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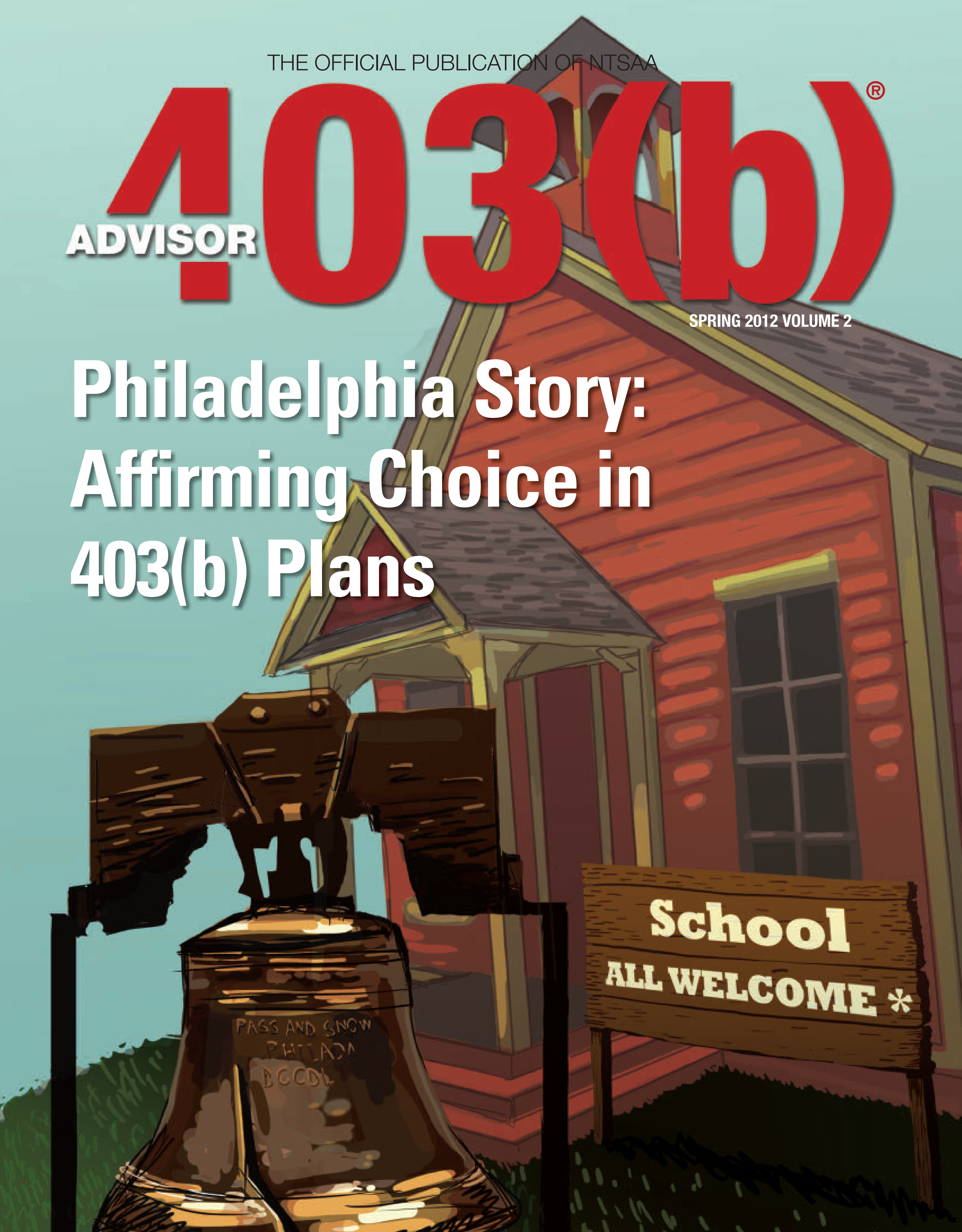
Philadelphia Story: Affirming Choice in 403(b) Plans



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The Exclusive Magazine for 403(b) and
457 Investment Professionals

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Super Models

BY STEVEN SULLIVAN

If you read nothing else in this issue of *403(b) Advisor*, I urge you to take a look at Neil Wernick's "Philadelphia Story" on page 24. It serves as a model for how NTSAA and ASPPA operate in protecting the legitimate interests of advisors in the 403(b) marketplace.

By now you should know the story: Consultants in the employ of some major players in the industry have told state legislators and school districts that teachers are paying too much for their 403(b) accounts. Their advice is to eliminate what they have now and replace it with low-cost, no-frills, do-it-yourself providers.

