

ADVISOR SERIES

# Health, Wealth, and the Future of Retirement

**Build your practice with an integrated  
health wealth solution**



FOR ADVISOR USE ONLY. NOT FOR USE WITH PLAN PARTICIPANTS.



# Why is now the time to engage on HSA?

- **Workers need personalized help**
- **Employers have one benefit budget**
- **Industry focus on health and wealth integration**
- **Public policy landscape**
- **Need for investment consulting expertise**

# What we'll cover

- 1 Participant and Sponsor perspectives**
- 2 Why personalization and integration matter**
- 3 Marketplace trends**
- 4 A new opportunity to strengthen relationships**

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# **Participant and Sponsor perspectives**

**PARTICIPANT PERSPECTIVE**

# Concerned for the future

**79%**

**OF WORKERS BELIEVE  
HEALTHCARE COSTS  
ARE ON THE RISE**

**42%**

**ARE NOT  
CONFIDENT  
THEY'LL HAVE  
ENOUGH**

**48%**

**BELIEVE THAT  
SOCIAL SECURITY  
WILL NOT BE  
AVAILABLE**

**64%**

**THINK THAT  
HEALTHCARE COSTS  
WILL IMPACT THEIR  
RETIREMENT**

**PARTICIPANT PERSPECTIVE**

The good news: Including healthcare costs in planning makes a difference

**Workers with a plan are on track to replace significantly more income.**



**58%**

**NO FORMAL PLAN**

**102%**

**FORMAL PLAN  
WITH HEALTHCARE**

## PARTICIPANT PERSPECTIVE

# An opportunity to save more

## Health Savings Accounts

### TRIPLE TAX ADVANTAGED

**TAX-DEDUCTIBLE CONTRIBUTIONS ARE 100% DEDUCTIBLE (UP TO THE LEGAL LIMIT) JUST LIKE AN IRA**

**TAX-FREE WITHDRAWALS TO PAY QUALIFIED MEDICAL EXPENSES ARE NEVER TAXED**

**TAX-FREE ANY EARNINGS ACCUMULATE TAX-FREE**

### EMPLOYEE BENEFITS

**EMPLOYEE-OWNED UNLIKE A FLEXIBLE SPENDING ACCOUNT (FSA), UNUSED MONEY IS NOT FORFEITED**

**EMPLOYER CONTRIBUTIONS 80% OF WORKERS ENROLLED RECEIVED AN HSA EMPLOYER CONTRIBUTION<sup>1</sup>**

CONTRIBUTIONS, ANY EARNINGS AND WITHDRAWALS ARE FEDERAL INCOME TAX FREE IF USED TO PAY FOR QUALIFIED MEDICAL EXPENSES. STATE INCOME TAXES MAY STILL APPLY.

1. PSCA HEALTH SAVINGS ACCOUNTS AND RETIREMENT PLANS, MAY 2017  
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# Choose the right tool for the job



**502K**

NEEDED FROM 401(K) TO COVER  
AVERAGE HEALTH COSTS

**-377K**

AVERAGE HEALTH COSTS  
FOR A 65-YEAR-OLD COUPLE

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**125K**

SAVINGS FROM TAX-FREE HSA  
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**PARTICIPANT PERSPECTIVE**

# Growing Interest

**Active retirement plan participants recognize the benefits of a Health Savings Account (HSA).**

**72%**  
INTERESTED  
IN OPENING  
AN HSA

**80%**  
AGREE THAT  
HSA CAN BE A  
HEALTHCARE  
SAVINGS  
VEHICLE

**92%**  
CONSIDER  
HSA BENEFITS  
HIGHLY  
VALUABLE

SOURCE: 2017 EMPOWER RETIREMENT EMPLOYEE THOUGHT LEADERSHIP RESEARCH, JUNE 2017  
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**PARTICIPANT PERSPECTIVE**

# A need for education

CONTRIBUTIONS, ANY EARNINGS AND WITHDRAWALS ARE FEDERAL INCOME TAX-FREE IF USED TO PAY FOR QUALIFIED MEDICAL EXPENSES. STATE INCOME TAXES MAY STILL APPLY.

SOURCES: 2017 EMPOWER RETIREMENT EMPLOYEE THOUGHT LEADERSHIP RESEARCH, JUNE 2017; PWC EMPLOYEE FINANCIAL WELLNESS SURVEY, 2017 FOR ADVISOR USE ONLY. NOT FOR USE WITH PLAN PARTICIPANTS.

