FOUNDATIONS

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You can't replace face-to-face.

Say hello at these upcoming 2019 conferences

Massachusetts Building Trades Annual Convention
March 19-21, 2019 | Plymouth, MA

IBEW Construction & Maintenance Conference
April 4-6, 2019 | Washington, DC

North America's Building Trades Unions
National Legislative Conference
April 7-10, 2019 | Washington, DC

Labor Health & Benefit Fair
April 13, 2019 | Minneapolis, MN

National Coordinating Committee for
Multiemployer Plans Annual Conference
September 21-25, 2019 | Hollywood, FL

International Foundation of Employee Benefit Plans
Employee Benefits Conference
October 20-23, 2019 | San Diego, CA

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Politicians Must Make Good on Their Promise to Help Working Men & Women

How many times have you heard a politician say, “I want to help the working men and women of America?” In my opinion, this phrase is frequently used because this simple sentiment resonates with so many citizens. Politicians love to ponder the financial well-being of the “working class,” often going to great lengths to explain the legislation they will pass to improve workers’ financial fortunes and retirement security.

Both sides of the aisle seem to fundamentally agree on this one issue, yet it seems like very little progress is made, especially for the union men and women of America.

Currently, government officials are hotly debating what to do about pension plans in critical status (i.e., plans that are projected to run out of money in the near future). The failure of pension plans would be catastrophic for millions of retirees, some of whom could see their earned pension benefits fall 90% or even evaporate to zero.

We cannot allow workers to be cheated out of their earned benefits, especially when those benefits were part of their hourly compensation. If you are not part of a pension plan (which is the vast majority of us these days), let’s think about something that would impact everyone if it was taken away.

How would you feel if the Social Security system suddenly told you that your benefits are now zero, and your retired parents utilizing those funds to live are now getting a 50% or more cut to those “promised” benefits? Considering you personally put your own money every pay period into your Social Security account, I am guessing you would be pretty mad. You’d want assurance that you would receive what you were promised, what you personally paid into, and what you earned! I know I would.

Today, millions of working men and women are facing this very scary financial reality with their pension plans. Fortunately, legislators are considering ways to improve this situation.

