

# FINANCIAL SERVICES

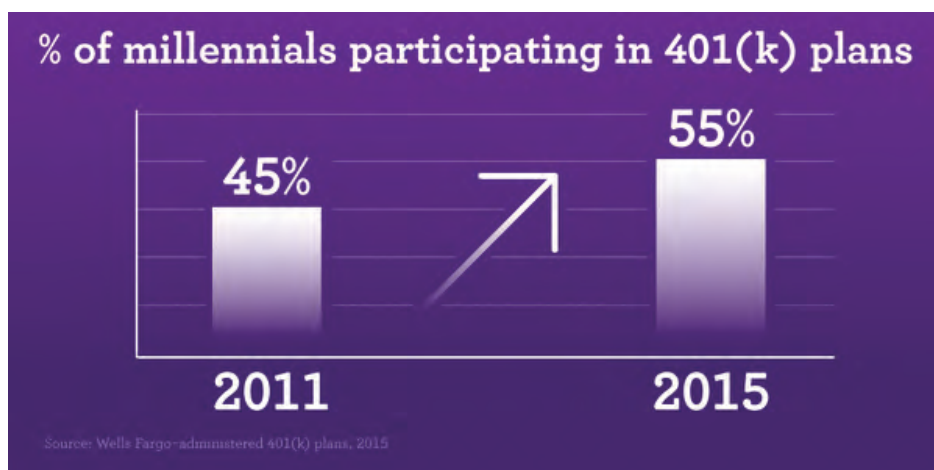
*An Advertising Supplement to the Orange County Business Journal • July 27, 2015*



## 401(k) Plans: An Important Employer Benefit

### Participation in Plans Rises as More Companies Automatically Enroll Employees

The number of eligible employees participating in Wells Fargo-administered 401(k) plans rose 13% between 2011 and 2015. Wells Fargo administers 401(k) plans for 3.8 million eligible participants employed by U.S. companies. The increase in participation correlates to an increase in plan sponsors opting for automatic enrollment of their participants, which now stands at 40% of Wells Fargo-administered plans versus 30% in 2011.



The data show increasing participation rates among younger employees, new hires and lower-earning workers over the past four years. Participation in the 401(k) plan among millennials has reached 55% compared to 45% in 2011. For newly hired eligible employees (those who have reached the one year mark of employment), participation has increased from 36% four years ago to 48% in 2015. In addition, employees in a pay range of \$20,000 to \$40,000 in salary are participating at a rate of 59% versus 47% four years ago.

The average 401(k) balance is \$93,015 – up from \$69,802 four years ago, largely due to gains in the stock market.

Participating in the plan is the first step, but what we really need to see is a more robust increase in how much people are saving. The reality is that people need to save their way to retirement. This is true for all generations, and especially so for the younger population that has time on its side and can take advantage of the compounding effect of time. At the very least, we like to see people reap the full benefit of their employer match because that's a nice boost for their savings that doesn't come out of their pocket.

#### Savings rates, company match and average balances

Although participation rates are rising, the deferral rates are relatively flat in the four-year analysis, with 38% of participants saving a minimum of 10% of their salary (which may include employer match) in their 401(k) plan – a modest increase from 34% four years ago. Twenty-eight percent of millennials currently reach a total contribution of 10% of pay, compared to 35% of Gen X and 45% of boomers.

Sixty-two percent of all active participants are taking full advantage of their employer match. When analyzed by generational groups, this breaks down to 54% of millennials, 63% of Gen X, and 70% of boomers who are contributing enough to capture their full company match.

#### Roth 401(k) popular among millennials

The Roth 401(k) usage is creeping up – with 12% of participants contributing to a Roth 401(k) compared to 8% four years ago. Millennials are the most significant users of Roth, with 16% contributing to a Roth 401(k), versus 11% of Gen X and 7% of boomers. The Roth 401(k) allows participants to contribute after-tax dollars, and withdraw in retirement on a tax-free basis.

#### Millennials are the most diversified in their 401(k) investment portfolio

Roth 401(k) usage is not the only category in which millennials have Gen X and boomers beat. Millennials are still the most diversified generation, and are making the biggest gains: 82% are meeting a minimum level of diversification – a minimum of two equity funds and a fixed income fund and less than 20% in employer stock – which is up from 72% four years ago. Gen X and boomers have also seen strong gains in this category, with 78% and 75% respectively meeting the minimum level of diversification (compared to 70% and 68% four years ago).

#### Women participate at higher rate than men

In a review of data compiled from 2,036 companies where gender is

indicated, there are also some noteworthy differences. Women participate in their 401(k) plans at a slightly higher rate than men: 65% to 62%. The number of women saving at least 10% of their salary is slightly lower: 38% of women vs. 40% of men contribute at least 10% of their salary, and 64% of men are taking full advantage of their company match, compared to 61% of women. Women use managed products more than men – 77% of women compared to 74% of men – which might explain why they are better diversified. Eighty percent of women are meeting minimum diversification criteria compared to 78% of men.

