ADVISOR FORUM

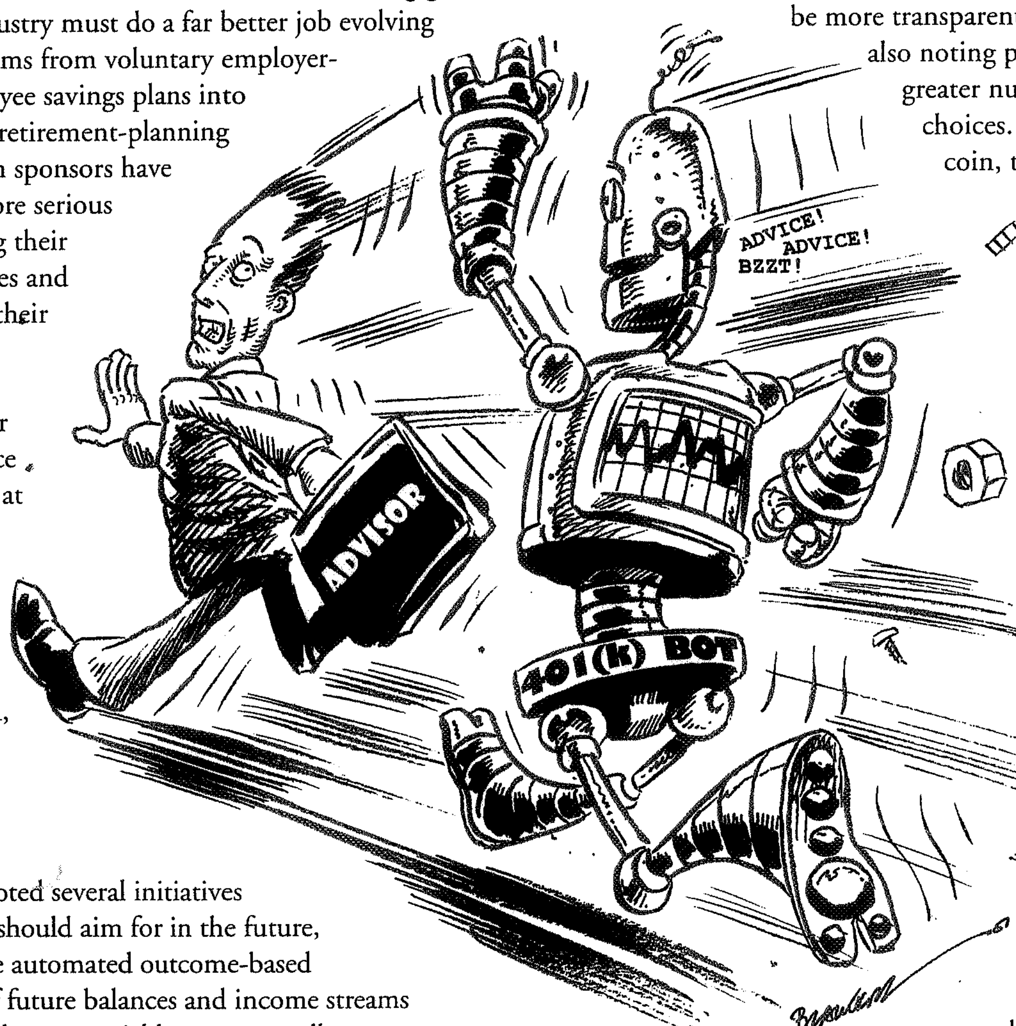
Where do you see the 401(k) plan in five years?

Schneider Downs Wealth Management Advisors
The 401(k) Plan Of The Future

Jeff Acheson, partner and managing director of the Columbus, Ohio-based firm, told *FA* in the future it will be important to avoid "conflicts of interest" under ERISA, including short-sighted and self-serving business posturing, and figure out how [401(k)] business models "can do well while doing good." He noted the industry must do a far better job evolving 401(k) programs from voluntary employer-offered employee savings plans into more holistic retirement-planning vehicles. "Plan sponsors have to become more serious about meeting their fiduciary duties and demand that their chosen plan providers provide higher levels of service and guidance at lower costs," he said, adding that participants must become more engaged, involved and proactive in planning for retirement.