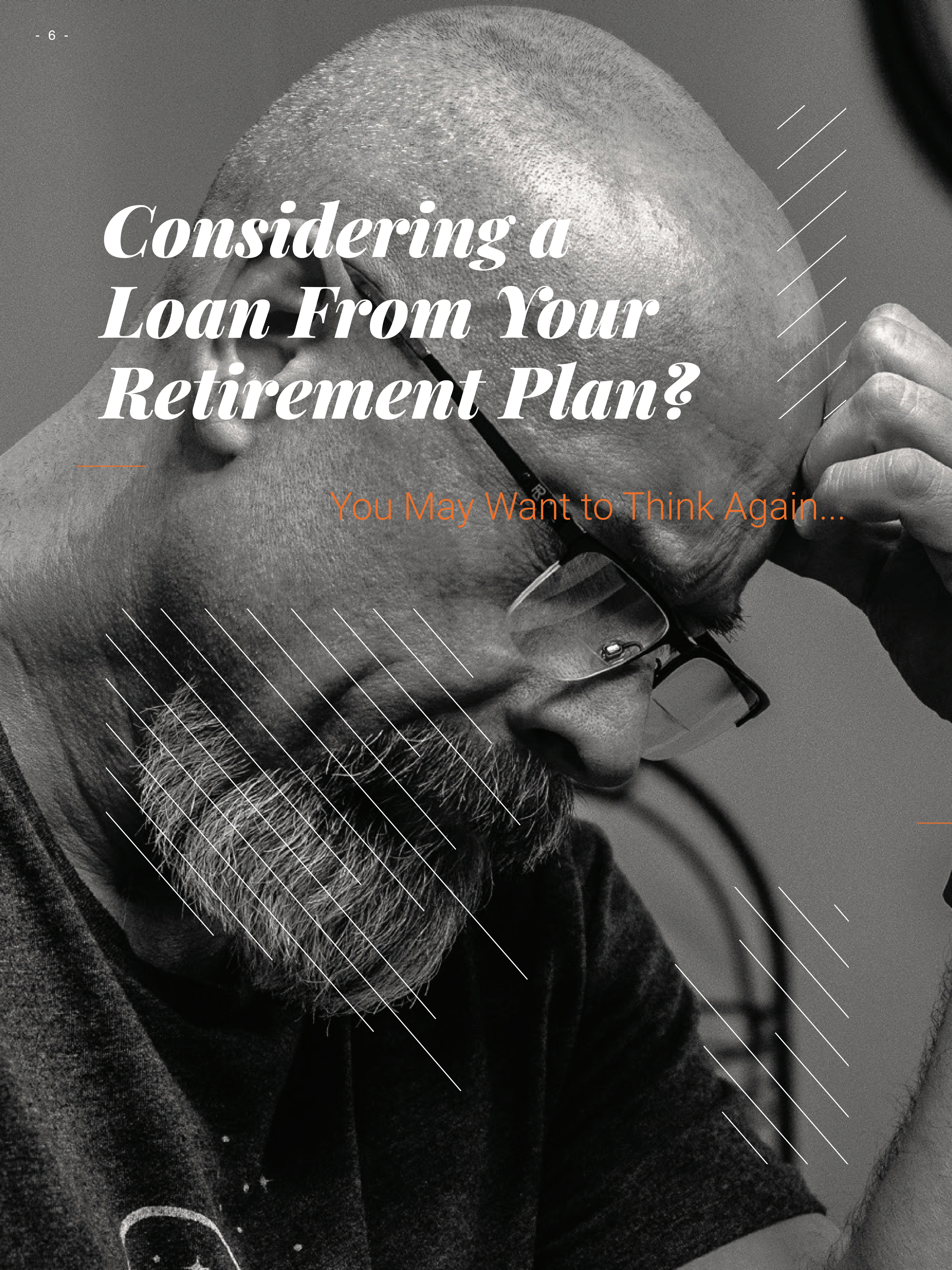
There are certainly reasons to debate such legislation, and many sides need to take responsibility. For starters, taxpayers will be hit at some level, due to the billions in special funding needed to support the pension system.

Clearly, no one answer will be perfect, but there must be a solution to ensure workers get what they’re due. This is a chance for politicians to work together to show they really care about the working men and women of America. We must pass legislation to address this critical issue.

This would not be a “bail out” (which we have seemingly been willing to do for corporate America time and again). It would be legislation to protect workers and their earned benefits. Failure to do so will put millions of workers and retirees into dire financial straits, potentially creating a ripple effect throughout the economy at large.

“I want to help the working men and women of America,” they say. I think it is time we actually see proof of it.

– Aaron T. McGreevy, CRPS®, AAMS®
Managing Director, Taft-Hartley Services



Considering a Loan From Your Retirement Plan?

You May Want to Think Again...

Even for the most diligent savers, life can get expensive. Growing families may lead to tight budgets. It can be hard to predict when the perfect house is going to hit the market, or when your current home might need a new roof.

Often, people faced with these scenarios think about their retirement plan as a possible source of funds. An in-service withdrawal may not be an option or is unappealing due to tax implications, but what about taking a loan from the plan? After all, it's your money and you've worked hard to save it.

While this isn't unreasonable under certain circumstances, it's important to understand how loans from retirement plans work before going that route.

Lesson#1: Play by the Rules
First of all, plans are not required to include loan provisions, so you should check with your plan administrator to learn about options and requirements. The IRS limits loans from retirement plans to 50% of the vested balance in the plan or $50,000, whichever is less. For instance, if you have a vested balance of $70,000, the maximum amount you can borrow is $35,000. Loans must also be repaid within five years, although there can be exceptions to extend this, such as with a home purchase.

