STOP THE INSANITY!

AN UNBIASED LOOK AT THE STATE OF YOUR RETIREMENT SAVINGS PLAN

Presented by Mark E. Flanagan, Senior Manager
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SPEAKER INTRODUCTION

MARK E. FLANAGAN

Is a Senior Manager in the Firm’s Tax and Employee Benefit Plan Services Groups. He has over twenty years of experience in the technical aspects of implementing and maintaining retirement plan arrangements for non-profit and for-profit entities. He is responsible for keeping the firm up-to-date on legislative and regulatory matters. Mr. Flanagan is a technical advisor for many of the firm’s clients across all of its industry groups.
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▲ SPEAKER’S PERSPECTIVE

- FINANCIALLY CONSERVATIVE, MODERATELY RISK ADVERSE
- CURRENT RETIREMENT INVESTMENT ALLOCATION 70/30
- FOCUSED ON SAVING, NOT SPENDING
- NOT AN INVESTMENT ADVISOR AND IS NOT AFFILIATED WITH ANY COMPANY THAT HANDLES INVESTMENTS
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TODAY’S GOALS

▲ A NON-SENSATIONALIZED VIEW OF HOW THE LAST 18 MONTHS HAVE IMPACTED RETIREMENT PLANS

▲ A BETTER UNDERSTANDING OF HOW TO APPROACH YOUR BUSINESS AND PERSONNEL RETIREMENT SITUATION GIVEN THE CURRENT ENVIRONMENT

▲ INSIGHT INTO FUTURE CHANGES
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▲ THE GOOD OLD DAYS – NOT SO LONG AGO

- INDIVIDUAL’S WEALTH WAS AT RECORD HIGH
  - HOMES VALUES WERE SEVERELY INFLATED
  - PARTICIPANT ACCOUNT WERE UP SIGNIFICANTLY
- WORLD ECONOMY GROWING RAPIDLY
- SPEND, SPEND, SPEND AND SPEND SOME MORE
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THE GOOD OLD DAYS - NOT SO LONG AGO

- SAVING’S LEVELS WERE AT ALL-TIME LOWS
- TOO EASY TO BORROW MONEY
- NO ECONOMIC BALANCE
- FINANCIAL EUPHORIA = “TROUBLE”
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HIStoryC Economic Downturn

- Many Unexpected Failures
- Home Values Plummet
- Unprecedented Account Losses
- Credit Market Difficulties
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▲ HISTORIC ECONOMIC DOWNTURN

- JOB LOSSES
- NEGATIVE MEDIA ATTENTION
- BAI LOUTS AND STIMULUS PACKAGES
- PANIC

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THE AFTERMATH

- We may not be at the end
- A broken retirement system?
- Individuals looking for answers
- Will the old models work to guide us through?
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THE AFTERMATH

- CONTINUED INVESTING CONCERNS
  - MARKET TIMING
  - DIVERSIFICATION
  - TARGET DATE/LIFESTYLE FUNDS
- GOVERNMENT INTERVENTION
- DELAYED RETIREMENT
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THE AFTERMATH

- INCREASED SAVING
- EMPLOYERS CUTTING COSTS
  - PLAN CONTRIBUTIONS
  - SERVICES
  - LAYOFFS
- BANKRUPTCIES

PERFECTING THE NATURE OF YOUR BUSINESS
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▲ RETIREMENT PLAN IMPACT

- REDUCED EMPLOYEE CONTRIBUTIONS
  - WHY?
  - BAD TIMING
  - IMPACT ON COMPLIANCE TESTING

- REDUCED EMPLOYER CONTRIBUTIONS
  - EMPLOYEE MORAL
  - OVERALL PLAN EFFECTIVENESS
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▲ RETIREMENT PLAN IMPACT

► REDUCED EMPLOYER CONTRIBUTIONS (CONT.)
  ► IMPACT ON TESTING
    ► TIMING
    ► SAFEHARBOR PLANS
  ► REDUCE BONUSES INSTEAD
    ► TAX SAVINGS
    ► AMOUNTS POSSIBLY SUBJECT TO VESTING SCHEDULE

► INCREASED LOANS AND WITHDRAWALS
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▲ RETIREMENT PLAN IMPACT

❖ PARTIAL TERMINATIONS

❖ IN GENERAL, IF GREATER THAN TWENTY PERCENT OF ELIGIBLE PLAN PARTICIPANTS HAVE INVOLUNTARY TERMINATIONS.

❖ APPLICABLE TO ALL PLANS REGARDLESS OF SIZE

❖ EFFECTED PARTICIPANTS MUST FULLY VEST

❖ SURPRISES EMPLOYERS!
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▲ RETIREMENT PLAN IMPACT

► FIDUCIARY CONCERNS
  ➤ PARTICIPANT COMPLAINTS/ LAWSUITS
  ➤ FEES
  ➤ STICK TO THE 404(c) ROAD MAP
    ➤ INVESTMENT SUITABILITY AND REVIEW
    ➤ PARTICIPANT EDUCATION
    ➤ DOCUMENTATION

PERFECTING THE NATURE OF YOUR BUSINESS
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▲ RETIREMENT PLAN IMPACT

★ SERVICE PROVIDER STAFFING
  ★ WIDESPREAD REDUCTIONS
  ★ SERVICE ISSUES
  ★ GREATER OPPORTUNITIES FOR MISTAKES
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▲ RETIREMENT PLAN IMPACT

▶ POLICY SHIFT

▶ NEW PRESIDENT

▶ PERCEIVED SYSTEM FAILURE
  ▶ CONTRIBUTIONS TOO LOW
  ▶ CONTINUED POOR INVESTING DECISIONS

▶ PRESIDENT’S BUDGET CONTAINS LANGUAGE THAT WOULD REQUIRE EMPLOYERS TO WITHHOLD FUNDS FOR RETIREMENT. FIRST STEP TO.........?
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▲ RETIREMENT PLAN IMPACT

▶ PENSION PLANS

▶ LARGE AND SMALL PLANS GREATLY UNDERFUNDED
▶ NEW DISCLOSURE AND FUNDING RULES
▶ TRUE IMPACT NOT YET KNOWN
▶ THE NEXT BIG BAILOUT
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▲ TAX CONSIDERATIONS

- INCREASES ARE INEVITABLE
- LOSSES IN PLANS AND IRA’S CANNOT BE DEDUCTED (LIMITED EXCEPTIONS FOR NON-DEDUCTIBLE IRA’S)
- RE-EVALUATE ROTH STRATEGY
  - DE-VALUED ACCOUNTS
  - REDUCED INCOME LEVELS
  - CONVERSION OPTIONS FOR 2010
- DISTRIBUTIONS

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▲ MISCELLANEOUS

- ONGOING 403(b) CHANGES
- ELECTRONIC FILING REQUIREMENT FOR 2009 PYE
- FEE DISCLOSURE
- COBRA SUBSIDY
- PLAN RESTATEMENTS
COMMON RETIREMENT PLAN PITFALLS

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