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Mortgage Guaranty Insurance takes measured approach to allowing hardship withdrawals

BY MARGARIDA CORREIA · APRIL 16, 2020


Brenda Grabowski | Mortgage Guaranty Insurance Corp.

Financial education efforts created knowledgeable workforce, aware of the dangers of tapping retirement saving

When Mortgage Guaranty Insurance Corp. decided to allow employees to take hardship withdrawals of up to $100,000 from their 401(k) retirement accounts to help them with COVID-related financial woes, it did so reluctantly.

While the Milwaukee-based mortgage insurance company had long drilled plan participants on the importance of thinking long term and saving for retirement, it feared they might nevertheless needlessly tap into funds they had worked so hard to build.

Specifically, it worried that withdrawals during a severe market downturn would lock in participant losses and have a negative impact on their long-term financial well-being, said Brenda Grabowski, the Milwaukee-based total rewards manager in MGIC's human resources department.

Nevertheless, the company also realized that employees hit hard financially by COVID-19 might not have other resources apart from their retirement savings. An employee whose higher-earning spouse lost his or her job, for example, might be in an especially dire financial situation, Ms. Grabowski said.

"The pros and cons were discussed at length," she said of the difficult decision.

Ultimately, the company was swayed to adopt the hardship withdrawal measure because it felt confident its investment in financial education created a knowledgeable workforce aware of the danger of raiding their retirement savings.

"We're hoping that we won't have many employees who feel that they need to utilize the withdrawals," Ms. Grabowski said.

Since the availability of hardship withdrawals was announced to the workforce on April 13, few have asked for emergency distributions. As of April 15, only five of the 1,207 participants in the $292 million plan had expressed interest in the option.

To temper the risk of unwarranted withdrawals, the company set up special phone and Webex counseling sessions with its plan consultant, Francis Investment Counsel, that will be available to employees "as long as they continue signing up for them," said Ms. Grabowski. As of April 16, 36 participants had signed up for the sessions.

The announcement making participants aware of the special one-on-one sessions was tailored for the occasion. Rather than using the illustration of Ben Franklin on a $100 bill with a stethoscope, as it usually does to promote its regular counseling sessions, it made an adjustment.

"This time Ben is going to be wearing a mask," she said.

The counseling sessions are intended to focus on issues related to coronavirus-related withdrawals but can cover any financial questions employees might have.

"We want to get employees' special attention … before they make a decision that they may later regret," Ms. Grabowski said.

The company's retirement plan committee will be reconvening to discuss whether to allow participants to draw COVID-related loans from their accounts, but the decision is expected to be much easier.

"The plan just recently reduced the loans available to participants from two to one, in an intentional effort to reduce plan loan amounts. Given that strategy, the recommendation will be to not opt into the short-term higher loan maximum," Ms. Grabowski said.

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