Lesson#2: Interest Isn't Always in Your Best Interest
Since you're borrowing money from yourself, you're also paying yourself interest. The interest rate set by your retirement plan may or may not be better than a home equity line of credit or a personal loan from a bank. While the loan from the retirement plan is tax-free, there is a cost associated with taking the loan in the form of an interest payment.

Lesson#3: Less Money Means Less Growth
A key downside to taking a loan is the temporary loss of growth potential in those assets. Using our $70,000 example again, after five years of growth at 7% annually, the balance would grow to nearly $98,200. Compare that to our previous loan example of $35,000, with $35,000 staying in the plan, and the amount would grow to nearly $49,100 after five years (7% annual returns).

Under the first scenario, the account grew by over $28,000, whereas in the second scenario it only grew by $14,000.

If all else stays the same, you can't make back that difference. Loan payments will help to replenish the account, but some plans may require you to repay the loan before any contributions can go back into the plan.

In addition, the loan payments can impact the ability to contribute to a plan and receive employer matches, which also can add up over the length of the repayment schedule.

Lesson#4: Taxes Are a Certainty
Loan payments, including interest, are deducted from paychecks using after-tax money – not pre-tax as is the case with retirement plan contributions. Therefore, the loan creates a double-tax effect whereby after-tax money is used to replenish the retirement plan and pay interest. When you withdraw money in the future to meet your retirement spending needs, the full amount is considered pre-tax and taxed again.

If loans aren't repaid within five years or the plan's due date, the balance can be considered a distribution and subject to income tax and possibly a 10% early withdrawal penalty (on money that was already "spent" so the tax and penalty can't be withheld like with a standard distribution). Also, if you leave your job, the loan may be due sooner than was originally planned, making it harder to repay.

Taking a loan from a retirement plan should generally be a last resort.

Lesson#5: Consider Your Options
While not ideal, loans from retirement plans can be okay if the only alternative is a high interest credit card. The interest rate on the retirement plan loan is likely to be much more favorable, and the payment schedule can help get savings back on track rather than creating a large credit card balance.

A better plan may be borrowing the money from a bank or accessing home equity. Again, checking to see where you can get the lowest interest rate will be key.

The best approach, however, is to make an effort to save extra money outside of a retirement plan to build an emergency fund. Life is going to throw surprises at all of us, but it's important not to be too shortsighted with retirement plan assets and the tax-deferred benefits they provide.

Safety First

How Much Life Insurance Do You Really Need?

Construction workers and laborers not only have tough jobs, but also some of the most dangerous. This is why it's so important to be financially protected by life insurance.

Life insurance is a risk management tool that can help you accomplish a variety of financial goals. Most commonly, life insurance provides money to dependent family members to help cover funeral expenses or pay off debt in the event of premature death. Life insurance can also be used to fund the deceased individual's financial goals, such as a child or grandchild's future college expenses.

In order to properly utilize this powerful tool, it is important to understand the methods for determining how much insurance is appropriate. Because each situation is unique, your personal goals should be the driving force.

There are three popular ways to calculate your insurance need:

Rule-of-Thumb Approach

This method is the most basic, and it focuses on how much insurance coverage your family needs to replace your income and maintain their standard of living. The general idea is that insuring for an amount equaling six-to-eight times your annual salary will provide adequate coverage in most situations. A couple of variations to this approach can be used that may provide a more accurate calculation:

- Multiply your gross income by five and add in mortgage, debts, final expenses and other special funding needs (i.e., college expenses)
- Spend an amount on annual insurance premiums equal to 6% of your gross income plus an additional 1% for each dependent

While this approach can provide a basic estimate of insurance need, it does not take into account individual circumstances such as your age, the age of your dependents, or whether you have a one or two income household.

Income Replacement Approach

This approach uses the "human life value" concept to measure insurance need, which looks at how much you are expected to earn until retirement. This amount is based on a number of factors, including current after-tax income, income growth rates, after-tax discount rate (or expected future investment returns), and the remaining number of years you are expected to work.

