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LETTER FROM THE EDITOR

The ASPPA 401(k) SUMMIT

The Most Important Retirement Plan Event You WILL ATTEND this Year

With the all the emails that flood our inboxes every day, it's very difficult to differentiate between what's truly important and the junk that requires us once again to hit the most used key on our keyboard…the DELETE button!

Making up a good number of these emails are advertisements urging us to attend one of the many advisor-focused conferences that occur throughout the year. If you're like the majority of advisors I come in contact with you probably pick one or two industry events each year, and that decision is usually predicated on a past experience or a recommendation from one of your peers.

Read the full article

FEATURE

Reflecting on 2011
By Fred Barstein

The past few years have been eventful for the defined contribution (DC) industry, full of changes. But 2011 seemed particularly significant as we moved from crisis to looking ahead while facing increased criticism from a variety of sources. Along with all the regulatory changes and proposals, there were a number of important events that should provide insight on what to expect in the next few years.

408(b)(2) finally got an official effective date. Though it will continue to increase the velocity of deflationary pricing and further erode the market share of the blind squirrels in the industry, it will have less effect on experienced advisors who have strong relationships with their clients and are improving their outcomes even if they can't act as fiduciaries.

Read the full article

FEATURE

What Advisors Need to Know about Plan Documents

By Timothy M. McCutcheon

There are two principal types of retirement plan documents recognized by the IRS: individually designed plans and pre-approved plans. The classification has nothing to do with the format or appearance of the plan document but rather the type of plan. Each type of plan is subject to a different restatement cycle.

All documents need to be restated every five to six years.
Individually designed plans must be restated every six years based on the employer's ID number (EIN). The most common individually designed plans aren't eligible for the pre-approval program and include employee stock ownership plans (ESOPs), cash balance plans, multiemployer plans, and 403(b) plans (The IRS is working on a pre-approval program for 403(b) plans). Individually designed plans also include custom documents for plans sponsored by larger adopting employers that may not be able to fit on preapproved documents.

Read the full article

FEATURE

An Introduction to Plan Design:
How to Distinguish Yourself from the Competition
By Richard Phillips, ERPA, CPC, QPA, QKA

Ask most TPAs or advisors to define retirement plan design, and after a certain amount of throat clearing, common responses likely include something about entry dates, Roth provisions, matching contributions, investment options, etc. If they've been paying attention to recent hot topics, you may also hear some discussion of terms such as "fiduciary compliance," upcoming "disclosure regulations," and, if you're really unlucky, even a few code words like 408(b)(2) and 404(a)(5). But while all of those things might be relevant features of retirement plans, none of them gets to the heart of what plan design really is.

Effective plan design leads to individual and organizational success. In the small-plan space, from where we derive most of our business, keeping score is fairly easy, as in: Have the individuals in the plan saved sufficient funds on a tax-deferred basis to retire? Measuring success in larger plans is more complex, because organizational goals such as recruitment and retention also come into play. But even in a large plan, if nobody can afford to retire at the end of his or her career, one would hardly call such a plan a "success."

Read the full article

FEATURE

Should You Rely on Your B/D or RIA to Disclose Your Fees?
By Tom Kmak

On April 1, 2012, the Department of Labor's new and impactful "reasonable agreement" rule pertaining to ERISA Section 408(b)(2) will take effect. For the first time in our industry's history service providers will be required to provide the responsible plan fiduciary full disclosure of the compensation they receive from the plan. They will also be required to outline the services they provide to the plan and their fiduciary status when providing those services.

The premise for the new 408(b)(2) is straight forward: A plan sponsor can't evaluate whether an agreement is reasonable without knowing the price and value of what a service provider intends to deliver. This is especially true in the retirement industry where the quantity and quality of many services vary dramatically

Read the full article

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