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ROUTE TO:

To: Friends of RMS

BENCHMARKS, BENEFITS & MORE

JULY, 2007

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**Start making plans
for a relaxing
Labor Day Sept. 3, 2007**

Retirement is like a long vacation in Las Vegas. The goal is to enjoy it to the fullest, but not so fully that you run out of money.

- Jonathan Clements



For more information of interest to employers, plan participants, and other retirement advisers, visit our website at:

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MUTUAL FUND PERFORMANCE FIGURESPeriods Ending: **June 30, 2007**

Taken from the New York Times, Sunday 7/8/2007

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
Domestic General Stock Funds									
Large Growth	5.7 %	6.8 %	7.7 %	14.8 %	17.1 %	19.6 %	7.5 %	9.0 %	10.9 %
Mid-Cap Growth	6.7	8.1	9.4	16.7	20.2	23.5	11.1	13.0	15.2
Small Growth	5.7	7.2	8.4	14.0	16.7	19.7	11.3	12.8	14.9
Large Blend	5.6	6.2	6.8	18.1	19.8	20.7	9.4	10.4	11.7
Mid-Cap Blend	5.4	6.4	7.9	17.9	20.5	25.5	12.8	13.8	15.8
Small Blend	4.5	5.4	6.8	14.6	16.3	19.1	12.5	13.8	15.9
Large Value	5.4	6.0	6.8	19.5	21.2	22.7	10.6	11.6	12.8
Mid-Cap Value	4.2	5.6	6.5	18.9	21.3	24.3	12.8	14.8	15.8
Small Value	3.7	4.6	6.1	14.9	16.9	20.0	13.2	14.2	15.8
Moderate Allocation	3.3	4.0	4.7	13.8	15.1	16.4	8.1	9.1	10.2
Conservative Allocation	1.3	1.8	2.4	8.8	10.6	11.9	6.1	6.9	7.6
Target-Date 2000-2014	1.3	1.8	2.8	8.6	10.8	13.1	5.1	6.6	8.6
Target-Date 2015-2029	3.3	3.9	4.9	14.1	16.1	17.7	8.3	10.3	10.7
Target-Date 2030+	4.6	5.2	6.1	17.7	18.8	20.3	10.8	11.1	11.5
Total	4.6	6.0	7.1	15.5	18.5	21.0	9.3	11.2	13.4
Domestic Specialized Stock Funds									
Communication	6.6 %	10.3 %	12.5 %	19.7 %	34.9 %	37.7 %	15.9 %	19.1 %	22.6 %
Financial	0.4	2.3	4.5	7.0	14.7	18.7	8.7	10.5	12.3
Health	2.9	3.7	4.5	12.9	14.5	16.8	8.6	10.7	13.5
Natural Res	10.0	14.6	15.2	7.0	20.5	26.1	22.5	25.3	27.4
Precious Metals	-2.0	0.6	1.4	5.4	9.2	13.6	21.2	24.0	25.6
Real Estate	-9.6	-8.8	-6.9	9.6	11.3	14.5	16.7	19.2	20.5
Technology	8.0	8.7	9.8	18.5	22.1	25.5	8.7	12.3	15.1
Utilities	0.9	2.9	6.3	26.7	30.9	33.9	14.6	17.7	20.9
Bear Market	-9.3	-6.2	1.6	-26.2	-13.1	-0.5	-29.0	-13.7	-4.5
Long-Short	0.9	1.7	4.1	5.6	8.6	11.7	1.8	5.7	7.6
Total	-5.1	2.9	8.2	10.1	15.2	22.6	10.5	15.3	20.4
International Stock Funds									
Foreign Large Value	6.0 %	6.8 %	8.6 %	24.5 %	26.7 %	29.8 %	15.6 %	18.2 %	20.4 %
Foreign Large Blend	6.2	7.2	8.2	25.5	26.8	28.4	15.0	16.5	17.7
Foreign Large Growth	6.5	7.1	7.9	24.7	27.9	31.0	14.2	16.8	17.9
Foreign Small/Mid Value	4.9	6.0	10.2	26.7	31.6	36.1	20.4	21.7	24.0
Foreign Small/Mid Growth	6.3	8.4	10.6	28.0	33.5	37.3	21.8	24.0	25.8
World Stock	6.2	7.3	8.7	22.1	24.6	27.9	13.3	15.1	18.1
Europe Stock	6.0	7.3	9.0	29.2	33.0	35.4	16.5	19.7	23.5
Divers. Pacific Asia	5.4	9.6	12.4	18.1	30.2	34.3	15.5	16.7	19.8
Pacific Asia ex-Japan	16.7	18.3	22.1	46.3	51.9	65.6	22.8	25.4	27.9
Japan Stock	-1.4	0.1	1.6	-2.7	2.3	5.9	9.7	11.9	13.2
Divers. Emerg. Mkt	13.1	14.6	15.9	41.8	45.8	48.6	27.1	29.7	31.3
Latin America Stock	18.9	19.1	20.0	56.1	57.0	63.0	38.7	41.3	43.2
World Allocation	4.2	5.0	5.6	14.8	16.5	22.4	11.8	13.2	15.0
Total	6.1	7.5	9.2	24.4	27.5	33.2	14.9	17.6	21.8

