



Commercial Insights with Regions Bank

Episode #21

How to Help Your Employees Plan for the Future

Explore the latest trends in retirement services for employees, with a focus on what employee expectations are in 2022. Can a better retirement package make your business more attractive for recruitment and retention? And what is available to help your business set up their employee plans? Get answers and insights on this episode.

Episode Transcript

Chris Monte, SVP, Regions Institutional Services:

The fact of the matter is employers are seeing that if they don't take a larger role in the financial wellness of their employees, they are not going to have a really productive employee because when employees have financial problems, they're not very productive. But also the fact that if they don't get them engaged in and actually saving for retirement, it's gonna be much more difficult for those employees to retire on their own terms.

Chris Blöse, Host:

Retiring on our own terms is a goal most of us have, even if we don't always think about it, depending on our stage in life. But as Chris Monte, senior vice president of institution—al services for Regions Bank, notes, companies can and should play a part in helping us all reach that milestone — especially if they want to remain competitive.

Welcome to Commercial Insights with Regions Bank. I'm your host, Chris Blöse, and today Chris Monte is here to share best practices and lessons learned from roughly 30 years of working in the field of corporate retirement plans.

That field is changing — because of everything from new employee expectations, to innovations in plan structure, to advanced options for financial education. Companies who want to compete in a tight labor market need to keep up with the pace of change.

Chris Blöse:

Chris, welcome. You have a lot of experience in this realm. So in your experience, how often is retirement planning tied specifically to employment or at least offered by employers?



Chris Monte:

It has to be at least top five, if not top three benefits. Of course, PTO is the big one and of course health benefit, but retirement plans, if a company doesn't offer it, it really sets them back from their competition out there. I mean, that's what a lot of people just look for, say, "Hey, what's this company offering me." If they're not offering something, whether it's a 401(k) or a SEP or something like that, I'd say 90 to 95% of companies out there do offer it. And it's not a cheap benefit either. So I think, really look to see companies that offer that benefit.

Chris Blöse:

And how are they actually communicating that benefit either to prospective employees or to their current employees? You know, how do they actually let them know what's available to them?

Chris Monte:

When we work with our clients, we tell them to really take that benefit as a separate benefit and market it differently than, say, health or PTO or something like that. I'd say in the last five, 10 years, there's been a huge shift in the direction of isolating that retirement benefit and really educating people on a separate basis. Back in the day, it might be, OK, here's your benefits and they give you a stack of papers, which one of them is 401(k). That's not a great way to engage people because it is a different type of benefit.

And, you know, in a day to day basis, maybe they wanna be retired, but they're not thinking about retirement. But it's important to be able to get them there. It's much cheaper for organizations to have younger employees than it is to have a lot of older employees. So by getting them started early, that's super important. So what we've seen is organizations creating, specific meetings that target the education, and some of the other things they do, depending on the demographics of their organization, it could be electronic, it could be text, it could be any type of platform where they can reach them to educate them on that important benefit and most important, get them engaged and in the plan.

Chris Blöse:

And, you know, in terms of educating them and letting them know what's available, what common misconceptions are out there either on the employer side or for employees about what's actually available?

Chris Monte:



Yeah. Well, boy, I think COVID has really brought these misconceptions to the forefront. Education as a widget, let's say, was always pushed off back in the day onto a specific vendor. But the fact of the matter is employers are seeing that if they don't take a larger role in the financial wellness of their employees, they are not going to have a really productive employee because when employees have financial problems, they're not very productive. But also the fact that if they don't get them engaged in and actually saving for retirement, it's gonna be much more difficult for those employees to retire on their own terms.

Some employers have created custom programs, custom financial wellness programs to go out there because what they're seeing is their employees don't really understand what they have in that 401(k) or that SEP plan and how they can really use it to their benefit. The other thing that we have to see, and I mentioned this demographically, it's different when you're dealing with Baby Boomers or Gen Xers than it is dealing with millennials or Gen Z. One size doesn't fit all. One education program may not be good for all of their demographics across a particular company's employees.