This is a great set of data demonstrating some very positive behaviors from participants. I get very excited when I see the percentage of employees enrolling in plans ticking up over the last four years because it tells me people understand that participation in their workplace retirement plan is vital. We know that systematic, pre-tax savings and investing works. The first critical step along that journey is to get people in the plan. In addition, to see such gains among people who are historically the hardest to get saving for retirement is also quite encouraging. People are getting the message that their 401(k) is an important key to a viable retirement.



**Ben Alvarado**

Ben Alvarado is executive vice president and president of Wells Fargo's Southern California Community Bank. He oversees approximately 3,800 financial professionals at 234 banking stores and manages more than \$34.1 billion in deposits and \$11.3 billion in loans.

A 24-year banking veteran, he assumed his current role in December of 2014. Prior to being named president for the Southern California Region, he ran the Orange County-Inland Community Bank. He also has served in various positions at the company, including retail bank district manager for the Pasadena and South Bay markets; commercial loan officer; sales development coach; banking store manager; personal banking officer, and bank teller. As one of the top ranking executives in the bank, he also sits on the Management Committee, which provides oversight on operations, practices and to lines of business.

Alvarado earned his bachelor's degree at California State University, Long Beach, and an MBA from Pepperdine University. Alvarado is active in the community and serves on the board of directors for Orange County United Way; the advisory board for Miller Children's & Women's Hospital Long Beach; Memorial Medical Center Foundation; the board of directors for Bundles of Books in Los Alamitos; the alumni board for La Salle High School in Pasadena and is the current president of Wells Fargo's Latin Connection team member networking group.

Alvarado resides in Rossmore with his wife and two children.

# Even lower rates to help your business thrive



## Get a commercial real estate equity line of credit with a rate of Prime + 0% on your balance through December 31, 2016.<sup>1</sup>

For a limited time, we're rewarding qualifying small business owners and investors with a low rate of Prime + 0% on commercial equity lines of credit up to \$500,000. Use the financing to do things like:

- Renovate property
- Buy large equipment
- Expand your business
- Purchase commercial property (owner-occupied or investor)

This Prime-based revolving equity line has no application or appraisal fees. It can be drawn on for 60 months and then converts to a Prime-based 15/15 term loan.<sup>2</sup>

Visit your local Wells Fargo store to speak with a Business Banker and apply by September 30, 2015, to get this great promotion.

The  
Great  
Rate  
Event



Together we'll go far



Promotion good on applications received from July 1 through September 30, 2015.

<sup>1</sup> For a limited time, Business Real Estate Financing is offering an introductory variable rate of Wells Fargo Prime Rate + 0% on balances for approved Commercial Equity Line of Credit applications received from July 1 through September 30, 2015. The introductory rate will be applicable through December 2016 as long as no default occurs under your Customer Agreement. At the end of the promotional period your rate will become Wells Fargo Prime Rate + the margin provided at the time of account approval. You will need to pay a non-refundable deposit of up to \$1,000 when accepting the terms of any line of credit. Your deposit will be credited at closing against the origination fee (if any) and environmental insurance fee (if any) payable by the borrower in connection with the transaction. If your deposit exceeds the amount of the origination and environmental insurance fees due at closing, you will be reimbursed for any overage. If the state or other taxing authority imposes a tax or fee on the filing of a mortgage or a deed of trust, or if the bank determines that environmental or flood insurance is required, any applicable fees are your responsibility. All financing is subject to credit approval.

<sup>2</sup> The monthly payment will adjust whenever there is a change in the Wells Fargo Prime Rate during the draw period. During the 15/15 loan period, the interest rate will adjust when Prime changes, but the monthly payment will only adjust annually.

EFFECTIVE ASSET &  
LIFESTYLE PROTECTION  
REQUIRES

THE STATUS QUO  
CHALLENGING



Jeffrey M. Verdon Law Group, LLP shows you state-of-the art strategies that will transform your thinking. These game-changing strategies can protect and increase your wealth.

*Does your trust protect your assets from unforeseen lawsuits?*

As a successful investor, you haven't achieved your success by being content with the status quo.