MUTUAL FUND PERFORMANCE FIGURESPeriods Ending: **June 30, 2007**

Taken from the New York Times, Sunday 7/8/2007

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
General Bond Funds									
Long-Term Bond	-1.9 %	-0.9 %	-0.6 %	6.9 %	7.2 %	8.1 %	5.3 %	6.4 %	8.0 %
Interm-Term Bond	-0.8	-0.7	-0.5	5.3	5.8	6.3	4.0	4.4	4.9
Short-Term Bond	0.1	0.5	0.6	4.7	5.1	5.4	2.8	3.1	3.6
Total	-0.8	-0.5	0.0	5.1	5.6	6.1	3.5	4.2	4.8
Government Bond Funds									
Long Government	-3.7 %	-3.0 %	-2.2 %	4.0 %	4.9 %	5.6 %	4.2 %	5.1 %	6.3 %
Interm. Government	-0.9	-0.7	-0.5	4.8	5.2	5.5	3.0	3.4	3.7
Short Government	0.1	0.4	0.6	4.6	5.0	5.2	2.4	2.8	3.0
Inflation-Protected Bond	-1.1	-0.9	-0.8	2.5	3.2	3.6	5.2	5.6	5.9
Total	-1.0	-0.7	-0.2	4.4	5.0	5.4	2.8	3.3	3.8
Specialized Bond Funds									
Convertibles	3.8 %	4.1 %	4.9 %	12.8 %	14.5 %	15.6 %	8.7 %	9.8 %	12.2 %
Ultrashort Bond	0.8	1.0	1.1	4.7	5.1	5.4	2.6	2.7	2.9
High Yield Bond	0.0	0.3	0.7	9.8	10.5	11.6	9.2	10.4	11.7
Multisector Bond	-0.6	0.0	1.1	7.1	8.2	9.5	7.8	9.0	9.9
World Bond	-1.7	-1.0	0.4	2.3	4.1	6.7	4.9	6.8	8.5
Emerging Market Bond	-0.8	0.0	0.7	11.8	13.1	15.6	14.6	15.4	16.6
Bank Loan	1.1	1.3	1.4	6.4	6.9	7.4	4.9	5.5	6.8
Total	-0.1	0.5	1.2	6.3	9.5	11.4	6.8	9.3	11.4
Municipal Bond Funds									
Muni National Long	-1.0 %	-0.8 %	-0.6 %	4.0 %	4.4 %	4.7 %	3.9 %	4.3 %	4.7 %
Muni National Int.	-0.7	-0.6	-0.4	3.7	4.0	4.3	3.2	3.6	4.1
Muni Single St. Long	-0.8	-0.7	-0.5	3.9	4.2	4.5	4.0	4.3	4.6
Muni Single St. Int.	-0.8	-0.6	-0.5	3.8	4.0	4.3	3.3	3.7	4.0
Muni Single St. Shrt.	-0.5	-0.1	0.1	3.1	3.3	3.3	1.9	2.5	2.7
Muni National Shrt.	0.1	0.4	0.6	3.3	3.4	3.7	2.1	2.4	2.7
Muni New York Long	-0.8	-0.7	-0.5	4.0	4.4	5.1	3.9	4.4	4.6
Muni California Long	-0.9	-0.8	-0.7	4.1	4.5	4.8	4.1	4.4	4.7
Muni New York Int/Sh	-0.8	-0.6	-0.4	3.6	3.8	4.3	3.1	3.5	3.9
Muni California Int/Sh	-0.7	-0.5	-0.2	3.5	3.8	4.3	2.6	3.1	3.6
Muni Florida	-0.7	-0.6	-0.5	3.9	4.2	4.5	4.0	4.2	4.5
Muni Pennsylvania	-0.7	-0.6	-0.5	4.0	4.3	4.8	3.8	4.2	4.5
Muni Massachusetts	-0.9	-0.7	-0.6	3.7	4.1	4.5	3.5	4.2	4.4
Muni New Jersey	-0.9	-0.7	-0.6	3.9	4.4	4.7	3.4	4.1	4.6
Muni Ohio	-0.8	-0.7	-0.7	3.8	4.1	4.5	3.3	3.9	4.4
Muni Minnesota	-0.8	-0.6	-0.6	3.8	4.1	4.4	3.8	4.3	4.4
High Yield Muni	-0.7	-0.5	-0.3	5.0	5.4	6.1	5.3	5.8	6.5
Total	-0.8	-0.6	-0.4	3.8	4.2	4.6	3.5	4.1	4.6