Acheson noted several initiatives that all plans should aim for in the future, which include automated outcome-based projections of future balances and income streams given current known variables; auto-enrollment features, as well as auto-escalation to increase future deferrals; a reasonable, affordable and consistent employer contribution that communicates the plan is an important and high-profile part of the benefits package; and full-fee transparency and disclosure, including any applicable revenue-sharing arrangements.

Schneider Downs Wealth Management Advisors advises 62 retirement plans with $268 million in retirement assets under advisement as of March 31.



Alan B. Lancz & Associates
Must Be Cautious Of Auto-Pilot Investing

Alan Lancz, president of the Toledo, Ohio-based wealth management firm, told *FA* regulations will continue to be more transparent with fees and total cost, also noting plans will be offered a greater number of investment choices. "On the other side of the coin, the trend will move towards more passive investing as opposed to active," he predicted, explaining that plans will continue to get more competitive by implementing exchange-traded funds and passive investments to bring down some of the fees. "I think [the trend] could be a negative in that some of these platforms are going into auto-pilot in that investors do not have to make any decisions when it matters most," he said. He noted target-date funds did not protect from a major decline in 2008 and that some of his clients are still in money markets because of what they experienced. He further noted passive auto-pilot investing does not look at risk management, particularly during excessive valuations.

"On a macro-basis, 401(k)s are going to be a bigger piece of investors net worth," Lancz noted, pointing out that as discretionary income improves with the economy, the tax-

Have a question for a sponsor or advisor? Email us suggestions at jheinz@iinews.com deferred vehicle will become more important to counter progressively higher tax-rates. "This issue paired with a lack of confidence in social security will also bring a large increase in 401(k) contributions in the next five years," he concluded.

Alan B. Lancz & Associates has consulted for approximately 50 401(k) plans covering plans ranging from $2 million to over $100 million in assets.

CLS Investments
More Employer Involvement

Dan Archer, qualified plan consultant for the Omaha, Neb.-based firm, told *FA* employers will become more involved in their 401(k) plan in the next five years, and retirement income, automatic enrollment, investment advice and fee disclosure will continue to be big topics in the industry.

The shift from defined benefit to defined contribution plans will leave more participants retiring without a series of lifetime income payments, "leaving the [DC] industry with the challenge of encouraging sponsors to offer annuity-like products and provide education about their benefits," Archer said. He also predicted interest in automatic enrollment will continue to grow, citing a study by **Hewitt & Associates** that found only 7% of plans offering automatic enrollment in 1999. "If you look forward [five years], it's reasonable to believe 25% of companies will have auto-enrollment," he noted.

The **Department of Labor** is also working on making investment advice more understandable for sponsors, Archer said. He noted that 51% of companies currently provide investment guidance to their employees and another 42% indicate they are likely to do so this year. "The DOL is also charged with making sure participants can make an apple-to-apples comparison between the investment options and their plan," Archer noted. "The question is not if fee disclosure is going to happen, rather, when is it going to happen?"

CLS Investments has more than $5 billion in assets under management.

Firstrust Financial Resources
Investing To Become Hands Off, Better Regulated

Andrew McIlhenny, executive v.p. of **Firstrust Financial Resources**, told *FA* the next five years will bring a proliferation of "do it for me" accounts, increasing the utilization of asset-allocation funds, risk-based funds and target-date funds. He also predicted auto-enrollment and auto-increase structures will see an increase in popularity. "In the future regulatory environment, providers will have greater fee-disclosure requirements to comply with making plan costs transparent, which will translate to statements and online accounts," He also sees the development of investment advice regulations facilitating the need for platform providers to have better computer modeling systems for plan participants.

The Philadelphia, PA.-based firm works primarily in the micro-retirement market and manages approximately $600 million in client assets.

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New Searches

Fund	Total Amount	Plan Type	Assignment	Account Size	Consultant	Comments/Firms Hired
Tri-County Metropolitan Transportation District of Oregon	USD66	Public D.C.	U.S. / Consultant	N/A	None	The fund has issued a request for proposals seeking an investment consultant for its 457 and 401(a) plans. The request can be downloaded from the RFP link. All proposals are due by May 19.

Completed Searches

Fund	Total Amount	Plan Type	Assignment	Account Size	Consultant	Comments/Firms Hired
Anne Arundel County Public Schools (Md.)	USD290	Public D.C.	U.S. / Recordkeeper/ Administrator	USD290.60	Aon Investment Consulting	The fund has selected VALIC, MetLife, ING Retirement Services and Lincoln Investments to provide its recordkeeping services.