Chris Blöse:

Now, is that true for the benefits packages as well? You know, you're looking at different kinds of retirement packages for someone who is maybe nearing that retirement age versus someone who's just entering the workforce.

Chris Monte:

Oh my goodness. That's the hardest thing for an employer, a plan sponsor to actually handle is how do you deal with the two ends? I'll skip my Gen X generation for a second. But in the past baby boomers, they were taught to accumulate, accumulate, just put as much money in the plan as you can. No one really told them about how do you deaccumulate? When you get close to retirement, what do you do? How do you know if you have enough there? How do you actually, take that money and budget it to an extent that you can, again, as I mentioned, retire on your own terms.

Some people call that retirement readiness, and so that in the last five years or so, they've been putting a lot more tools out for these baby boomers that are starting to retire and that will continue to be retiring in large numbers. Now let's take a look at the millennials, and I think about my son who's on that cusp between Gen Z and millennial. You send him an email, you're not gonna get him, you're just not. They don't look at emails. He jokes at me, he's like, "Oh, you only have a hundred non-read emails. I've got 3,000." Because that's just not the platform that those folks use.



So how do you reach that millennial group? And there's some really interesting statistics out there about the millennials. They have the highest confidence out of the baby boomers, Gen Xers. They think they're gonna retire comfortably and they think they're saving enough. And unfortunately about 50% of them think that all they're gonna need is a half a million dollars to retire comfortably. And if you look at what experts say, it's way more than that.

Chris Blose:

Yeah. And for reaching that younger group in particular, what are the messages that are most effective for them and what are potentially the platforms that are the most effective for them?

Chris Monte:

They're a little bit different than Gen Xers and baby boomers in that they're more apt to jump from one company to another along satisfaction lines and job satisfaction can be a number of things. It could be how engaged their employer is in the community. So the important thing is to be able to promote that benefit package, including that 401(k), to millennials on the platform that's easiest to reach them.

Focus on that financial education And let's face it, millennials more than any other generation is saddled with a lot more student loan debt. They have a hard time purchasing a home because prices are up. So other things you can do as a plan sponsor and employer is provide student loan assistance. Some employers actually kind of like a 401(k), they say, "Hey, we'll help you pay back your student loans. We'll put a portion in when you pay." And they have programs created around that.

Chris Blose:

Now, as a fellow Gen Xer, I have to ask: What's the most effective way to reach us regarding retirement benefits?

Chris Monte:

Gen X is such a large group of people, right. Some of us got into computers a little later in life, and some of us, you know, are kind of in that middle section. Most Xers do still use email or texting, but some of them on the upper end towards millennial group, they may need to be reached on those other platforms that millennials like.

This is anecdotal. I don't have any data to back this up. I think we're easier to reach. We kind of know what we need to do from the accumulation phase. And because most of us are still in



that phase, make sure that the Gen Xers are in the plan to really push them to put as much money into a 401(k).

Chris Blöse:

Now one group we haven't mentioned is Gen Z, and they're entering the workforce. So what sort of trends do you see transcending and kind of moving on the next generation as well?

Chris Monte:

I'll be honest with you, I just scratched my head. But I think the key is going to be technology. Again, I'll pick on my son and even my daughter. They're in their electronics seems like 24/7.

When I get home, I like to put my phone away, turn it off. But that's where they really thrive. They've grown up on this technology. The engagement is going to have to be on those sorts of mediums to get them in there.

Chris Blöse:

Yes, the technology aspect seems important. Are people really focusing more on mobile for delivery now?

Chris Monte:

So mobile was becoming really popular before COVID, but when COVID hit, how were these organizations trying to get people in plans, get them enrolled in a 401(k) plan? Most of the vendors out there stepped up their mobile capabilities to the point where a code would come in via text to an employee saying, "You're now eligible for the 401(k) plan, click here." They would be able to enroll online, put their beneficiaries online, choose their investments online. Or, press this button, we'll take care of everything for you and automatically puts you at 6% of pay.