The tables include Nasdaq funds with at least \$30 million in assets. Return figures assume the reinvestment of all dividends. Figures for five-year returns are annualized. The top-quarter figures show the return needed for a fund to rank in the top 25% of similar funds. The median figures show the return needed to rank in the top half, and the bottom quarter figures show the return needed to rank in the top 75% of similar funds. By comparing a given fund's returns, a reader can determine how that fund performed relative to similar funds.



EXEMPTION FOR INVESTMENT “ADVICE” BY FINANCIAL ADVISERS

Based on DOL Field Assistance Bulletin 2007-01 (issued 2-2-07)

Since ERISA was established, there have been “conflict of interest” rules which basically preclude financial advisers from getting a commission on a qualified plan, while giving fiduciary-type investment *advice* to plan participants at the same time --- the concern being that the adviser might steer participants to funds which generate the biggest commission to the adviser. Consequently, what an adviser provided was often called *guidance* or *education*, but not investment advice; and the adviser claimed not to be a fiduciary.

The growth of participant-directed investments in 401(k) and 403(b) plans has resulted in the government re-visiting its rules on this subject. Congress decided (with the creation of PPA --- the Pension Protection Act of 2006) to allow financial advisers to give investment advice to participants, while being compensated for the funds being used, as long as the arrangements meet certain requirements.

Either one of the following two basic arrangements will qualify for the exemption:

- 1) Under the “level fee” arrangement, the commission to the financial adviser is the same regardless of which underlying funds are used by the participant.
- 2) Under the “computer model” arrangement, the advice is provided through a computer model which is certified as unbiased by an independent party.

Here are some other observations, requirements, and side effects:

- a) If using the computer model approach, as opposed to the level fee approach, then the fees paid to the financial adviser (or his affiliates) could actually vary by the type of funds being used, even though the exemption is being invoked.
- b) The plan’s fiduciaries (e.g., employer, retirement committee, and trustee) will not be treated as breaching their fiduciary role; however, they must continue to monitor the adviser and the firm giving advice. In other words, the picking of the people giving the advice is still subject to the “prudent man” standard applied to the employer and trustee.
- c) Any financial adviser giving investment advice, and any company giving advice by way of a computer model, must acknowledge being an ERISA “fiduciary” to the plan.
- d) PPA requires that these fiduciaries (financial advisers and companies with the computer models) must use investment theories that are generally accepted in the investment community.
- e) If a brokerage or investment advisory firm is engaged to give investment advice, then any of its employees, working directly with the participants in an adviser capacity, are also treated as fiduciary advisers.
- f) There are many 401(k) plans that already use level fee arrangements and/or computer models, and were doing so prior to the passage of PPA. These arrangements can continue without the adviser specifically invoking the exemption or choosing to be a fiduciary.



DEFAULT INVESTMENT ARRANGEMENTS

May, 2007

When Congress passed the Pension Protection Act of 2006 (“PPA”), they addressed a major problem faced by many employers sponsoring profit sharing, 401(k), and 403(b) plans --- how to handle a case in which a participant is given investment options, but the employee does not make a written investment election on how to invest his money.

If the only plans with participant investment direction were those in which the participant completed a payroll withholding election, and the election was not considered valid until he also completed an investment election, this problem might not exist. However, there are a number of plans in which the participant has money in the plan even without his making any payroll withholding election. For example,

- 1) The participant may share in a *non-matching* company contribution (e.g., a “profit sharing” contribution), or
- 2) The plan has an “automatic enrollment” provision, whereby the employee is automatically treated as deferring part of his pay into the plan, even without making any written election.

