

Raymond James 401(k) Monthly Newsletter

November 2010

Welcome to Fiduciary Insights, the monthly newsletter that keeps you in touch with issues, trends, events, and insights of significance to individuals connected with the retirement plan industry. The articles have been carefully selected from a variety of high quality sources.

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General Items

[Trends in Workplace Retirement Education](#)

Summary: Plan sponsors want to make sure they are ahead of the curve with their retirement education programs rather than responding too late to major industry changes. To do so, they need to know the key trends in workplace retirement education and financial education.

Source: 401khelpcenter.com.

[The New Frontier in the Small- to Micro-Plan Market](#)

Summary: U.S. Bureau of Labor Statistics indicates that 52% of U.S. employees working for private-sector small businesses with fewer than 100 employees had no access to an employer-sponsored retirement savings plan. This market, say experts, provides a great opportunity to boost the bottom line for those advisers willing to venture there.

Source: Planadviser.com.

[How to Drive Retirement Plan Participation at Small Businesses](#)

Summary: Selling retirement plans to small businesses can be an effective way to generate new business and an ongoing revenue stream. Yet, many advisers underestimate the need their clients' employees have for ongoing support and guidance to make informed investment decisions that will ensure they maximize their plan's benefits.

Source: Planadviser.com.

[Six Reasons Roth 401ks Are Catching On](#)

Summary: The attraction of a Roth 401k is simple. You contribute after-tax dollars to the account, which will accrue tax-free earnings and allow for tax-free withdrawals in retirement after age 59½. Here's a look at why Roth 401ks are catching on, especially among young retirement savers.

Source: U.S. News & World Report.

[How to Design a Retirement Education Program That Reduces Your Company's Legal Liability](#)

Summary: Outlined in this article a program you can put into place that is sufficiently protective given the current legal environment. This does not guarantee you will never face a legal issue, but it offers a high degree of protection should you face legal challenges surrounding the information you provided employees to help them make investment decisions.

Source: 401khelpcenter.com.

[The Role of Roth 401k in Retirement Savings](#)

Summary: After sitting on the back burner for the past few years, the Roth feature is gaining momentum in defined contribution plans and emerging as one of the strongest trends for 2010 and 2011. Since the Pension Protection Act of 2006 established it as a viable, long-term savings option, participant use has been significant, especially among newly enrolled employees.

Because of this demand, more plan sponsors are adopting the Roth feature.

Source: Hewitt Associates (PDF File).

[Is Your Retirement Plan Due for a Tune-Up?](#)

Summary: An article that examines why retirement plan sponsors need to annually review their plan to determine whether it fits the plan sponsor's needs or whether it should be modified to save money, maximize benefits, or to minimize liability.

Source: The Rosenbaum Law Firm P.C. (PDF File).

[Is Free 401k Advice Worth the Money?](#)

Summary: That free, personalized investing advice isn't all it's cracked up to be, and it's often not delivered in a very appealing or accessible way. PowerPoint presentations, scripts and investment jargon are the norms at workplace seminars, and online sites often ignore outside investments and often feel impersonal.

Source: SmartMoney.com.

[The 401k Match's Big Role in Retirement Security](#)

Summary: Company 401k matching contributions can motivate people to save money for the future and a match that requires workers to save six percent or more of pay to get the full match may result in people saving more than they otherwise would.

Source: U.S.News & World Report.

403(b) Plan Items

[Best Practices for 403\(b\) Plans Working with Non-Compliant Vendors](#)

Summary: Plan sponsors generally depend on their 403(b) plan service providers to collect, maintain and manage participant information, and to suggest ways to address certain compliance issues. The purpose of these Best Practices are to identify options for plan sponsors when an investment provider is not able or is unwilling to share participant data.

Source: SPARK Institute (PDF File).

Fiduciary Items

[Get Ready for Mandatory Fee Disclosure](#)

Summary: New regulations give fiduciaries leverage and actually require them to obtain detailed information about direct and indirect fees. Although they are not effective until July of next year, the regulations will apply to all pension plans – not just to 401k plans – and to all arrangements in existence on the effective date.

Source: Pensions & Benefits Law Blog.

Studies and Research

[MassMutual Data Show Participants Exhibiting Stable Behavior](#)

Summary: MassMutual's Retirement Services Division has released data for the quarter ended June 30, 2010 indicating that participants in retirement plans administered by MassMutual showed no signs of panic despite the decline in the S&P 500 Index, with 96% of participants either maintaining or increasing their savings rates.

Source: 401khelpcenter.com.

[Survey: Small Business Owners Delaying Retirement](#)

Summary: The latest Wells Fargo/Gallup Small Business Index, surveyed in July 2010, shows many business owners are looking at a later retirement with 69 percent of business owners not planning to retire or cut back on work until age 65 or older. This is a 17 percentage point increase in this category from December '07 and a 28 percentage point increase from September '05.

Source: 401khelpcenter.com.

[Most 401k Participants Ignore 2Q Volatility](#)

Summary: Retirement plan participants are calming down, according to a Mass Mutual analysis of its plans. Only 4% of participants made changes to their 401k allocations in the second quarter, despite volatile a S&P 500 Index, which fell 11.4% over that time period.
Source: Employee Benefit News.

[Study Demonstrates Positive Impact of Advice on 401k Investor Behavior](#)

Summary: Charles Schwab released the findings of a new research study which reveals that professional advice has a direct and positive impact on the behavior of 401k plan participants.
Source: 401khelpcenter.com.

Court and Legislative Items

[Ford Settles 401k Retirement Stock Suit](#)

Summary: Ford Motor Co. will provide free financial advice to more than 150,000 retirees and employees whose retirement accounts lost billions of dollars when the bottom dropped out of the auto industry.
Source: Saint Louis Post-Dispatch.

[Northern Trust 401k SecLending Suit Plaintiffs Survive First Challenge](#)

Summary: Participants of two 401k plans have gotten the go-ahead from a federal judge to press on with their lawsuit that claims Northern Trust breached its fiduciary duty by mishandling its securities lending program.
Source: Plansponsor.com.

Commentary and Opinion

[401k Participant at Fault in Account Withdrawal Dispute](#)

Summary: A federal judge in Oklahoma has cleared a 401k plan administrator of wrongdoing in a dispute over whether the employer should be forced to repay the participant for funds his ex-wife took out of his account.

Source: Planadviser.com.

[The Pros and Cons of 401k Annuities](#)

Summary: One witness at the DOL/Treasury hearings this week asserted that mandatory annuitization of DC assets at retirement is needed. The government, as well as sponsors and plan providers, have largely ruled that out. What are the arguments and counter-arguments?

Source: Retirement Income Journal.

[Are Target-Date Funds the Edsel of the Mutual Fund Industry?](#)

Summary: At a recent education seminar for ERISA plan sponsors, a 401k fiduciary lamented, "With the best interests of the beneficiaries in mind, I put target-date funds in our 401k plan in 2008. Now I'm finding out they're not what they promised."

Source: Fiduciary News Blog.

[The Five Most Critical Problems With Target-Date Funds](#)

Summary: Five problems have contributed to this disease currently infecting target-date funds including an overall lack of sense on the part of plan participants, including the typical 401k fiduciary, of what these products really represent.

Source: Fiduciary News Blog.

Regulatory Items

[Can I Correct a Plan Drafting Mistake?](#)

Summary: The complexity and frequency of U.S. qualified plan amendments makes occasional drafting errors hard to avoid, but correcting good faith errors without jeopardizing plan qualification has always been harder than you think.

Source: Pensions & Benefits Law Blog.

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