So it's things like that, making it simple, making it easy. And that's true for all generations, but it's gonna be super, super important for millennial, Zs and the next generation from there.

Chris Blöse:

Yeah. Easing that barrier of entry does seem like a win for everybody. So in terms of the actual financial education, you know, what are the best practices you see out there?

Chris Monte:



Well, I can give an example of what we provide at Regions Bank, that we feel is a really good best practice for organizations to adopt.

We actually survey employees, it's anonymous, and say, "What are the types of things you're interested in, in regard to your financial wellness?" And there's things listed and they can also write things in, right on their mobile app.

And we take that data and we actually show it to the benefits professionals at a company. And what we find is a lot of times what they think is the most important thing that their employees want is so not right. They really, think, oh, it's gonna be, planning for college for their kids and what it comes out to be is something very, very different. We also have that technology to tell us what things are important and what locations, if it's a multilocation client. So what might be important in one part of their organization may not be important in another and vice versa.

And so we actually tailor the financial wellness to actually make it custom to the different areas of the company. And we can put this on a monthly basis, every two weeks. We could have live webinars. We could have taped webinars so that they can go back at any time. We can do these at hours where they can have their significant other with them, because a lot of times financial decisions are made not by one individual, but by the family or a couple. So it's really important to be able to meet people where they can make the decision.

Chris Blöse:

So we've talked a little bit about the education aspect. That's a little bit of a value add, a way to make yourself attractive. What about the actual structure of 401(k)s? What sort of innovations are you seeing in retirement plans?

Chris Monte:

There's a couple of them. I think the biggest movement in the past few years has been what we call managed accounts. A managed account is where an employee may pay an additional fee within their 401(k) to have someone actively manage their portfolio. And it's not just clicking buttons, it's actually gathering data on their financial situation to make changes to their investments over time. Why is this important? Well, another statistic about millennials is even though they're very confident, as I've mentioned before, and even though they think that they're gonna be able to retire comfortably, when you measure how much they want to learn more about investments, they are knowledge hungry. They're the biggest group that wants to know more about investing.



And so we find that a lot of millennials are using these managed account options to kind of jumpstart that retirement savings so that they can get there in the end to retire on their own terms. The second thing that is coming down the pike, but is not there yet is for the baby boomers. And actually, I should say for anyone getting close to retirement. And that is a guaranteed annuity of their 401(k) monies, when they hit retirement. So what that would mean is kind of like the old time pension plans that maybe our grandparents, great grandparents had.

There's not a whole lot of them out there anymore but at retirement, they be guaranteed a certain dollar amount per month until they die. And so that can be really attractive from a budgetary standpoint as we get close to retirement to be able to lock that in and know that if the market goes down, it's not gonna affect how much money I'm gonna get each month. The big problem with that annuity concept is they're generally only offered by a particular vendor. And so if a company is upset with that vendor and they wanna move from vendor A to vendor B, right now there's no transportability between that. They're working on that, and I'm gonna keep my eye out on that because I think that could be a real game changer for 401(k) plans and more importantly for retirees in the future.

Chris Blöse:

Right, so right now it's not quite universal?

Chris Monte:

It's not, no, it's not.

Chris Blöse:

That's a drawback potentially, but it's something to watch. Are there other negatives or downsides for companies to watch as they sort of expand to their thinking in this field?

Chris Monte:

When I speak with our clients and prospects, they say, "Well, what kind of risk is in a retirement plan?" I say, "Google 401(k) litigation, and you will find pages upon pages upon pages of companies that have been sued because the employees are claiming that the plan sponsor, the company isn't acting in their best interest." So what do I mean by that? Well, any plan sponsor is considered a fiduciary in the eyes of the government. And a fiduciary must work in the best interest of the employees, they must offer a retirement package that pays reasonable fees, they must offer a diversified group of investments and they must follow the plan document and a few other things.