Congress assigned to the Department of Labor (DOL) the job of defining a “Qualified Default Investment Alternative” (or QDIA) which can be used in these cases. On 9/27/06 the DOL issued proposed regulations, which are summarized in this outline, along with some related observations, requirements, and side effects:

- A) The participant must be given an advance notice of how his investments will be handled absent his personal election.
- B) The investment objectives of the QDIA must be explained.
- C) The participant must have the right to direct investments out of the QDIA, without penalty.
- D) The plan need not invoke DOL Rule 404(c), which is normally used in order for the employer to put investment responsibility on the participant and thus minimize its own liability.
- E) One purpose of the regulation is to offer the employer fiduciary relief by giving guidance as to how to create a QDIA.
- F) There are six major conditions:
 - 1) The investments must be put into a QDIA (defined below).
 - 2) The participants must have the opportunity to direct their investments, but did not give direction.
 - 3) A notice to participants must be given at least 30 days in advance of the plan year.



DEFAULT INVESTMENT ARRANGEMENTS

May, 2007

(cont'd)

- 4) The plan document must provide that related investment materials will be provided directly to the participant.
 - 5) The participant must have an option, at least every three months, to transfer some or all of his money out of the QDIA, without penalty.
 - 6) The plan must offer a broad range of investment alternatives.
- G) To be a QDIA, there are five requirements:
- 1) It must not hold or permit the acquisition of employer securities. (There are a couple of minor exceptions.)
 - 2) There must be no penalty imposed on the participant who chooses to later move out of the QDIA.
 - 3) The QDIA must be managed by an investment manager or a registered investment company, which acknowledges its fiduciary responsibilities and liabilities under ERISA.
 - 4) The QDIA must be diversified so as to minimize the risk of large losses.
 - 5) The QDIA must use one of three types of investment products, portfolios, or services:
 - a) Funds such as “target maturity” funds, basing the asset allocation on the participant’s age, assumed retirement date, or life expectancy.
 - b) Funds such as “life style” funds, using some target level of risk considered appropriate for plan participants as a whole.
 - c) A “managed account,” for which the asset allocation is based on the participant’s age, assumed retirement date, or life expectancy.
- H) The DOL has made it clear that putting all of a participant’s accounts into either a money market fund or a stable value fund would not qualify as a QDIA.



FINAL ROTH 401(K) REGULATIONS

July, 2007

The IRS issued final regulations in April, applicable to 401(k) plans that add “designated Roth accounts” to the plan. The following is a brief summary of some of the provisions and our recommendations.

A) The Basics

- 1) Roth contributions by the participant are “after-tax” dollars that go into an account within the 401(k) plan --- an account separate from all other types of contributions.
- 2) Money later distributed from a Roth Account (including all investment gains) will be tax free (a “qualified distribution”) as long as the account has existed for at least five taxable years and the distribution is made after the earlier of death, disability, or age 59 ½.
- 3) At termination of employment, a participant can choose to roll the account into a Roth IRA (or another 401(k) plan with Roth provisions) in order to continue the favorable tax treatment.
- 4) In order for participants to have this right, the company sponsoring the plan must amend the plan to allow it.

B) Tracking --- The plan’s recordkeeper must track for each participant --- the beginning of the five-tax-year period of participation, the cumulative total of the participant’s contributions into the Roth Account, and the tax basis.

C) Five-year tax period

- 1) The five-year tax period begins on the first day of the *employee’s* taxable year for which he makes Roth contributions to the plan, and ends at the *completion* of five consecutive taxable years.
- 2) The five-year period is unrelated to the *plan* year, because it is tied to the participant’s *taxable* year. (The employer is permitted to assume, unless the employer knows otherwise, that the employee’s tax year is the calendar year.)
- 3) Once the Roth account receives the first contribution, no future contributions are actually required in order for later years to be counted toward the five-year period of participation.