But school districts need to know—and NTSAA is working with them to make sure they understand—that teachers want and need choices. Teachers are professionals, but they're not professional investors. They need help and they shouldn't be afraid to admit it. Advisors can provide that help, and they shouldn't be ashamed to expect reasonable compensation for it.

So now, in Philadelphia at least, more than 1,200 teachers are still able to maintain their long-standing relationships with trusted advisors, and those advisors are able to continue making a living. But one has to ask: how long before another state-run 403(b) plan or another school district decides to reduce the number of investment providers in their plan? Will they know about the research sponsored by the ASPPA Pension Education and Research Foundation that found significant reductions in participation in 403(b) plans when the number of investment providers was decreased? How many states and school districts will NTSAA be able to educate without more advisors' support? Without advisors' investment in NTSAA, resources won't last forever.

OK, so maybe the value NTSAA and ASPPA provide isn't as obvious to everybody. Skeptics need to know what they're getting for their money, and the consultants who disparage the value of 403(b) advisors are certainly skeptical. Some skeptics claim that advisors won't tell you about the fees and commissions they make on the products they sell because they don't want you to know.

Really? OK, so let's tell them. Let's develop a simple, accessible system that lets every teacher with a 403(b) account see exactly what services he or she is paying for and exactly how much they cost. Let's do it in a way that enables them to compare apples to apples and decide for themselves whether they think the fees and commissions are justified, or they want to go the no-frills route.

Who came up with that idea? The consultants? Nope. That was NTSAA again. It took them about eight months and a lot of time and effort (much of it pro bono from volunteers from NTSAA and the National Education Association) to come up with the 403(b) Model Disclosure Form. Now it's out there and available so school districts can level their 403(b) playing field without eliminating all the players.

So now that NTSAA has successfully changed the conversation from costs and fees to transparency, let's change it back again.

Do those aforementioned consultants work for free? Probably not. And if their clients are paying for their expertise, it would be nice if they actually had some.

Steve Sullivan is editor of 403(b) Advisor *magazine. He lives in Baltimore, Md.*

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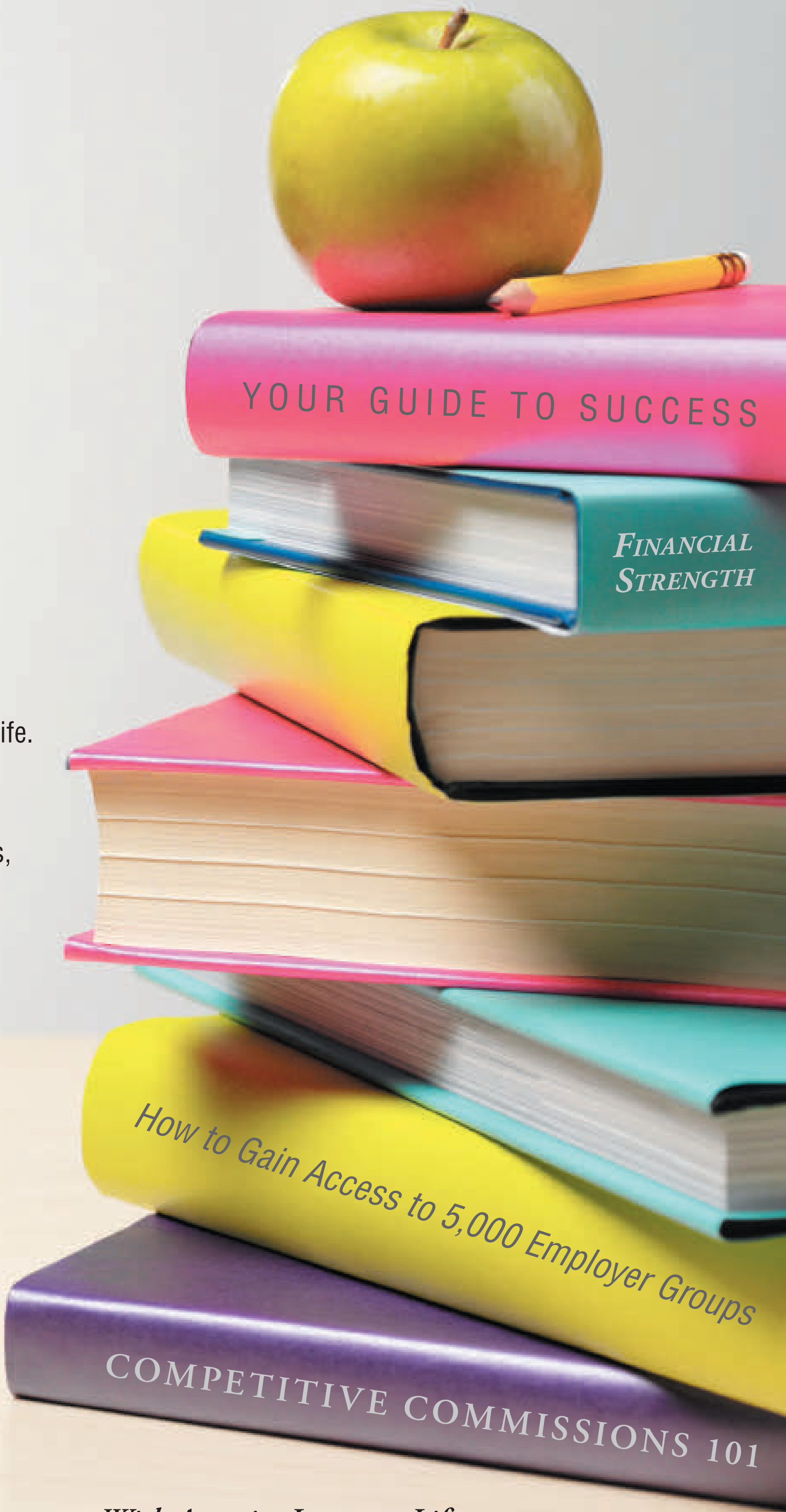