**22%**

**REALIZE THAT AN HSA CAN BE TRIPLE TAX-FREE**

**33%**

**RECOGNIZE THAT AN HSA IS EMPLOYEE-OWNED**

**56%**

**ARE UNCLEAR WHETHER AN HSA OR FSA IS "USE IT OR LOSE IT"**

**73%**

**PLAN TO USE THE FUNDS NOW**

**PLAN SPONSOR PERSPECTIVE**

# A changing benefits landscape

**RESPONSIBILITY CONTINUES TO SHIFT TO THE INDIVIDUAL**



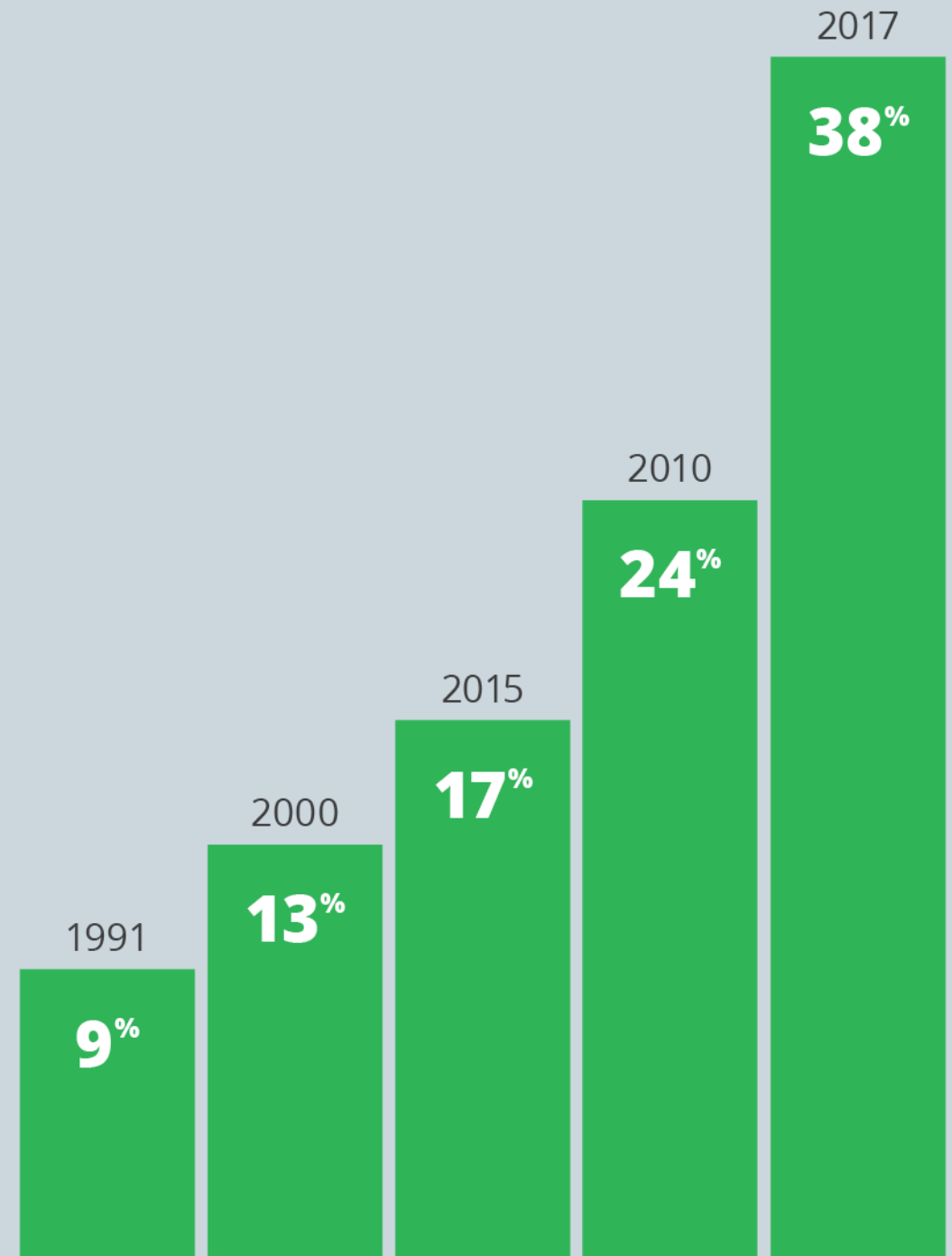
**AS EMPLOYEES ARE ENCOURAGED TO BECOME MORE ENGAGED IN THEIR HEALTHCARE, THEY NEED GUIDANCE ABOUT HOW TO BALANCE CURRENT SPENDING WITH LONG-TERM SAVINGS.**