To accurately calculate insurance need, you may need to consider some potential adjustments to your income, such as:

- The current income value used should be decreased, since self-maintenance expenses would no longer be required (i.e., any money you spend on yourself will no longer be spent once you are deceased)
- Once you are deceased, insurance premiums will no longer be paid and should also be excluded from the annual income amount
- The future income provided by Social Security survivor benefits and pension plan assets should also be taken into account

This approach will provide a more robust insurance estimate based on your individual circumstances.

Needs Approach

The Needs Approach is another simple formula used to calculate life insurance. It consists of the following:

- Sum all of your short-term needs, which likely fall into three categories:

  Final expenses
  (funeral, attorney, probate)

  Outstanding debts
  (credit card, auto loan, college loans)

  Emergency expenses
  (medical, auto/home repairs)

- Calculate all of your long-term debts and obligations, such as mortgage and college tuition expenses.
- Calculate family living expenses, which include necessities such as food, clothing, utility bills, and transportation using the future value of money equation
- Calculate any additional resources you have to meet your needs. Resources include all available savings, stocks, bonds, mutual funds, and existing life insurance policies

When resources are subtracted from income needs, the remaining balance is the amount of life insurance you should consider. This number may be altered by eliminating any unnecessary expenses.

In general, this analysis should be done at least every three years, or when there is a major life event, like purchasing a home, the birth of a child, etc.

Life insurance may not be for every individual, but members of all ages and family situations should consider life insurance to protect their loved ones.

A financial planner or insurance expert can help guide you through the process of deciding how much insurance and what type of policy you will want, based on your family's needs. Due to the complex tax treatment of insurance policies and their use in estate planning, professional tax and legal professionals should be consulted to ensure the policies you select are consistent with your overall financial goals.

short-term needs
\+ long-term needs
\+ maintenance expenses
− resources

Insurance Need

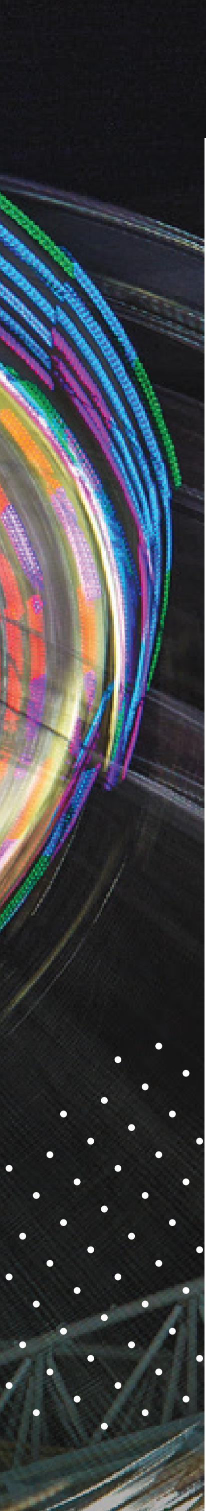
Proudly partnering with our Taft-Hartley clients since the 1970s.

Trades We Serve

Asbestos Workers
Boilermakers
Bricklayers
Carpenters
Cement & Concrete
Electrical Workers
Glaziers & Glassworkers
Food & Commercial Workers
Insulators
Iron Workers
Laborers
Laundry, Dry Cleaning & Allied Workers
Metal Lathers
Nurses Associations
Operating Engineers
Painters and Tapers
Plasterers & Cement Masons
Plumbers & Pipefitters
Police & Firefighter Associations
Roofers
Sheet Metal Workers
Teamsters

Surviving a Swinging Stock Market

After one of the calmest years the markets had ever experienced, December 2018 sent investors on a wild ride. In all, it was the worst yearly decline for stocks since 2008, and included some truly gut-wrenching volatility.



The Short Story

Markets are wrestling with a US economy that appears to be approaching peak growth and profitability. Stocks enjoyed a historically long upswing following the Global Financial Crisis, and while bull markets like this one don't simply die of old age, long-term investors know that what goes up must come down.