D) Rollovers

- 1) Roth 401(k) accounts are not eligible to be rolled into another Roth 401(k) plan if first taken as a direct distribution to the employee. (In other words, in order to roll over any portion of the *basis* and to be able to count the years of participation in a designated Roth account, as it is rolled from one qualified plan to another qualified plan, it *must* be a *direct* trust-to-trust transfer.)
- 2) To roll a designated Roth account into another qualified plan, that plan must allow Roth accounts.
- 3) If any part of a distribution from a Roth Account would otherwise be taxable (i.e., earnings distributed prior to meeting the requirements for a “qualified distribution”), and *those* dollars are distributed directly to the employee, he has 60 days to complete a rollover of those dollars to *either* a Roth IRA or another Roth 401(k) plan.
- 4) However, to roll a Roth account from a Roth 401(k) plan to a Roth IRA, the distribution *may* be paid to the participant (in which case he has 60 days to complete the rollover), *or* it can be made as a direct rollover.
- 5) The regulations do not permit rollovers from a Roth IRA to a Roth 401(k) plan.
- 6) Counting prior years of participation



FINAL ROTH 401(K) REGULATIONS

July, 2007

(cont'd)

- a) If there is a direct rollover from one Roth 401(k) plan to another Roth 401(k) plan, the five-year period of participation is deemed to begin with the earlier of the two periods which had been separately maintained.
- b) If there is a rollover from a Roth 401(k) plan to a Roth IRA, the five-year period of participation is deemed to be that of the Roth IRA, and you *ignore* the period of time that any funds were in the Roth 401(k) plan (whether the Roth 401(k) plan period of participation is longer than, equal to, or shorter than the period of participation for the Roth IRA). However, if the distribution from the Roth 401(k) account is a “qualified distribution” then all of the rollover is treated as basis and never taxed again.
- 7) Even employees not eligible to contribute to a Roth IRA are permitted to set one up in order to receive a rollover from a Roth 401(k) plan.
- 8) If only a *portion* of a non-qualified distribution from a Roth Account is rolled over, the portion that is rolled over is treated as consisting first of the amount of the distribution that would otherwise be includible in gross income.

E) Taxation

- 1) When any distribution, from a Roth account in a 401(k) plan, is *not* a “qualified distribution” then a pro rata piece of each distribution is deemed to be a distribution of dollars not already taxed.
- 2) A defaulted loan that is treated as a deemed distribution is *not* a qualified distribution, even if it occurs after age 59 ½ and completion of the five-taxable-year period of participation. (Consequently, it is best to borrow from non-Roth accounts first.)
- 3) If a distribution is made from a designated Roth account within a 401(k) plan, and it is *not* rolled over into another plan or a Roth IRA, then for distributions that are not *qualified* distributions, the amount subject to income tax (i.e., earnings) is generally subject to the 10% early withdrawal penalty, as well.

F) Miscellaneous

- 1) The regulations clarify that catch-up contributions may also be designated as Roth contributions.
- 2) When making a hardship withdrawal, there seems to be nothing in the final regulations requiring that the funds be distributed from pre-tax and Roth after-tax accounts on a pro-rata basis. The same is true for refunds made to Highly Compensated Employees (HCEs) in order to pass nondiscrimination tests. The document can specify how to make refunds for HCEs who had deferred both pre-tax and Roth amounts. Or you can let the participant decide how much will be refunded from each type of contribution.

G) Recommendations

- 1) We recommend to employers sponsoring 401(k) plans with Roth provisions that they NOT allow hardship withdrawals, partial in-service withdrawals, or loans from the designated Roth 401(k) accounts. The reason is that the taxation of these is extremely complex for the participant to understand; and they further complicate the administration of the plan.
- 2) When an HCE has contributed both pre-tax and Roth deferrals, and some must be refunded in order to pass nondiscrimination tests, we recommend that the plan document specify how that is to be done, instead of giving the participant the option, in order to minimize the need for decisions at the refund deadline.



FOR YOUNG PEOPLE ONLY

Too good to be true?

July, 2007



We are always tempted to procrastinate saving for retirement. And it's particularly easy to put off when you are young. However, here is some food for thought for the younger generation (which we'll define here as those under age 35), about advantages that only apply to younger employees.

Compounded interest --- Few people really understand the beauty of compounded interest. But consider the three people summarized on the next page. Chris starts saving at age 25, and only saves \$2,000 per year, and only saves for 10 years. Pat saves the same amount per year, for 30 years, but doesn't start until age 35. At age 65, Chris, having saved only \$20,000 in total, has accumulated more than Pat, who saved a total of \$60,000! All due to compounded gains and the fact that Chris started earlier!