## PLAN SPONSOR PERSPECTIVE

# A changing workforce

**Since 1991, the percentage of workers planning to work past age 70 has grown over 4x.<sup>1</sup>**

**Delays in retirement can cost \$50,000 per worker.<sup>2</sup>**

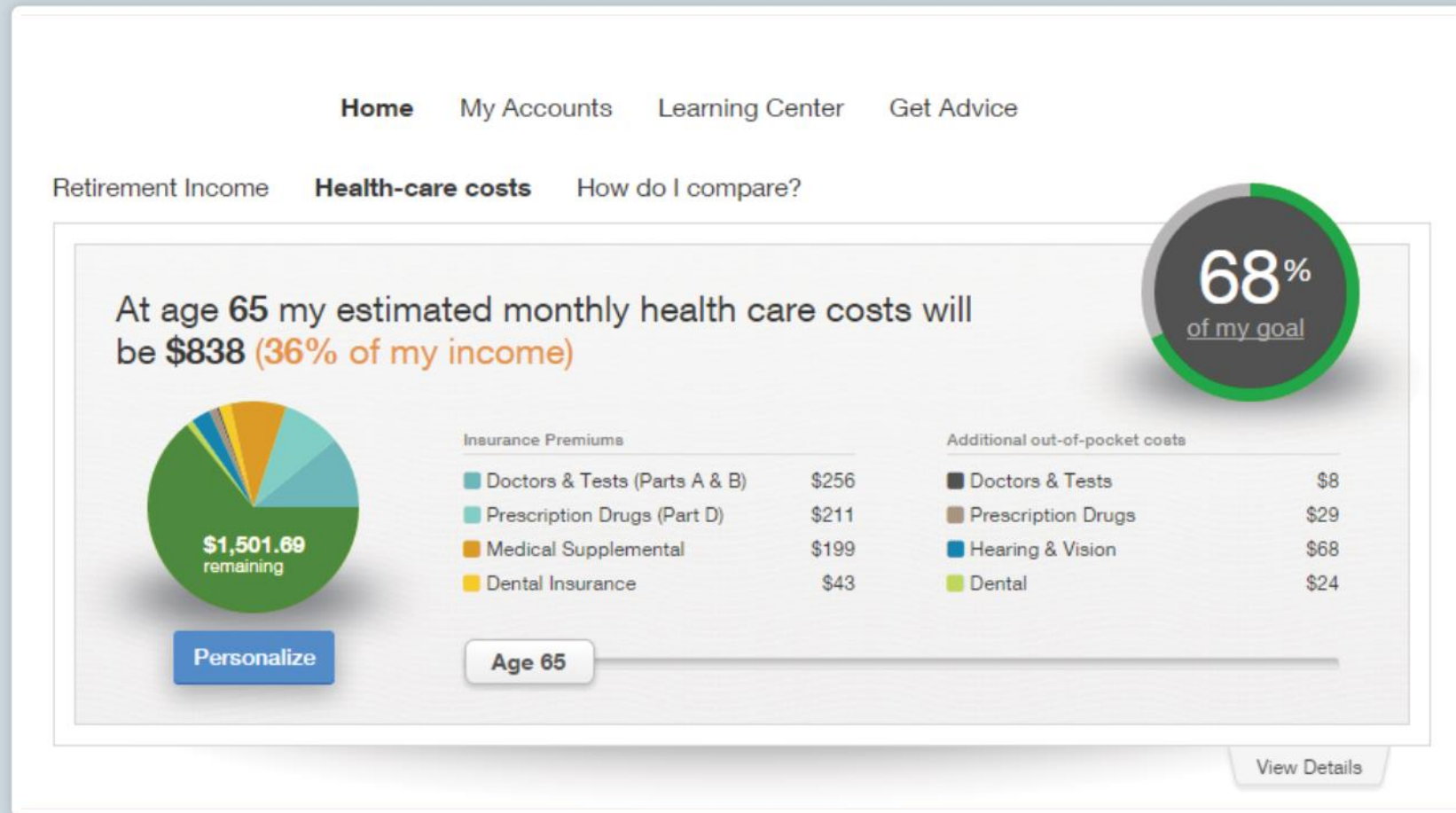


SOURCES: 1. EBRI RETIREMENT CONFIDENCE SURVEY, MARCH 2017

2. PRUDENTIAL 2017-WHY EMPLOYERS SHOULD CARE ABOUT THE COST OF DELAYED RETIREMENTS FOR ADVISOR USE ONLY. NOT FOR USE WITH PLAN PARTICIPANTS.

## PLAN SPONSOR PERSPECTIVE

# Plan sponsors who provide healthcare cost education get results



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BASED ON PARTICIPANT WEBSITE USAGE DATA FOR THE PERIOD 1/1/14-12/31/14; USERS ARE DEFINED AS PARTICIPANTS WHO LOGGED ON TO THE WEBSITE AND ACCESSED EACH OF THE REFERENCED TOOLS. FOR ADVISOR USE ONLY. NOT FOR USE WITH PLAN PARTICIPANTS.

**8%**  
**BEFORE  
COST  
ESTIMATOR**

**10%**  
**AFTER  
COST  
ESTIMATOR**

## PLAN SPONSOR PERSPECTIVE

Consider an integrated approach to education

**75% of plan sponsors view the HSA as part of their retirement benefits strategy.**

**Promote the HSA alongside the retirement plan to**

- Provide a holistic view of retirement savings
- Give employees access to integrated planning tools
- Offer contribution and next dollar saved guidance