Given recent market swings and other risks, we believe we are in a higher-risk period for both stocks and bonds.

The Long(er) Story

Volatility is occurring at the same time as many global risks are rising.

China's economic growth has stalled, causing spillover effects on a number of global economies including the European Union, emerging markets, and others. Ongoing trade tensions with the US have only made matters worse. The US introduced tariffs on aluminum, steel, and many manufactured goods. These measures have already had far-reaching implications, causing a slowdown in global trade.

We believe, however, that this US-China trade conflict goes beyond tariffs and the deficit. The US is an established dominant power attempting to keep China's rising power in check. The US-China rivalry, and accompanying uncertainty, will likely continue for many years.

Beyond China, there are many geopolitical dramas unfolding around the world that we are watching closely. Uncertainty in areas like Italy and the UK threaten stability for investors.

Global central banks lowered interest rates as far as they could (to zero) in the years following the Global Financial Crisis. Today, the Federal Reserve has been moving these rates to a more "neutral" level, reversing a multi-decade trend and removing an important economic stimulus.

In the US, corporate debt levels are at historic highs. Combined with rising interest rates, the debt could create a problem when demand slows.

What It Means For You

Long-term investors know that market fluctuations happen. It is important to remain calm and nimble in order to take advantage of opportunities in the wake of volatility.

Investors should also understand that although December felt scary, 2018 overall was not an unusually bad year for stocks. December was one of the worst months for the stock market since 2000, but the overall decline for 2018 was only about half of the average market slide in a down year.

At Manning & Napier, we are positioning portfolios more defensively to account for what we believe is a higher-risk environment for stocks and bonds. Whether markets are choppy or calm, our active approach is designed to help you manage these risks while capitalizing on the potential investment opportunities they create.

The stock market declined **9.2%** in December of 2018

It was one of the ***top 5*** worst months since 2000

Source: FactSet
S&P 500 Price Index (2000-2018)
Analysis: Manning & Napier
See last page for additional disclosures.

Opening Our Minds to Close the Skills Gap

For many years following the Great Recession, Americans grappled with a lack of jobs. The skilled trades, however, face the opposite problem today: too many jobs and not enough qualified candidates to fill them.

This lack of workers is known as the skills gap, and over the next decade it is poised to leave 2.4 million positions unfilled in manufacturing alone. A significant majority of executives (89% in manufacturing and 80% in construction) report difficulty finding workers.

The skills shortage is likely to have major impact on the economy, with decreased productivity and supply that cannot keep up with demand. A staggering $2.5 trillion in manufacturing GDP is at risk over the next ten years. It has also taken a toll on homebuilding and infrastructure, and created problems after natural disasters. Following Hurricanes Harvey, Irma, and Maria, there was not a sufficient number of properly trained workers to help with reconstruction efforts.

There are several factors driving the widening skills gap. First, aging baby boomers are retiring, leaving a hole that would be difficult to fill under the best of circumstances. Instead of replacing this generation of skilled workers, many younger candidates (some 70% of high school seniors) have instead been guided towards a college education.

Next, there is a mis-perception of skilled trades jobs as outdated or unchallenging, when in reality many are technology-driven and fast-paced. The economics also make sense. At a time when the US holds more than $1.3 trillion in student debt, many openings require apprentice training or vocational schooling rather than college, both of which are significantly less costly than a college degree. Jobs can come with generous salaries (the average US manufacturing worker makes $77,506), and union membership offers many attractive benefits.

Members must also embrace technology, and understand that flexibility will be key in this shifting environment.

Finally, the skill set required of workers has shifted, and this transformation is likely to continue. In a 2018 Deloitte and Manufacturing Institute study, the categories rated by companies as already being in "very high" shortage – digital talent, skilled production, and operational managers – are expected to triple in difficulty to fill over the next three years.

What can be done to stem this tide? Union leadership should continue to offer more learning opportunities for both current and prospective members, including active recruitment of high school or college students to apprenticeships as part of the solution. As jobs transform, it is also critical to offer on-the-job training to help workers grow their skill set and learn new technology.

