



FinishStrong by Design™

A newsletter designed to help you tackle the most pressing issues in today's increasingly complex retirement plan world.

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Will you - and Your Employees - Be Prepared?

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In our last issue, we began to explore the **Qualified Default Investment Alternative (QDIA)** language within the Pension Protection Act of 2006 (PPA). Studies demonstrate that retirement plan participants utilizing widely-diversified, asset allocation-based portfolios tend to significantly outperform those trying to "pick funds" as well as employees who are apathetically stuck in their plan's guaranteed account or money market option. But how can we bridge the gap between this truism and the behavior of our employees regarding their retirement savings (or lack thereof)? The PPA regs clearly connect **QDIA's** with the concept of **Automatic Enrollment**. *What does this mean? Who is doing it? How & why does it impact me?*

First, some background -

Typically employers require their employees to proactively enroll in their 401(k) plan. Market data indicate only about **70%** of Americans will opt to enroll in the Retirement Plan when left to his or her own devices. Alternatively, a plan sponsor may automatically enroll employees into their plan; thus an employee must only be proactive if he or she wants to opt-out. When automatic enrollment is used, **90%** of employees remain enrolled. Thus, the data indicate that your 401(k)'s administrative policy influences the retirement savings rate of at least **20%** of your employee population!

The concept of Automatic Enrollment (formerly called "negative election") has been around since the mid-1990's. However, state laws acted as a barrier since they prevented an employer from taking paycheck deductions without an employee's written permission. The PPA legislation provides an ERISA-preemption to these same state laws, provided certain provisions are met. *(A complete list of required provisions is available from Triune upon request: just hit **REPLY** with **AUTO-ENROLL STEPS** in the body and we will send the list of required provisions to you FREE of charge.)*

Why is Automatic Enrollment taking-off?

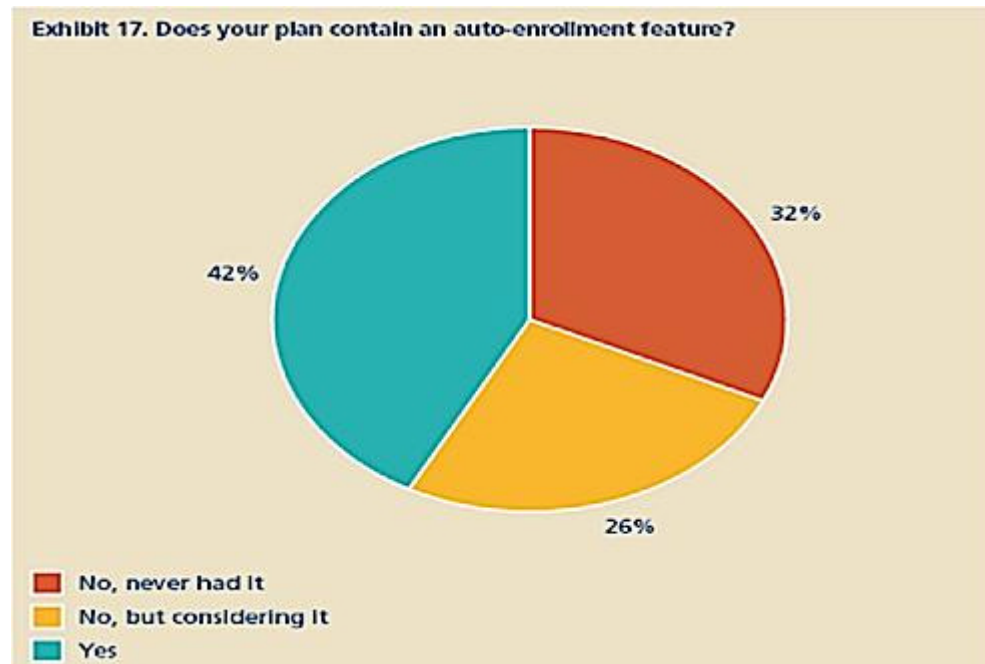
Employers are searching for proven strategies to:

1. **Help Employees create additional retirement security.** Inertia is often the biggest barrier to overcome with our employees. Combining Auto-Enrollment with a suitable QDIA checkmates two giant roadblocks causing this inertia: getting employees enrolled, so they start on a path of systematic investments for their retirement, PLUS steering them into a **diversified, professionally-managed portfolio of funds.**
2. **Help pass non-discrimination testing, maximizing the amount your owners or key employees can contribute to the plan.** IF you have had to deal with those pesky refunds of salary deferrals based on low or poor participation by your lower paid employees, adding an

Auto-Enrollment feature to your plan can often dramatically improve your test results.

The Bottom Line

Many employers have adopted Automatic Enrollment already. In a recent survey of over 400 plan sponsors of all sizes, **42%** reported having an Auto-Enroll feature, **26%** said No (but are considering it), and **32%** did not (1).



Providing cost-effective benefits which add real value to the lives of your employees is as challenging as ever. The number one concern we hear from employees is *"Will I have enough to retire (with dignity) someday?"* (Parenthesis added.) The combination of **Automatic Enrollment** with a **Qualified Default Investment Alternative** provides employers with an unprecedented opportunity to positively impact the future lives of their employees. Frankly we believe that attentive, caring plan sponsors and fiduciaries will embrace these changes as opportunities to demonstrate their sincere concern for their workforce.

In our **Next Issue**, we'll explore the topic of **Benchmarking of Plan Success**. You may be surprised to learn how your peers are measuring the success of their 401(k) plans today - it has evolved dramatically in the recent past.

Until next time,

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1. Source: Deloitte 401(k) Benchmarking Survey, 2008 Edition.

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