**2**

# **Why personalization and integration matter**

# Why personalization matters

- **Mobile health**
- **Big numbers**
- **Individual health states**



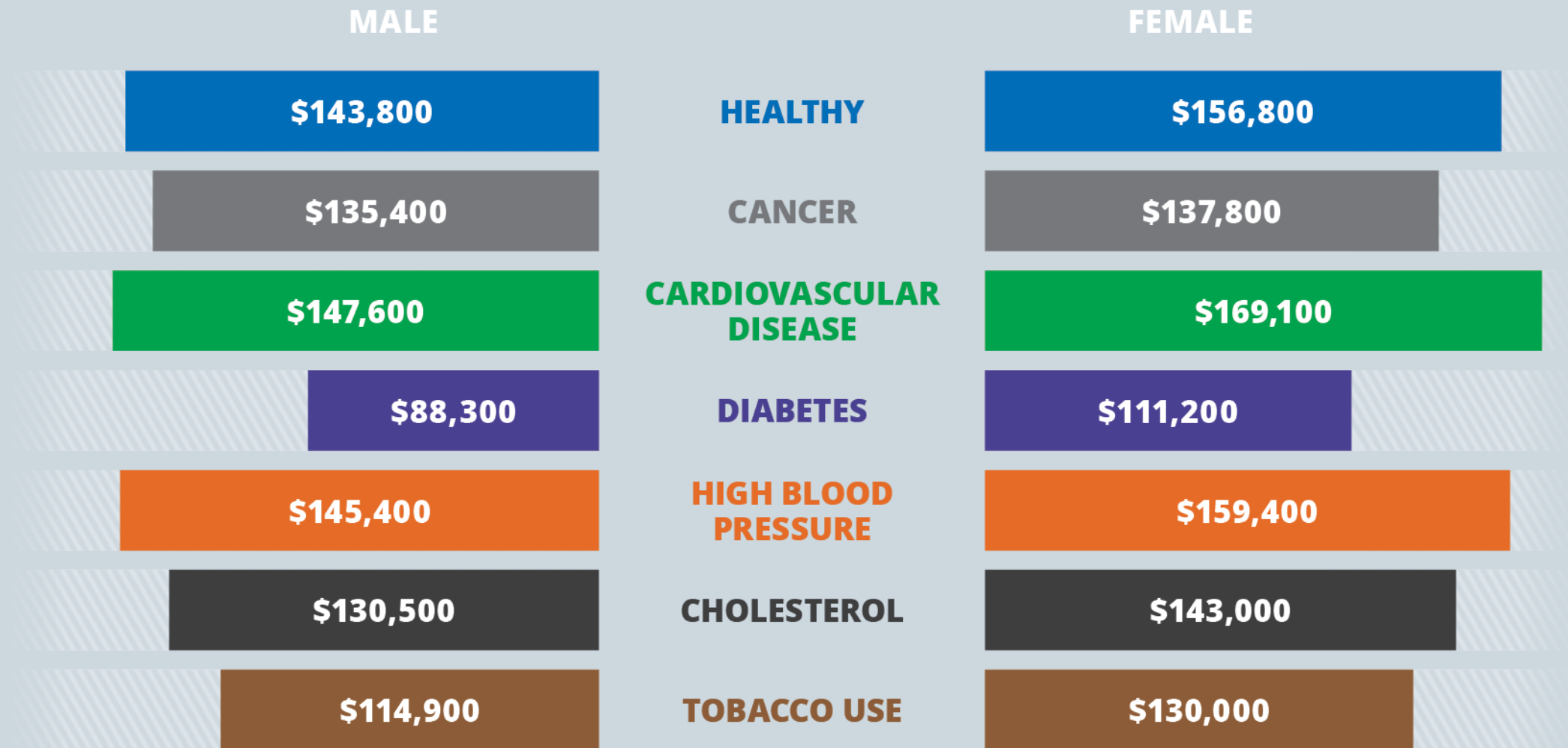


# How personalization impacts healthcare expenses



Healthcost tools can help individuals