Honorable Mention

By Editorial Staff *Wed, Jun 22, 2016*

Brief or late-breaking items from Ernst & Young, Nationwide (2), Social Security Administration, Capital One, Retirement Clearinghouse, and the Bipartisan Policy Center.

Where has all the trust gone? EY wants to know

Less than half of full-time workers ages 19-68, in eight countries, place a “great deal of trust” in their employer, boss, or colleagues, according to Ernst & Young’s new Global Generations 3.0 research survey. Gen X was the generation least likely to place a “great deal of trust” in their current employers.

Respondents with a low level of trust in their company said it would majorly influence them to look for another job (42%), work only the minimum number of hours required (30%) and be less engaged/productive (28%).

Full-time workers in India, Mexico and Brazil are likelier to place “a great deal of trust” in their current employer than those in Japan, the UK and the US.

About a third of full-time workers don’t expect a raise or bonus this year, especially those in Germany, Japan, the UK and the US. In most countries more women than men do not expect a raise/bonus in 2016.

Among respondents ages 19-68 with “very little” or “no trust” in their current employer, the top four contributors to mistrust were tied to compensation. Globally, “delivers on promises” was the factor most frequently cited as “very important” in determining trust in an employer.

In a separate EY survey, members of Generation Z, ages 16-18, said that employers must provide “equal opportunity for pay and promotion” and “opportunities to learn and advance in my career” to win their trust

Over 9,800 full-time workers, ages 19 to 68, were surveyed at companies of varying sizes in eight countries. The EY study included a sidebar survey of 3,207 teens, ages 16 to 18. Harris Poll conducted both surveys for EY.

Nationwide hires ERISA lawyers to teach advisors about fiduciary rule

To help advisors navigate the new Department of Labor (DOL) Fiduciary Rule, Nationwide is teaming up with two leading experts to launch a DOL Education Series. The series is designed as a resource for firms and advisors wrestling with the complexities of the new fiduciary rule.
Nationwide's Education Series will offer advisors access to experts from both Nationwide and the industry through local market events and webcasts. For the industry expertise, Nationwide has partnered with Fred Reish and Brad Campbell from Drinker Biddle & Reath.

Fred Reish is a partner at Drinker Biddle & Reath and a leading expert on the fiduciary rule. He routinely serves as a consultant and expert witness on the Employee Retirement Security Act of 1974 (ERISA) litigation and Financial Industry Regulatory Authority (FINRA) arbitration.

Brad Campbell works as counsel at Drinker Biddle & Reath and concentrates his practice in employee benefits advice. He specializes in ERISA Title I issues, including fiduciary conduct and prohibited transactions. He is the former Assistant Secretary of Labor for Employee Benefits and head of the Employee Benefits Security Administration.

Down to just $2.8 trillion, Social Security still needs help

The Social Security Board of Trustees this week released its annual report on the long-term financial status of the Social Security Trust Funds.

The combined asset reserves of the Old-Age and Survivors Insurance, and Disability Insurance (OASDI) Trust Funds are projected to become depleted in 2034, the same as projected last year, with 79% of benefits payable at that time.

The Disability Insurance Trust Fund will become depleted in 2023, extended from last year's estimate of 2016, with 89% of benefits still payable.

In the 2016 Annual Report to Congress, the Trustees announced:

The asset reserves of the combined OASDI Trust Funds increased by $23 billion in 2015 to a total of $2.81 trillion. The combined trust fund reserves are still growing and will continue to do so through 2019. Beginning in 2020, the total cost of the program is projected to exceed income.

Other highlights of the Trustees Report include:

- Total income, including interest, to the combined OASDI Trust Funds amounted to $920 billion in 2015. ($795 billion in net contributions, $32 billion from taxation of benefits, and $93 billion in interest)
- Total expenditures from the combined OASDI Trust Funds amounted to $897 billion in 2015.
- Social Security paid benefits of $886 billion in calendar year 2015. There were about 60 million beneficiaries at the end of the calendar year.
- Non-interest income fell below program costs in 2010 for the first time since 1983. Program costs are projected to exceed non-interest income throughout the remainder of the 75-year period.
- The projected actuarial deficit over the 75-year long-range period is 2.66% of taxable payroll – 0.02 percentage point smaller than in last year's report.
- During 2015, an estimated 169 million people had earnings covered by Social Security and paid payroll taxes.
- The cost of $6.2 billion to administer the Social Security program in 2015 was a very low 0.7% of total expenditures.
- The combined Trust Fund asset reserves earned interest at an effective annual rate of 3.4 percent in 2015.