What makes it even more attractive is that Alex, who saves all 40 years, starting at age 25, has an accumulation that is over \$500,000 -- 85% of which is compounded investment gains! Also, note that after just 10 years of savings, the annual investment gains exceed the annual contribution!

The ease of payroll withholding --- With company sponsored retirement plans, you have the ease of automatic payroll withholding. It's saved before you even take home your paycheck.

Tax deduction and a company match --- Company sponsored plans also offer special tax treatment (tax deduction and tax deferral of all contributions) and, oftentimes, a company matching contribution. For example, combining a 50% match with the deferral of state and federal income taxes, a person reducing his take home pay by just \$10 per week may have \$18 to \$20 per week going into the plan! Ask your payroll department for an illustration of these numbers in your personal case.

Savers Tax Credit --- In addition, if you happen to be in your early years in the work force, the Federal government's so called "Savers Credit" may have been created just for you. It gives one additional incentive to save for people in the lower paid one-third of the work force -- a reduction in their actual federal taxes, if they qualify. For example, a single individual with \$15,000 in annual wages, no other income, and no deductions to itemize, would normally owe \$655 in federal income taxes. However, if he puts \$2,000 in a tax deferred 401(k) or 403(b) account, he gets to cut that federal income tax from \$655 to \$0 (in addition to savings on state income taxes).

(You can get an idea of the federal tax savings by using H&R Block's free Savers Credit Estimator at http://www.hrblock.com/taxes/tools/2006_saverscalc/frameset.jsp. It shows both the federal *tax you would have paid*, as well as the *tax reduction* attributed to contributing to any type of retirement plan.)

If your employer does not offer a retirement plan, you can achieve the same results by putting the money in an IRA.

You have a longer time horizon --- Young people have a much longer horizon for investing. (If you are age 30, you may not need to touch any of your retirement funds for over 30 years.) This gives you time to handle more stock market volatility than older individuals have. As a result, you can afford to take more risk. If, as a result of the added risk, you are able to achieve long-term investment returns of an extra 1.5% per year, you *may add another 30% or more to your future savings*.

WHY SHOULD YOU START SAVING FOR RETIREMENT AT THE EARLIEST POSSIBLE AGE?

Date: July 1, 2007

This chart makes the point that you can never really start saving for retirement too early. One employee (Chris) saves for only 10 years, but started saving at a young age. Another employee (Pat) saved for many more years, but started at a later age.

Chris still ends up accumulating much more than Pat. The best result was obtained by Alex, who started saving at a young age, and never stopped saving until retirement age.

Assumed investment yield: **8.00%** per year

Assuming the use of an IRA, 401(k) plan, or a 403(b) plan.