personalize their financial savings plan

## SAVINGS REQUIRED FOR A 65-YEAR OLD MALE AND FEMALE TO FUND MEDICARE EXPENSES



SOURCE: 2016 HEALTHVIEW SERVICES, INC.  
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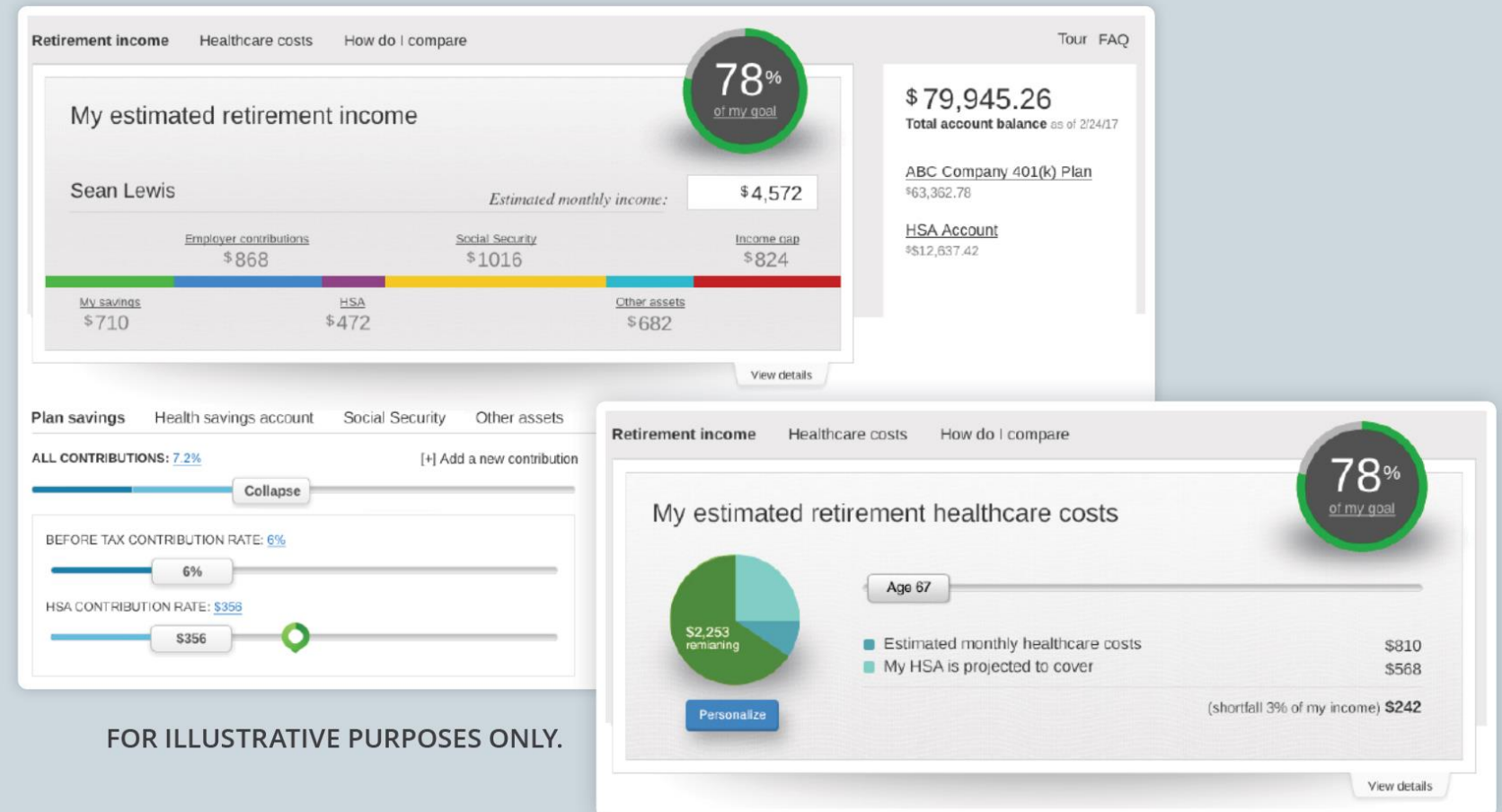
# Why integration matters

