

THE NOBLE GROUP Retirement Times

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS AND FIDUCIARIES

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Weather or Not, Stay Invested

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2017 was one of the strongest years on record for hurricanes in the Atlantic region of the United States and among the costliest of seasons on record, with preliminary estimates totaling over \$200 billion. This is the second largest season in damages since 1900, with 2005 having a slightly higher total (Hurricane Katrina).¹ For those not directly affected by the hurricanes or other extreme weather events, some often wonder how it might affect them indirectly, via their investments. Article upon

article is quickly spewed out, some with catchy titles that contain minimal factual content (example: "Investors Brace for Hurricane Irma"). While these articles succeed at garnering clicks, they can also lead investors to act irrationally, thinking they can time the markets or shift investments due to pending storm damages.



Thankfully, there exist some helpful studies that show how markets react to these extreme weather events. The first, from Ishuwar Seetharam at Stanford University, shows that natural disasters do have a small effect on companies who are directly exposed.² He looked at over 30 years of data, spanning the top 122 natural disasters. From a timing perspective, the largest effect occurs five days preceding the event to 20 days following. Though this may seem like a no-brainer, other variables can surface which help drive this effect in either direction. For example, if a company has different business lines, or is spread around multiple geographies (to name a few), this can add to or mitigate potential losses.

Diving deeper into the markets by industry, Dubravko Lakos-Bujas, from JP Morgan's U.S. Equity strategy team, claims that distributors and construction materials are the top beneficiaries from hurricanes, while energy and insurance companies fare the worst.³ He arrived at these conclusions by looking at all of the major hurricane landfalls since 1995. As for the overall market, the losses from hurricane damage tend to revert back to normal levels due to ensuing increases in public and private spending.

Despite a lack of strong evidence from the two studies above, there is another idea that comes from no closer than that of left field, albeit from a highly respected individual. Robert Bruner, dean emeritus and current professor of the University of Virginia's Darden School of Business, believes that Hurricane Katrina (2005) triggered the 2008-2009 financial crisis.⁴ Like a domino effect, Katrina caused significant damage to housing in the Gulf Coast states, which then triggered credit card delinquencies, and then sub-prime mortgages fell after that. He also claims that other market downturns were triggered by natural disasters, notably referencing the Mississippi flood of 1927 eventually triggering the Great Depression.

One major lesson learned in investing is that you cannot immediately discredit an idea, no matter how unusual it might be. Professor Bruner's claim might sound strange, but perhaps the overarching claim pertains to vulnerability. Some companies, countries and geographic regions are prepared and built to withstand a natural disaster, either physically, financially or some combination of the two. Both studies above show that certain companies and industries can immediately be affected (via-the stock market) if they are not prepared. Also, keep in mind that a particular company's

preparedness (or lack thereof) can already be priced into the market. The long-term effects, though intriguing, are very difficult to assess because they seem tangential (i.e. hindsight is 20/20).

If conducting the research on affected companies and industries while also factoring in investor sentiment seems daunting, we believe it is best to remain diversified and hold for the long-term.

¹<http://time.com/4952628/hurricane-season-harvey-irma-jose-maria/>

²https://web.stanford.edu/~ishuwar/Disasters_Stocks_Current.pdf

³<https://www.marketwatch.com/story/what-history-says-about-hurricane-irma-and-the-stock-market-2017-09-08>

⁴<http://www.cityam.com/277606/floods-hurricanes-and-earthquakes-triggers-financial-crises>

IRS Retirement Plan Announcements for the Recent Hurricanes and California Wildfires

Many individuals have recently been significantly impacted by both the hurricanes and California wildfires and the Internal Revenue Service (IRS) provided relief for qualified individuals in retirement plans through several announcements. In addition, President Trump signed the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (“Act”), which provides tax relief for individuals affected by Hurricanes Harvey, Irma and Maria (“HIM”). Below is a summary of the recent communications, including new information based on a recent IRS Announcement for Hurricane Maria and the California Wildfires, election forms and other resources to help you take the appropriate next step for your plan.