Year	Age	Chris			Pat			Alex		
		Contri- bution	Invest- ment Gains	Year-End Balance	Contri- bution	Invest- ment Gains	Year-End Balance	Contri- bution	Invest- ment Gains	Year-End Balance
1	25	2,000	0	2,000	0	0	0	2,000	0	2,000
2	26	2,000	160	4,160	0	0	0	2,000	160	4,160
3	27	2,000	333	6,493	0	0	0	2,000	333	6,493
4	28	2,000	519	9,012	0	0	0	2,000	519	9,012
5	29	2,000	721	11,733	0	0	0	2,000	721	11,733
6	30	2,000	939	14,672	0	0	0	2,000	939	14,672
7	31	2,000	1,174	17,846	0	0	0	2,000	1,174	17,846
8	32	2,000	1,428	21,273	0	0	0	2,000	1,428	21,273
9	33	2,000	1,702	24,975	0	0	0	2,000	1,702	24,975
10	34	2,000	1,998	28,973	0	0	0	2,000	1,998	28,973
11	35	0	2,318	31,291	2,000	0	2,000	2,000	2,318	33,291
12	36	0	2,503	33,794	2,000	160	4,160	2,000	2,663	37,954
13	37	0	2,704	36,498	2,000	333	6,493	2,000	3,036	42,991
14	38	0	2,920	39,418	2,000	519	9,012	2,000	3,439	48,430
15	39	0	3,153	42,571	2,000	721	11,733	2,000	3,874	54,304
16	40	0	3,406	45,977	2,000	939	14,672	2,000	4,344	60,649
17	41	0	3,678	49,655	2,000	1,174	17,846	2,000	4,852	67,500
18	42	0	3,972	53,627	2,000	1,428	21,273	2,000	5,400	74,900
19	43	0	4,290	57,917	2,000	1,702	24,975	2,000	5,992	82,893
20	44	0	4,633	62,551	2,000	1,998	28,973	2,000	6,631	91,524
21	45	0	5,004	67,555	2,000	2,318	33,291	2,000	7,322	100,846
22	46	0	5,404	72,959	2,000	2,663	37,954	2,000	8,068	110,914
23	47	0	5,837	78,796	2,000	3,036	42,991	2,000	8,873	121,787
24	48	0	6,304	85,100	2,000	3,439	48,430	2,000	9,743	133,530
25	49	0	6,808	91,908	2,000	3,874	54,304	2,000	10,682	146,212
26	50	0	7,353	99,260	2,000	4,344	60,649	2,000	11,697	159,909
27	51	0	7,941	107,201	2,000	4,852	67,500	2,000	12,793	174,702
28	52	0	8,576	115,777	2,000	5,400	74,900	2,000	13,976	190,678
29	53	0	9,262	125,039	2,000	5,992	82,893	2,000	15,254	207,932
30	54	0	10,003	135,042	2,000	6,631	91,524	2,000	16,635	226,566
31	55	0	10,803	145,846	2,000	7,322	100,846	2,000	18,125	246,692
32	56	0	11,668	157,514	2,000	8,068	110,914	2,000	19,735	268,427
33	57	0	12,601	170,115	2,000	8,873	121,787	2,000	21,474	291,901
34	58	0	13,609	183,724	2,000	9,743	133,530	2,000	23,352	317,253
35	59	0	14,698	198,422	2,000	10,682	146,212	2,000	25,380	344,634
36	60	0	15,874	214,295	2,000	11,697	159,909	2,000	27,571	374,204
37	61	0	17,144	231,439	2,000	12,793	174,702	2,000	29,936	406,141
38	62	0	18,515	249,954	2,000	13,976	190,678	2,000	32,491	440,632
39	63	0	19,996	269,951	2,000	15,254	207,932	2,000	35,251	477,882
40	64	0	21,596	291,547	2,000	16,635	226,566	2,000	38,231	518,113
Total Contribution		20,000			60,000			80,000		
Investment Gains			271,547			166,566			438,113	



RETIREMENT PLANS --- TIDBITS FOR EMPLOYERS

July, 2007

- 1) "A ... Watson Wyatt survey of 2,000 employees found that the vast majority (62%) of employees rank the Internet as one of their preferred ways to receive benefits information. This preference is relatively uniform across generations ... " (Source: CCH, 4/20/07)
- 2) "In the mid-1980s, just 18% of people in their late 60s still had jobs, the Bureau of Labor Statistics said. That figure is now up to 29%." And according to one recent survey, one in four baby boomers plan *never* to retire. (Source: LA Times, 5-30-07)
- 3) "The Center for Retirement Research at Boston College figured that the typical worker at age 50 should have \$169,300 in a 401(k)." (Source: The Baltimore Sun, 4/16/07)
- 4) "The Social Security Administration says that the average individual collecting Social Security benefits today lives 20 years, with couples collecting for 25 years, on average." (Source: ContraCosta Times, 4/19/07)
- 5) According to Meridian Wealth Management, fund fees have averaged 2.25% in the average variable annuity, 1.40% in the average managed mutual fund, and .18% in the average index fund. (Source: www.403bwise.com)
- 6) *Median* income of retirees over age 65, in 2005, was \$15,422 while the *average* income was \$24,418. (Source: EBRI.org study, published May, 2007)
- 7) Speaking about the participation rate in 401(k) plans, Fred Reish said, "Right now, 90% is the national average for automatically enrolled plans." (Source: Investment News, 4/27/07)
- 8) There is an ongoing debate about whether 401(k) plans should offer annuities as a participant terminates employment and takes out his benefit. Not only does offering annuities possibly increase the fiduciary liability of the employer; but there is a potential liability related to sex discrimination. Most annuities purchased in conjunction with a lump sum distribution are gender-based, meaning women get less per month for life than men do. This is not permitted in traditional pension plans, where monthly benefits must be the same regardless of gender; but, apparently the related sex discrimination issue has not been tested in the courts on 401(k) plans.
- 9) To get an idea of the major changes being discussed for Social Security reform and how you can solve the projected shortfalls, check out "The Social Security Game" by the American Academy of Actuaries at <http://www.actuary.org/socialsecurity/game.html>.