*There's no downside in looking!*



JEFFREY M. VERDON  
LAW GROUP, LLP

*The Fusion of Planning and Protection.*

1201 Dove Street, Suite 400  
Newport Beach, CA 92660  
949.333.8150 ▼ [www.jmvlaw.com](http://www.jmvlaw.com)



JEFFREY M. VERDON  
LAW GROUP, LLP

## United States Supreme Court Rules: *An Inherited IRA Is Not Protected From Bankruptcy Proceedings Under The Retirement Funds Exemption*

by Jeffrey Verdon, Managing Partner, Jeffrey M. Verdon Law Group LLP

Last week, there was an extremely important case decided by the U.S. Supreme Court in the case of *Clark v. Rameker*. In *Clark*, Heidi inherited a traditional IRA from her mother in 2001, when the IRA was worth approximately \$450,000. Nine years later, Heidi and her husband filed for Chapter 7 bankruptcy and identified the inherited IRA, then worth approximately \$300,000, as exempt from the bankruptcy estate under the retirement funds exemption of the bankruptcy code. The case worked its way up the appellate court system and was in conflict with another case that had a contrary holding. So the Supremes took the case and unanimously decided that funds held within inherited IRAs are not considered "retirement funds," and thus not protected from creditors in bankruptcy proceedings. As a result, Heidi's inherited IRA was available to satisfy her debts in the bankruptcy proceeding.

An inherited IRA is a traditional or Roth IRA that has been inherited after its owner's death. If the beneficiary is the owner's spouse (as often is the case), the spouse has a choice: he or she may "roll over" the IRA funds into his or her own IRA at any time, or he or she may keep the IRA as an inherited IRA. When a beneficiary, other than the owner's spouse, inherits an inherited IRA, he or she may only hold the IRA as an inherited account. Therefore, it is imperative that the creator of the account designate the proper IRA beneficiary while alive to avoid the adverse holding of the *Clark* case.



Jeffrey Verdon

If the beneficiary of an inherited IRA is a resident of a state that has a state bankruptcy exemption statute for inherited IRAs, such as Texas, Florida, Missouri, or Alaska, *Clark* will not apply, and the inherited IRA will be protected from bankruptcy. However, leaving to chance the then applicable exemption law at your death is imprudent and risky, as the exemption laws may not be the same at the death of the one who created the IRA.

For those who own a traditional or Roth IRA and wish to avoid the adverse impact of the *Clark* case, having the funds paid to a simple beneficiary "spendthrift trust" for the benefit of your intended beneficiaries and their current or future creditors will have no claim to the account's assets.<sup>1</sup> For those who have already received the proceeds from an inherited IRA, either from a traditional or Roth IRA, it would be prudent to withdraw the funds and place them into an asset protection trust while your "financial seas are calm" and if a financially ruinous legal claim is encountered, the funds will be protected.

If the inherited IRA is the result of a traditional IRA, or a Roth IRA that was in existence less than five years at the time of the owner's passing, there may be adverse income tax consequences when the funds are withdrawn, so check with your tax advisor before withdrawing the assets. Even if you have to pay tax, the transfer to an asset protection trust will at least preserve the remainder.

Please contact our office if you feel that further planning with your IRA, Roth IRA, or inherited IRA is the right move for you, and we will happily assist you in achieving your goals.

<sup>1</sup> Creditors refers to: civil judgment, bankruptcy, divorcing spouses, delinquent taxes, and regulatory fines.

For more information, contact Jeffrey M. Verdon, Esq. at 949.333.8150 or [jeff@jmvlaw.com](mailto:jeff@jmvlaw.com).

experienced lenders.  
proven results.



Los Angeles, CA: \$5,625,000



Brentwood, CA: \$10,000,000



San Diego, CA: \$2,125,000



Northridge, CA: \$3,840,000



Saratoga, CA: \$4,320,000



Van Nuys, CA: \$5,615,000

**INTERVEST**  
a subsidiary of Umpqua Bank

### Program Features\*

\$750K to \$25MM  
30 year term/30 year amortization  
3, 5, 7, and 10 year fixed rates  
Step down prepay  
Purchase or refinance  
Early rate lock

### Property Types

Multifamily  
Mixed use up to 50%  
Mobile home parks  
Industrial and Warehouse  
Office  
Retail

### Underwriting Features\*

Up to 75% loan to value 1.15:1 DSCR

\*Subject to loan approval. Programs and rates subject to change without notice.

Equal Housing Lender 

Contact our  
Orange County Office  
949-453-5060

Income Property Finance  
[INTERVESTREF.com](http://INTERVESTREF.com)



**YOU HAVE BUSINESS IN CHINA.  
YOU HAVE BUSINESS IN ORANGE COUNTY.  
EITHER WAY, YOU HAVE THE RIGHT BANK.**

East West Bank is the premier financial bridge between the east and west. Our extensive network throughout Greater China gives our Orange County customers invaluable access. As well as the advantage of a bank that listens, ensuring that every solution is customized for each client.

Get the tools to navigate today's increasingly challenging landscape. Call today to learn how we can serve your needs.

**Our Orange County Premier Team**

**Charles Wang** 949-812-5531

**Rebecca Lee** 949-812-5588

**Maureen Finn** 949-812-5586

**Carl Tong** 949-812-5563

**Jennifer Seto** 949-812-5566

**Ann Siri** 949-812-5525



**Orange County Commercial Banking Center**  
19540 Jamboree Road, Suite 150, Irvine, CA 92612

[www.eastwestbank.com](http://www.eastwestbank.com)

