HAVE YOU HAD THE CALSAVERS CONVERSATION?

Many people find themselves financially unprepared for their non-working retirement years. According to the most recent National Retirement Risk Index, nearly half of Americans age 55-59 have insufficient savings to maintain their pre-retirement standard of living[1].

In response, California has recently established its own state-run retirement plan. The plan has been mandated for use by business owners who otherwise do not offer a retirement plan benefit program for their employees, such as a 401(k), SIMPLE IRA or SIMPLE 401(k).

Now is the time for you to have a conversation with a financial professional from LPL Financial regarding this program and what it means for your business. They can help guide you through your options and help you decide what's best for you and your employees. Here are some frequently asked questions being asked by employers like you:

What is CalSavers?

In 2016, Senate Bill 1234 was passed, requiring the state to develop a workplace retirement savings program, known as CalSavers, for private sector workers whose employers do not offer a retirement plan. State law protects employers from any liability or fiduciary responsibilities to the plan.

Who is required to implement the CalSavers program?

Employers with five or more employees who do not provide a retirement plan for their workers must register for CalSavers and facilitate employee contributions to Individual Retirement Accounts.

How will the program work for my employees?

- Contributions to their account will occur automatically from each paycheck.
- The default savings rate is 5% and an automatic increase feature that will increase their contributions by 1% each year, until it reaches 8%.
- The first $1,000 of contributions will be invested into the CalSavers Money Market Fund.
- Employees can customize their account and choose alternative savings rates and investments.

- An asset-based fee will be applied to their account to cover administrative expenses and the operating expenses of the underlying investment funds.
- Depending on their investment options, the fees will range from 0.825% to 0.95%. This means they will pay between 83 cents and 95 cents per year for every $100 in their account.
- Employees can opt out or back into the program at any time. If they leave their job, they can take the money with them or leave it in the account.

When do employers have to register for the CalSavers program?

The final deadlines for employers to implement the program are as follows:

Size of Business	Deadline
Over 50 employees	June 30, 2021
5 or more employees	June 30, 2022

How much work will be required of employers?

Employers are required to manage all employee census data and submit their employee contributions each pay period. You will need to assign this ongoing administrative task to someone in your organization and make sure they get trained — or do it yourself.

(Continued)

[1] The NRRI is published by Boston College's Center for Retirement Research.

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Do I have to use the CalSavers program?

No. Registering for the CalSavers program is just one way to fulfill the requirement that every qualified employee in California have access to a retirement plan. Businesses can also establish their own employee retirement plan, such as a 401(k) or SIMPLE IRA, or SIMPLE 401(k) to satisfy this requirement.

HOW LPL CAN HELP

As the largest independent Broker-Dealer in the United States[2], LPL Financial has the experience to help you make the most appropriate decision for your business and your employees. While we applaud the mission and effort behind the CalSavers program, we believe you should also consider other available retirement plan solutions that can provide your employees with more benefits and value. Consider the following:

- The CalSavers program does not allow for employers to make contributions on behalf of their employees. In a competitive labor market, this limits your flexibility and takes away your ability to offer an attractive retirement plan benefit to employees you are trying to recruit.
- The CalSavers managers will pick the investment options, which may be different from what you and a financial professional might choose.
- Employee contributions are limited with the CalSavers program. It only allows a maximum contribution of $6,000 in 2021, compared to $19,500 for a 401(k) or $13,500 for a SIMPLE IRA or SIMPLE 401(k).
- While there is no cost to employers for participating in the CalSavers program, it does not offer the employer any tax credits, which you can get by offering a 401(k) plan. For example, starting a 401(k) plan currently allows employers up to a $500 tax credit in each of the first three years.
- Are you worried about the extra work and time commitment necessary to sponsor a workplace retirement plan such as a 401(k)? LPL can help you review retirement plan providers who can provide very cost effective solutions that can help minimize your administrative burdens and fiduciary risk.

[2] As reported by *Financial Planning* magazine, June 1996-2020, based on total revenue.

TALK TO YOUR LPL FINANCIAL PROFESSIONAL BELOW FOR MORE INFORMATION.

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