## Seamless participant experience

- Promotes a holistic approach to retirement planning
- Helps position HSA as a long-term savings vehicle
- Optimizes contributions

## Streamlined plan sponsor experience

- Simplifies administration with one payroll feed
- Provides support tools that highlight HDHP and HSA
- Promotes participant engagement and drives action



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# Marketplace trends

# Paying for qualified medical expenses

## What are the options?

### **HSA**

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- Rollover unused balance each year
- Potential triple tax advantage (contributions, earnings and withdrawals)
- Employee owned
- Employee and employer contributions
- Catch-up contributions allowed
- Full portability required
- No deadline for reimbursing prior expenses

### **FSA**

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- Use it or lose it each year
- Double tax free (contributions and withdrawals)
- Employer owned
- Employee contributions
- No portability

### **HRA**

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- Some rollover allowed at employer's discretion
- Employer owned
- Employer contributions
- Portability at employer's discretion

# Growth of HSAs

## Total HSA Assets (in billions)



SOURCE: DEVENIR HSA MARKET RESEARCH REPORT 2016  
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# Changes in Washington could impact HSAs

## **Past proposed legislative reforms**

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- Increased contribution limits
- Expansion of qualified medical expenses
- Reduction in penalty for non-qualifying withdrawals
- Allowing use of HSA in all health plans rather than just HDHP

# Combining health and wealth

## **Access to HSA**

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- Referral or Partnership
- Potential for updates to educational materials

## **Single sign-on**

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- Link to HSA site
- Possible balance feed
- Potential for updates to educational materials

## **Fully integrated**

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- Daily balance updates
- Deferral updates
- Investment mirroring
- Single payroll submission
- Educational material

**4**

# **A new opportunity to strengthen relationships**



# Advisor interest on the rise

**50%**

**THINK PLAN SPONSORS WOULD BENEFIT FROM AN INTEGRATED HSA AND RETIREMENT SOLUTION**

**57%**

**THINK THEIR BUSINESS WOULD BENEFIT FROM AN INTEGRATED HSA AND RETIREMENT SOLUTION**

**53%**

**OF ADVISORS WERE HIRED THROUGH AN RFP**

# A new way to add value

- **Assist in provider evaluation – HSA is a separate decision point**
- **Lead investment discussion – 29% increase in HSA investment**
- **Integrate health and retirement education – 85% of HSA assets are invested in cash**



# Next Steps

**Plan sponsors value the retirement plan expertise that you bring. The convergence of health and wealth gives you a new opportunity to demonstrate your value.**

## **Get started with these 5 steps:**

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- 1.** Know your clients' benefit package
- 2.** Know HSA rules and regulations
- 3.** Know HSA providers
- 4.** Consider joint meetings with benefit brokers
- 5.** Assist with vendor selection

## **Vendor considerations**

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- Cost
- Integration
- Size
- Tenure
- Education support
- Investments
- Investment threshold

## **WRAP-UP**

# Why is now the time to engage on HSA?

- **Participants and sponsors need help integrating health and wealth**
- **HSAs are growing exponentially**
- **Change in Washington could impact HSAs**
- **You are uniquely positioned to offer support**



# Thank You!

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