IRS Retirement Plan Announcements for the Recent Hurricanes and California Wildfires

On Oct. 31, 2017, the IRS issued [Announcement 2017-15](#), Relief for Victims of Hurricane Maria and the California Wildfires, for plan sponsors who want to provide an option for employees to gain access to their retirement assets as a result of the devastation caused by the hurricane. The IRS announced that qualified retirement plans, section 403(b) plans and governmental 457(b) plans can make loans and hardship/unforeseeable emergency distributions to victims of Hurricane Maria and the California Wildfires and members of their families who live or work in the disaster area. These transactions must be made by March 15, 2018. This broad based relief means that a retirement plan can allow a hardship/unforeseeable emergency distribution or loan up to the specified statutory limits for a participant who is a victim of flooding or to assist a son, daughter, parent, grandparent or other dependent that lived or worked in the disaster area for Hurricane Maria on Sept. 16, 2017 for the U.S. Virgin Islands and on Sept. 17, 2017 for Puerto Rico, and the California Wildfires on Oct. 8, 2017. The disaster areas are listed on the [FEMA website](#).

The IRS is also relaxing procedural and administrative rules that normally apply to retirement plan loans and hardship distributions. In addition, the six-month suspension of contributions normally in effect for participants after taking a hardship distribution will not apply. Plans which don't currently offer hardships/unforeseeable emergency distributions and/or loans will be allowed to provide this feature prior to amending their plan. However, the plan document must be amended by the end of the plan year which begins in 2018.

Disaster Tax Relief and Airport and Airway Extension Act of 2017 (“the Act”)

President Trump signed the Act on Sept. 29, 2017, a comprehensive hurricane relief bill to assist U.S. residents affected by recent storms that impacted Texas, Florida, Georgia, Puerto Rico and the U.S. Virgin Islands. The Act does not change nor replace the prior guidance issued by the IRS in their recent announcements that provided relief for the affected participants and certain relatives of affected participants.

Contact your provider for specific election forms.



Participant Corner: Financial Wellness Series—Part 7: How Long Will Your Money Last?

This month’s employee memo is the finale of our seven-part series on financial wellness and explores the question, “How long will my money last in retirement?” Download the memo from your Fiduciary Briefcase at fiduciarybriefcase.com.

The big question when it comes to retirement is, “How much money am I going to need?” With all of the advanced education and strategy tools available, it is still often difficult to understand the difference between what you can save for retirement and what is needed to retire. Sometimes, it is helpful to see what your account can actually provide over the course of your retirement. It can also help you set an achievable goal.

Savings	Monthly income for 10 years ¹	Monthly income for 20 years ¹	Monthly income for lifetime of individual and spouse ²
\$50,000	\$493	\$289	\$174
\$100,000	\$986	\$578	\$349
\$150,000	\$1,479	\$867	\$523
\$200,000	\$1,972	\$1,157	\$698
\$250,000	\$2,465	\$1,446	\$872
\$500,000	\$4,930	\$2,891	\$1,745
\$750,000	\$7,395	\$4,337	\$2,617

The monthly incomes are hypothetical and not intended to project the performance of any specific investment or insurance product.

¹Payment increases 2% annually to help offset effects of inflation. Illustrative amounts based on 3.5% interest rate. Lifetime payments assume retirement age of 65. Based on 5.5% annual yield compounded monthly. Investment option performance can dramatically affect these numbers. Inflation can also seriously affect the value of the withdrawals. Rate of return is hypothetical and does not represent any specific investment option or imply guaranteed results. Amounts shown do not reflect the impact of taxes on earnings, your actual return will vary depending on your investment option and your tax bracket.

²Lifetime payments assume start at age 65 over two lives, Joint and Survivor at 100% survivor benefit and 3% COLA. Analytics provided by MassMutual.

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