be indexed to inflation beginning in 2022.
- Those 50 or older can make catch-up contributions to workplace retirement plans. The current limits for 2020 are \$6,500, except that the limit is \$3,000 for SIMPLE plans. The legislation would increase these limits to \$10,000 (\$5,000 for SIMPLE plans) for individuals who are 60 or older.

## SECURE ACT 2

### Increase in Saver's Credit

- The Saver's Credit currently provides a credit of up to \$1,000 for low and middle-income individuals. The new legislation would simplify the rate structure by implementing a single rate of 50%. It would also increase the credit to \$1,500 per person and increase the maximum income eligibility amount.

### Student Loan Payments Would Qualify for Matching Contributions

- Many employer retirement plans offer matching contributions. While the rules can vary from plan to plan, many match some level of the contributions employees make to the retirement plan. For many young workers, however, the cost of repaying student loans prevents them from contributing to their employer's retirement plan and therefore taking advantage of the match.
- The legislation would change this. It would allow employers to make matching contributions under a 401(k), 403(b) or SIMPLE IRA based on "qualified student loan payments." Thus, employees could receive matching contributions by repaying their student loans.

## SECURE ACT 2

### Other Retirement Savings Changes

- The legislation provides for a number of other changes:
  - Increases the credit for small employer pension plan startup costs
  - Eliminates additional barriers to multiple employer plans that help small businesses manage the cost of 403(b) plans;
  - Offers additional tax credits to employers who, among other things, make military spouses eligible to participate in their retirement plans within two months of hire;
  - Enables employers to offer small financial incentives to employees who contribute to a retirement plan;
  - Eases the penalties for corrections of employee elective deferral failures;
  - Removes certain limitations on qualified longevity annuity contracts (QLACs) that have prevented the growth of QLACs.
  - Creates an online registry designed to make it easier for individuals to locate retirement savings from employers who have moved, changed names or merged with a different company.



**Thank You**

**Questions**



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**Peoples Bank**  
**Vice President Retirement Plan Services**