Members must also embrace technology, and understand that flexibility will be key in this shifting environment. Automation will create close to 15 million new jobs over the next decade – a number equivalent to about 10% of the US workforce. However, it will transform another 25% in terms of responsibilities. Workers need to remain nimble, and unions can take advantage of this new trend by offering continuing education to help its members succeed.

Ultimately, it will take flexibility from members and an emphasis on recruitment and education from union leadership to close the skills gap. As always, those who prepare for and embrace change will prosper.

Sources: Deloitte Insights, Manufacturing Institute, Forbes, and HR Dive.

The information in this publication is not intended as legal or tax advice. Examples are provided for illustrative purposes only. All investment strategies involve risks and there is no guarantee of a profit, or protection against a loss. Past performance does not guarantee future results.

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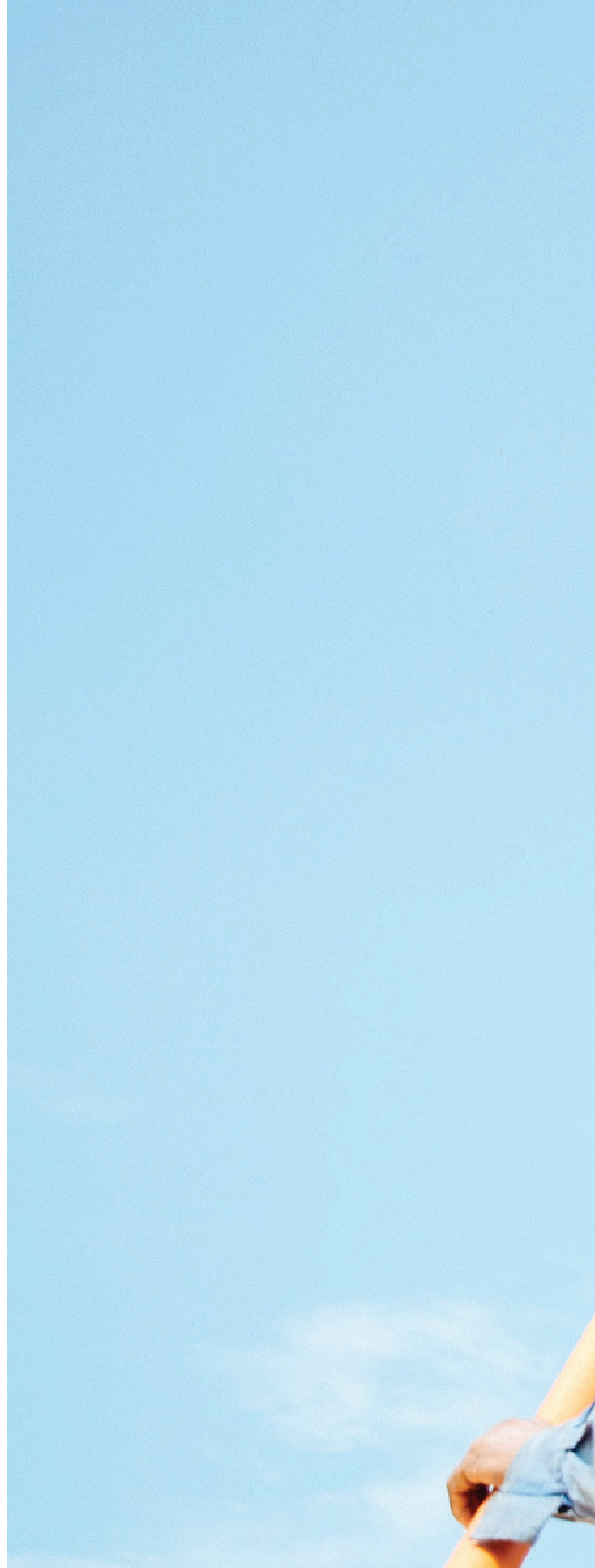

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