



# JUST MY 2 CENTS... Take It Or Leave It



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Before I start my day, I try to make a point every morning of getting caught up on the latest news and headlines. I subscribe to many employee benefit websites and publications. I read what I can, depending on how much time I have before my day kicks into second gear. Like most people I suspect, I read the articles with the catchy titles that grab my attention. Last Friday was no exception. I read one such article with an attention-grabbing title, and that article really got me thinking so here I am with my 2 cents for the day.

The article in question wasn't talking about anything we haven't necessarily heard before, but 2020 hasn't been like anything we've ever experienced before, unless you're one of the few centenarians who lived through the Spanish Flu. So that being said, in addition to the usual topics such as retirement readiness, not saving enough, employee wellness and

improving retirement outcomes, it talked about the coronavirus too, and how it will impact retirement plans. Again, not new, but for me, it was thought provoking.

The most common reasons people aren't ready for retirement in my opinion are pretty undisputed. In other words, I think most everyone can agree on. For example, not saving enough. No brainer there. High fees, underperforming investments, failure to monitor – the breaches of fiduciary duty where all the lawsuits rise from – sure. Market volatility, absolutely, clearly shown in 2020. Better plan design – perhaps – such as auto-enrollment & auto-escalation - these features could certainly help improve savings, but people still have to commit to saving money. However, I think there are other less mentioned, yet equally important, things that could make a significant impact on retirement plans and overall retirement readiness.

First, EDUCATION – EDUCATION – EDUCATION – and one more time – EDUCATION. Offering a retirement plan to your employees is great – no doubt about it. As the employer, you are providing

a savings vehicle for your employees and they should take advantage of it. But let me pose a few questions. How can someone take advantage of a 401(k) plan if they don't understand how it works? How can an employee make an educated investment choice if they've never invested before? For those of us in the industry, I think we tend to naturally assume that everyone knows what a 401(k) plan is. But from what I've seen, while the name is familiar to most people, the plan's function is most definitely not. Employees need education, and more importantly, they want education. I have witnessed this firsthand as I have participated in numerous enrollment meetings. Employees have questions, and when you can provide answers to those questions, whether it be face-to-face, over the phone, via Zoom, however you can do it, it opens their eyes and opens the door to saving for retirement.

Next, you need to work with an expert, someone that is experienced and trained, and a fiduciary. A trained fiduciary will be someone who understands retirement plans, how they operate, how they work, how fees are structured, the types of investments that should be included in a retirement plan line-up and how they should be monitored. Look, at the end of the day, there are lots of great advisers out there who have the best of intentions, but unfortunately, they're not all qualified to work on a retirement plan.

In my opinion, when you combine these two things – education and a fiduciary adviser, your going to get a better outcome. Why do I think so? A true fiduciary adviser provides much needed education and has ongoing, regular communication with plan participants, which builds relationships and more importantly, trust. Trust is key and so easily overlooked. Participants need to believe that if they put their hard-earned money in a 401(k) plan, someone they trust is watching it for them. Next, a fiduciary adviser will be monitoring the investments regularly so when there are times of market volatility, the adviser will reach out to the participants and reallocate accounts

if/when necessary to mitigate that volatility. This is also very, very important with regard to QDIAs (Qualified Default Investment Alternative) which many times are target date funds. I am not an adviser and I don't pretend to be, but when participants are auto-enrolled in a plan, their money is invested in the QDIA, which in most cases is a target date fund. That can be an issue, there has been litigation involving these funds. But again, if you're working with a fiduciary adviser, that adviser will be monitoring the investments regularly for performance which provides protection for participants and plan sponsors. A fiduciary adviser will also know when to swap-out underperforming investments to ensure plan performance. Lastly, a fiduciary adviser can educate and provide advice to participants about how to save and invest their money now to provide for an income later. Frankly, a fiduciary adviser has skin in the game. If something goes wrong, they're on the hook too, and for me, that makes a tremendous difference.

2020 has been a year of firsts for all of us, including retirement plans, but experience can be the best teacher of all. As long as we take these hard lessons, learn from them, continue to innovate, reimagine and strive to do better, we will do better. That's how we grow and that's how progress is made.

Priority Pension Services, Inc. (AFI) is a full-service employee benefits consulting, actuarial, insurance and third-party administration (TPA) firm. Our Founder/President, Dawn Feniello Bressingham, is an Accredited Investment Fiduciary (AIF®) and Certified Plan Fiduciary Adviser (CPFA). We provide fiduciary guidance, support and education. If you have any questions or would like more information about our comprehensive services, please don't hesitate to contact me on Linked In, email: [ginam@ppsafi.com](mailto:ginam@ppsafi.com), direct: 516-584-2750 ext. 2 or visit our website at [www.ppsafi.com](http://www.ppsafi.com). Stay healthy, stay safe & stay strong. We're all in this together.



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