Dorn’s Corner

This quarter I’d like to discuss an interesting approach to achieve an Enhanced Corporate Culture, (my declaration for this year). In two of last year’s Dorn’s Corners (2nd and 3rd quarters) I introduced The HeartMath Institute (HMI) which performs scientific research about the heart. I am now studying to become an Add Heart Facilitator, through the HMI.

So what does “add heart” mean? Let me give a little background first. The following facts are the results of scientific research performed by the HMI:

1. The human heart has a brain of its own, in addition to the brain in the head.
2. The “heart brain” communicates with the cranial brain through the autonomic nervous system.
3. The heart generates an electromagnetic field which can be measured to extend up to 3 feet from the body.
4. This electromagnetic field contains information about our feelings.
5. Through these fields, one can pick up the feelings of others.
6. Increased coherence between the heart brain and the head brain generates increased resilience and intuition, and is critical for optimal mental functions—such as memory, focus and decision making.

So to add heart is to help others increase this coherence and generate the results given above. An Add Heart Facilitator is a person trained to add heart to others.

So how does this relate to my 2017 declaration, The Year of Enhanced Corporate Culture?

Let me provide an answer, quoted from the book, Heart Intelligence: Connecting with the Intuitive Guidance of the Heart, authored by HMI leaders.

“Some of the immediate and practical benefits of increasing coherence in organizations that we’ve seen include: better emotional self-management, more authentic communication, fewer mistakes, increased energy and productivity, more creativity and intuition, better decision making and more.

Whither Healthcare Costs?

The elephant in the room is the Affordable Care Act and, after the recent Congressional drama, this writer is not even close to hazarding a guess as to its future, so let’s just move along.

The Milliman Medical Index tracks the cost of healthcare for a “typical American family of four.” Let’s call this family the Longs, after Crawford Long, MD, who was the first to use ether as an anesthetic. The Longs are covered by an average employer-sponsored health care plan. Milliman’s latest report stated that their total healthcare cost in 2017 would be $26,944, an amount that was 4.3% higher than in 2016. This was the lowest annual percentage increase since Milliman began their Index in 2001.

Of the $26,944 spent by the Longs, about 43% is paid by the employee; $7,151 in payroll deductions and $4,534 in out-of-pocket costs. The employer pays the remaining 57% or $15,259. The Longs are an average family; many families will have lower healthcare costs in 2017 while other families will have greater, maybe significantly greater, healthcare costs.
WE CAN HELP YOU WITH THE FOLLOWING:

1. Actuarial services, including:
   - Defined Benefit
   - Cash Balance
   - Supplemental Executive Retirement Programs (SERPs)
   - Actuarial Expert Witness
   - Medicare Part D Actuarial Attestation
   - Post-retirement medical calculations: ASC 715-60
   - Actuarial studies for Health & Welfare Plans
   - Compliance testing for self-funded plans

2. ESOP administration, including:
   - Publicly traded
   - Privately held
   - Leveraged
   - Non-leveraged
   - KSOPs
   - Repurchase Liability Studies

3. Other Defined Contribution Plans, including:
   - 401(k)
   - TPA & Recordkeeping Services
   - Cross-tested & age-weighted
   - 403(b), 401(a), 457

4. Cafeteria (Section 125) Plan Administration, including:
   - FSAs
   - POPs
   - HRAs
   - QTPs

5. Other consulting services, including:
   - Comprehensive Employee Benefit Statements
   - Plan Design
   - Employee Communication
   - Regulatory Compliance
   - Special Studies

Each retirement plan must retain an outside broker or investment advisor. We are not investment advisors.

What fees are being paid out of my 401(k)?

There are 3 basic types of 401(k) plan fees:

1. **Recordkeeping and Administration Fees**
   - Participant Recordkeeping Fees cover tracking plan contributions, earnings, and investments on a participant level.
   - Third-Party Administration Fees cover plan design consulting, annual compliance testing, and Form 5500 preparation.
   - Asset custody fees go to the financial institution that holds the assets of the plan. They pay for safekeeping plan assets and executing trades.

2. **Investment Advisor Fees Cover**
   - Selection and monitoring of the investment funds a 401(k) offers its participants; and
   - Investment advice and education to participants.

3. **Fund Operating Expenses**
   - These expenses cover management and operation of each individual fund, expressed as a percentage of assets (expense ratio).

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How is our service? Communication is critical to any successful relationship. It is our goal to ensure you receive quality, timely service. If you have any comments concerning the service you have received from Swerdlin’s staff, or if you have suggestions for improvement, please contact us at suggestions@swerdlin.com
Healthcare costs may be categorized broadly into inpatient and outpatient care, professional services, pharmacy, and other costs — ambulance, prosthetics, home health care, etc. How these pieces have carved up the healthcare cost pie has been changing.