But why do I mention that? Well, employees are looking at their investments in their plan and they may not be happy with what they see. So what lawyers have done smartly is they'll say, "Go on to LinkedIn." And they'll say, "Let me see who works for company ABC into a search." And they also say, "Let's see who used to work for company ABC." And send out blanket emails to them saying, "You may have been hurt by your 401(k). Your employer may not have been watching this 401(k) closely enough and you may have paid too many fees, or the funds may have been proprietary to the vendor. "

And if they get three responses, that's a class action lawsuit. Now, clearly these lawyers are starting with the large plans and then they're moving down. So it's important for plan sponsors to have a method that has been documented as to how they view the investments, how they monitor the investments, how they monitor fees, how they make sure that they're actually benchmarking their investments and their fees to other plans out there. Probably the easiest way for an employer to do that is to hire an advisor, a fiduciary advisor, that provides those services. Fiduciary advisor actually takes some of that risk off the plan sponsor and puts it on the advisor. So that can be a huge benefit, a great tool for plan sponsors to protect them from what I believe is probably the biggest risk to retirement plans and plan sponsors.

Chris Blöse:

Any tips for vetting when you're looking for a partner to ease some of that risk?

Chris Monte:

So I think the first thing is, there's different types of advisors out there. Here at Regions, we are a 3(38) retirement advisor. What does that mean? That's the highest level of fiduciary that the law allows for. Some advisors don't provide any fiduciary coverage. They're just consulting and not actually taking that liability. And that's just offering advice, but not backing it up. Look for a group that does this on a day in and day out basis, that specializes.

I'd also say that in addition to that fiduciary consulting that they're doing, you also probably wanna look for an advisor that can do more than that, that can provide help with plan design, that can interface with your vendors and provide that benchmarking that I mentioned, and that can really compare vendors and understands the difference. And then finally, from a financial wellness standpoint, if your advisor does not have a financial wellness component, go out and find one.



We have all of that in one. I think it's a very powerful set of competencies that allow our plan sponsors and our clients to make the best use of their retirement plan.

Chris Blöse:

So that's a way to mitigate the risks that you mentioned in terms of litigation. What about the risk of doing nothing, right? You know, what is the risk to a company that either doesn't offer a plan or doesn't stay up to date with innovations in retirement planning.

Chris Monte:

So let's talk about a company that doesn't offer a 401(k). If I was a potential employee and I looked at two benefits packages, let's say I was being paid the same in both but one offered a 401(k) and let's say that 401(k) match some of my contributions, all things being equal, I'm gonna go to the one that has the better benefits package. So I think that that's pretty simple. Now there is cost to a 401(k) and an employer really needs to say, "Hey, is this gonna be something that my employees are really going to use?"

If you don't market it right, if you don't provide that education, it's probably not going to be used. With employers that don't do anything or don't stay up with the latest benefits, the latest improvements in 401(k) plans, they're really doing a disservice to their employee.

Chris Blöse:

So one last question for you. If I'm a business owner or a decision-maker, and I want to expand my offerings in this field, where should I start?

Chris Monte:

Well, first place you should start is to offer a plan to begin with. If you already have a plan, take a look and compare it to your largest competitors out there. And one of the things we do with our clients is we actually pull their plan and compare it to their top three or four competitors to see if they offering the same sort of entry or they offer the same match or profit sharing. How do they stack up? So you wanna be as competitive as possible, in this very tight labor environment, as we all know. I think the third thing is to make sure that you're documenting your process. How are you actually running the plan? How are you looking at the investments? How are you making sure that that investment lineup that you have for your employees is appropriate, from a fiduciary standpoint.

That's the best way to keep a plan strong and vibrant. And then the last thing we've talked about it all, this whole time is financial education, financial wellness. That's the piece that I



think has been missing in many plans and that's something that ongoing will be absolutely important to make a plan successful and to make the benefits package as strong as it can be for an employer.

Chris Blöse:

In a labor market like we have now, every little factor that can help you stand out from the competition counts. And helping your employees save and plan for retirement can be one of those standout factors, clearly.

Thanks to Chris Monte for joining us today, and thank you for listening. Get related resources for your business and listen to future episodes at regions.com/commercialpodcast. And subscribe to this podcast on your favorite podcast service.

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