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The RETIREMENT TIMES

July 2018

Tips for Preventing Uncashed Retirement Checks

Managing uncashed retirement checks may be considered a nuisance by plan administrators. Nevertheless, the employer still has fiduciary responsibility when a former employee fails to cash their distribution. Search efforts to locate a missing plan participant consume time and money and may fail to locate the participant. Likewise, going through the process of turning over dormant accounts to the state can also consume time and resources.

Decrease the burden of uncashed checks by:

1. Discussing with terminating employees during the exit interview the options for their retirement plan. Employees may forget they have a company-sponsored retirement plan, or don't know how to manage it.
2. Reminding departing employees that they can roll over their retirement assets into their new employer's plan. Your plan's service provider or the new employer can answer questions the former employee may have about the rollover process.
3. Letting employees with an account balance of $1,000 or less know they should expect to receive a check in the mail after a certain amount of time.
4. Having the employee verify their current address to where the check can be sent.

Remember, fiduciary responsibility and liability extends to terminated employees with assets in the plan. This responsibility includes delivery of all required distributions and all fiduciary prudence responsibilities. Stay in touch with this important group.

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Hey Joel! – *Answers from a recovering former practicing ERISA attorney*

Welcome to *Hey Joel!* This forum answers plan sponsor questions from all over the country by our in-house former practicing ERISA attorney.

When does the five-year clock start for Roth withdrawals?
- Tick Tock in Tennessee

Dear Tick,

For most investors, it's important to know that there is a five-year waiting period for tax-free withdrawals of earnings, and it is applied differently, depending on if you made Roth IRA contributions, converted a traditional IRA to a Roth, rolled over Roth 401(k) assets or inherited the Roth account.

The five-year clock starts with your first contribution to any Roth IRA—not necessarily the one from which you are withdrawing funds. The clock rule also applies to conversions from a traditional IRA to a Roth IRA. (Rollovers from one Roth IRA to another do not reset the five-year clock.) Once you satisfy the five-year requirement for a single Roth IRA, you're done. Any subsequent Roth IRA is considered held for five years.

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If you have a Roth 401(k), those have their own clock (Treasury Regulation 1.402A-1, Q&A-4(b)). If you open a new 401(k) with a new employer, that Roth 401(k) has its own clock. If you move an older 401(k) to a newer 401(k) with a new employer, the old clock is the one that counts. In other words, I would keep the Roth money from a 401(k) plan separate from other ROTH IRAs to avoid issues over whether the five-year clock has expired.

The Count,

Joel Shapiro

About Joel Shapiro, JD, LLM

As a former practicing ERISA attorney Joel works to ensure that plan sponsors stay fully informed on all legislative and regulatory matters. Joel earned his Bachelor of Arts from Tufts University and his Juris Doctor from Washington College of Law at the American University.

If you have a question for Joel, please send it to Grinkmeyer Leonard Financial. Maybe it will be featured in a future issue!

Participant Corner: Good Health is the Best Wealth

Believe it or not, staying healthy just might make you wealthy. With small lifestyle changes and healthy choices, you may reduce your annual healthcare costs and increase your income. These lifestyle changes can be as simple as limiting your salt intake or taking your prescribed medication regularly.

For example:

The average managed patient (Alisha)	The well managed patient (Jasmine)
Blood pressure of 150/95	Takes prescribed medication
Sometimes forgets medications	Exercises 30 minutes/day, 5 days/week
Sometimes doesn’t follow her suggested diet	Moderate alcohol intake
Occasional smoker and drinker	Chooses healthy fats, limits dietary salt, quit smoking

For the purpose of the case study, Aisha and Jasmine are compared in two levels of care: average managed (loosely follows physician recommendations) and well managed (fully complies with physician recommendations).

Alisha and Jasmine are both 45 years old and both sought medical treatment for high blood pressure. Alisha doesn’t follow the lifestyle changes her doctor suggested, whereas Jasmine diligently follows her doctor’s recommendations. With Jasmine’s small changes she saves more than $1,000 in out-of-pocket healthcare costs. Additionally, Jasmine’s combined pre-retirement and in-retirement savings will be $89,456 more than Alisha, as shown in the table below.

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Annual Out-of-Pocket Healthcare Costs:

	Alisha	Jasmine	Jasmine's Savings in Health Expenditures
Age 45	$2,477	$1,286	$1,192
Age 64	$13,936	$7,343	$6,592
Total Pre-Retirement	$138,288	$72,591	$65,697
Total In Retirement	$51,790	$28,031	$23,759
Grand Total	**$190,078**	**$100,622**	**$89,456**

For illustrative purposes only.

If you have questions or seek assistance, please call Grinkmeyer Leonard Financial.

The hypothetical case study results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments. No representation is made as to the accurateness of the analysis.

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