Over the 17 years since 2001, as a percentage of total healthcare costs:
- Professional services have decreased from 40% to 30%.
- Both outpatient care (14% to 19%) and pharmacy (13% to 17%) have increased.
- Other costs have doubled, but from only 2% to 4%.
- Inpatient care remained about the same.

What about next year? The PwC Health Research Institute has some ideas. PricewaterhouseCoopers has been publishing their projections of the next year’s medical trend since 2006, when they projected that medical costs would increase 11.9% in 2007.

PwC’s analysis is different from Milliman’s.
- PwC considers the cost “to treat patients from one year to the next, assuming that benefits remain the same.”
- Milliman considers the cost based on the “typical American family of four in an average employer-sponsored health care plan.”

PwC’s projected increases are generally larger than Milliman’s. Last year, PwC projected a 6% increase in medical costs for 2017, compared to the 4.3% increase in the Milliman Medical Index.

For 2018, PwC projects that medical costs will increase 6.5%, but notes that health plan changes, such as more focused provider networks, will likely lower the net increase to 5.5%.

In the future, PwC sees these upward forces on healthcare costs:
- rising general inflation;
- a slow-down in the movement to high-deductible health plans; and
- in the near term, fewer branded drugs coming off patent.

There are, of course, downward forces, including:
- increased pressure on and negative publicity aimed towards Big Pharma, and
- more big data-driven technologies to target the right medical care to the right people.

As an example of the latter, consider the Apple Watch and its HealthKit. Since it was announced in 2015, HealthKit has been collecting its wearers’ fitness data. Apple has healthcare experts and system designers using the Apple Watch’s sensors and database to build robust health records that integrate the fitness data with health analysis.

At some point this personal data could be made available to the wearer’s medical professionals. On an anonymized basis, data from millions of wearers could be transmitted to and analyzed by medical researchers.

So, whither healthcare costs? Still higher, but hopefully at a slower rate of increase.
Adrian Farnon and Susan Bertolino attended the Wolters Kluwer FT William Conference in Philadelphia August 7. Some topics the workshop included were the ERISA updates and changes to the Form 5500.

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Six Flags was the place to be on July 29th! Swerdlin & Company had their first Family Summer Outing. Employees and their families, over 140 of us, enjoyed a day of excitement beginning with lunch at a private pavilion, face painting, pictures, games and prizes, and free entry to the park for the entire day. Some of us were there until the bitter end and closed down the park at 10:00 pm!

On September 14th, Swerdlin will again host their annual Indiana dinner for their clients and friends. This year’s dinner will be held at Stone Creek Dining Company in Zionsville, Indiana.

The New South Chapter of the ESOP Association will co-sponsor a regional conference on September 20-21 in Nashville at the offices of Waller, Lansden, Dortch & Davis. Carla Klingler has been instrumental in planning the program for the two day conference. Many from our ESOP Team will participate in the conference.
For the last year, Swerdlin has contributed articles to Wolters Kluwer’s Journal of Pension Benefits. The Journal is a publication targeted to the professional members of the retirement plan community and is published quarterly. Carla Klingler was drafted to author 7 articles that focused on Employee Stock Ownership Plans. Carla has had significant input from David Benoit, as well as help from others on the ESOP team.

The articles in the series are:
- Win-Win-Win General ESOP Discussion
- Profiles of Employee Stock Ownership Plans in the United States
- ESOP Culture and the Importance of Effective Communications
- Comparing ESOPs for C Corporations and S Corporations
- IRC 1042 – Benefits and Restrictions
- Funding the ESOP – How do Participant Accounts Accumulate Wealth
- Distributing the Wealth – Integrating Repurchase Obligation With Corporate Cash Flow

If you are interested in any of these articles, please contact us.
A work environment where people move and flow with greater equilibri-um and warmth, treat each other with compassion and care, and have more heart intelligence to cut through challenges in a way that’s best for all concerned, is a satisfying place to spend eight or more hours a day. In today’s world of high-speed change and constant connectivity, leaders and employees need to be smarter and more intuitive than be-fore to maximize potentials. A leader with business heart is not soft, but knows that a “Strong heart and clear head are both essential.”

HMI reported the results of some research on coherence. In a large study conducted in five different global companies in Europe and the U.S., coherence training produced some significant results. The com-pite data from pre- and post-psycho-metric survey assessments of over 5,700 individuals found that, in just six to nine weeks, practice of Heart-Math coherence tools produced the following average outcomes in people who reported having these symptoms often to always: 44% drop in fatigue; 52% drop in anxiety; 60% drop in anger; 60% drop in depression; 33% improvement in sleep. In addition, there were similar improvements in physical health among those who reported having these symptoms.

That sounds like an Enhanced Corporate Culture to me. When I attain the certification for an Add Heart Facilitator, I hope to further enhance the culture at Swerdlin & Company.

See you next quarter. ☀️