John Oliver's Ode to Retirement

From "Last Week Tonight with John Oliver"

It's not often that the topic of retirement planning makes it to prime time television, but John Oliver made it happen. In an episode of "Last Week Tonight with John Oliver" (uncensored) which aired June 12th on HBO, Oliver devoted an entire segment to discussing the basics of retirement savings. While it is impossible to explain the entire retirement planning landscape in less than thirty minutes, Oliver makes the topic of retirement more approachable and shares some important points for consideration by savers.

The Earlier, the Better - Start Saving Now

While we may not have the means to go back in time and start saving ten years ago, as the episode suggests, it is important to start saving as early as possible. There is no time like the present to begin saving for your future. Today's retirement savings can grow over time to a substantial amount. The longer the time horizon, the more time this money has to grow and recover from any market downturns. As a Plan Sponsor, it is important to convey this to your Participants.

Be Aware of Fees and Keep them Reasonable

Retirement plans are not free and they shouldn't be. Fees are paid for the funds you are investing in and to compensate the people who aid in the administration, compliance, and participant education for your Plan. However, fees must be reasonable and transparent because just as your investment and returns will compound over time, so will fees. As the show advises, keep your fees like your milk, under 1%.

Learn more about fees and trends in retirement plan expenses by reading Fees are Falling…Right?

Research Your Advisor & Broker

Currently, the U.S. has approximately $24 trillion dollars in retirement assets, putting a significant amount of money in the hands of Financial Advisors and Brokers. Tools such as the Financial Industry Regulatory Authority (FINRA) BrokerCheck provide you with the information you need to choose the best provider for your Plan. BrokerCheck allows you to enter a Brokers name and review their employment history, certifications, and licenses as well as regulatory actions, violations, and complaints.

Know if your Advisor is a Fiduciary

A Fiduciary is legally bound to act in your best interest at all times with a duty of loyalty and prudence. Some Brokers, Insurance Agents, and other financial professionals, however, are not Fiduciaries and are instead bound by a suitability standard. This means that the product they recommend or advice they give must be suitable to your needs at that point in time.

The finalized Fiduciary/Conflict of Interest rule, released in April 2016 with applicability beginning April 10, 2017, was designed to require all Financial Advisors to put their client's best interest ahead of their own gains. While many Advisors have already adopted this principle, the Department of Labor is aiming to increase retirement security for all.

Read [The Game Changing Fiduciary Rule] to learn more about the finalized Fiduciary Rule.

While many Advisors are acting in their client's best interest, some may push products that may be considered suitable, but also result in higher profit margins for the Advisor, such as proprietary funds.

A proprietary fund is a mutual fund where the bank or brokerage firm that distributes the fund also serves as the fund's Investor Advisor. These funds are generally more expensive than comparable funds in the fund universe and contain different types of fees. Although the fund universe contains hundreds of fund companies and thousands of funds to choose from, if you are working with an Advisor or Broker that is only offering in-house funds, your choice is considerably narrowed and may not contain the best alternatives for your Plan or allow for proper diversification. Alternatively, an Advisor offering an open architecture structure allows clients to invest not only in proprietary products, but also in other products in the market.

Learn more about proprietary funds in The Problem with Proprietary Funds.

The Debate of Active versus Passive

Oliver hits on a topic that has been debated in the retirement industry for years - Passive versus Active Management. While Oliver advises investors use only passive index funds in their portfolio, we believe in a strategy which combines active and passive management to allow your Participants to choose the strategy which is best for them.

Learn more in Active vs. Passive Management & Averages aren't the Answer in the Active vs. Passive Debate.

Pay Attention & Educate Yourself

The retirement landscape may seem like a minefield, but it doesn't have to be so complicated and, as Oliver notes, it shouldn't be. As a Plan Sponsor, ensure you understand the structure of your Plan and how it helps your Participants to plan and save for their golden years.

Saving for retirement is extremely important and the DOL is working to clarify and simplify rules and guidance to safeguard the savings of workers and retirees.

The Bottom Line

Once you see past the comedic relief and sarcastic undertones, it becomes apparent that John Oliver is using his position to shed light on an very important topic that affects the lives of millions of Americans. While thirty minutes is barely enough time to break the surface of this topic, Oliver's segment does a great service in explaining the basics of retirement planning & investing and putting this information in the hands of investors.