The Board of Trustees usually comprises six members. Four serve by virtue of their positions with the federal government: Jacob J. Lew, Secretary of the Treasury and Managing Trustee; Carolyn W. Colvin, Acting Commissioner of Social Security; Sylvia M. Burwell, Secretary of Health and Human Services; and Thomas E. Perez, Secretary of Labor. The two public trustee positions are currently vacant.

View the 2016 Trustees Report at **www.socialsecurity.gov/OACT/TR/2016/**.

Capital One offers hybrid human-robo ETF-based managed accounts online

Capital One Investing, the full-service brokerage affiliate of the credit card firm represented in ads by Jennifer Garner, Samuel L. Jackson and hordes of Vikings and Visigoths, has announced Capital One Investing Advisor Connect. The new service offered access to "unbiased advice" and a new set of "managed portfolios."

Capital One already offers advised and self-directed digital accounts. Advisor Connect, is intended to provide a "conflict-free and transparent" experience. None of the funds are proprietary and the advisors are "not compensated based on the products they sell," according to the Capital One release. Investors can speak to an Advisor Connect financial advisor for free at 1-844-804-9842.

For an advisory fee of 90 basis points per year and an initial minimum investment of $25,000, Advisor Connect clients can choose among several managed portfolios made up of third-party exchange-traded funds. The portfolios, which vary by time horizon and risk tolerance, are automatically rebalanced.

"Auto-portability" gains bipartisan endorsement

Retirement Clearinghouse, LLC, the Charlotte-based firm whose "auto-portability" technology enables 401(k) accounts to follow their owners from plan to plan automatically, said it welcomed the Bipartisan Policy Center's endorsement of processes that seamlessly transfer retirement savings between defined contribution plans when participants change jobs.

The endorsement was made in the report, "**Securing Our Financial Future**," issued by the Center's Commission on Retirement Security and Personal Savings earlier this month. The report noted that these "roll-in" solutions could reduce so-called leakage from retirement savings plans, which often occurs when participants with small-balance accounts change jobs.

Retirement Clearinghouse introduced version 1.0 of its **Auto Portability Simulation** (APS) last month to compare different scenarios over time for the approximately five million Americans who change jobs each year and have retirement savings accounts with less than $5,000.

The APS demonstrates that, if auto-portability were widely adopted over a 10-year period and remained in force for a generation, cash-outs among accountholders with balances below $5,000 would decrease by two-thirds (to less than $2.5 billion per year from $7 billion per year today) and more than $115 billion in savings would be added to the retirement system.

Poor health can influence Social Security decisions: Nationwide

About one in four recent retirees (23%) would change when they started drawing Social Security to a later age, according to the third annual Nationwide Retirement Institute **survey**, conducted for Nationwide by Harris Poll among 909 U.S. adults ages 50 and older in retirement or planning to retire within 10 years.

Of those recent retirees who wouldn't postpone their claiming date, 39% said a life event forced them to claim when they did. More than a third of current retirees (37%) said health problems keep them from living the retirement they expected, and 80% of recent retirees say those health problems came earlier than expected.

Health care expenses specifically keep one in four current retirees from living the retirement they expected, Nationwide found. "Americans claiming at 62 will spend about 61% of their monthly Social Security benefits on health care costs," said Dave Giertz, Nationwide's president of sales and distribution. The Nationwide Social Security 360 Analyzer evaluates Social Security filing strategies for any individual or family's circumstances and retirement income needs.

Almost one-fourth (23%)of future retirees expecting to receive Social Security either guess or don't know how much their benefit will be. Nearly three in 10 current retirees (29%) say their Social Security benefit is less than they expected.

In the new Nationwide survey, future retirees say they expect $1,610 per month in benefits. Recent retirees say their actual monthly benefit is $1,378. Those who have been retired longer reported receiving $1,185 per month, on average.

Most future retirees (86%) can't identify the factors that determine their Social Security benefit amount. Many retirees don't know how to maximize their Social Security and can't accurately determine their benefit amount.
Only 11% of current retirees used an online calculator to estimate their benefit. But those approaching retirement now use the tools more often. Over four in 10 (42%) future retirees used a Social Security calculator to estimate their benefit.

Those nearing retirement are more likely to have the Social Security discussion. While 32% work with a financial advisor, only 52% of those say their advisor provided advice on Social Security. Most future retirees (76%) who work with or plan to work with a financial advisor say they are likely to switch to one that could show them how to maximize their Social Security benefits.

Retirees who work with an advisor are much less likely than those who don’t to say health problems keep them from living the retirement they expected (25% vs. 41%) and also are much less likely to say health care costs keep them from living the retirement they expected (11% vs. 29%). Only 36% of the future retirees surveyed have pensions, compared to 54% of recent retirees, and 60% of the oldest retirees, Nationwide has found.