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Down in Front

BY EVAN COLE

Why is choice such a bad thing for the giants? Because what they really want is to eliminate their competitors and acquire market domination.

Some giant 403(b) carriers, represented by their lobbyists and consultants, tell us there are too many investment choices, too many insurance companies selling annuities, too many insurance salesmen selling high-priced insurance products, too many financial advisors being paid a commission, and not enough disclosures. Their solution? Get rid of everybody but themselves.

Self-serving? You think? But even if you grant them their premise, how did we arrive at "too many choices?"

In 1958, all 403(b) plans became part of the Internal Revenue Code, allowing annuities and custodial accounts as investments. Initially, it was the insurance companies that were serving the needs of the market. Why? They had a sales force that could be trained and compensated to work the market.

Mutual fund companies could have gotten involved but there were only a handful of them at the time. They chose not to because they didn't have a sales force that could go out to the participants, explain the plan, and complete the employee's paperwork. Then as now, investing in a 403(b) was an individual choice, with only three investment options: a fixed account, a bond fund, and a stock fund typically in a front-loaded account.

In time, 403(b) assets grew and others took notice. More choices were demanded, more were provided: more mutual funds verses annuities, the elimination of front-end charges, more fund choices across the various asset classes and different share classes. No-load mutual funds and CDSCs arrived and more mutual funds wanted in. As the assets continued to grow, more companies took notice. There was more competition and that was a good thing. Choice was a good thing.

Wall Street journalists and other financial pundits were attacking annuities as criminal tax-deferred build up in an already tax-deferred account and espoused the virtues of mutual funds rather than annuities for retirement plans. Despite annuities being legitimized by the IRC for 403(b)s, they were labeled a bad thing.

Still more investment choices were demanded. Participants wanted to self-direct their portfolios and brokerage windows were offered to that small percentage of influential participants, and this was a good thing. As the assets continued to grow, IRS changes to the 403(b) rules and regulations made it unpopular for many mutual fund companies and some insurance companies to remain in the market. They voluntarily began withdrawing from it and some thought this was a good thing. Simultaneously, professional third-party money managers saw a niche and entered the market, offering even more choice for participants—a good thing.

THE REAL AGENDA

So why is choice such a bad thing for the giants? Because what they really want is to eliminate their competitors and acquire market domination.

401(k)s have one company administering their plan, they assert, and so should 403(b)s. After all, it's working in the 401(k) space (some say it isn't) so it has to work for 403(b)s as well. Limit provider choice for the plan sponsor and limit investment choice for their employees and they'll all have a better retirement plan with a higher account balance.

Not true, and here's why. The crucial component to a successful retirement for participants is their financial advisor. Just as life insurance is not bought but sold, so is financial advice bought. And it's not bought because of the company or the investment or the plan administration. Financial advice is bought because a financial advisor who the employee trusts sat down with him. The advisor explained the process and helped him understand the decisions they were about to make, asking the right questions: Should I start saving for retirement today? How much should I save and how should I invest my money? This is what a financial advisor does, every day. The participant isn't buying the giant, he's buying the advisor.

Today we have a chance to make a real and substantial change to retirement savings accounts by making saving for retirement easier for all Americans. Here's what I propose: collapse all plan types into an IRA plan, raise the contribution limits to $50,000/year, and index it to the COLA.

We all know that Americans need to save much more than they have been for retirement. Do away with plan administration! Do away with calculating contribution limits! Do away with RMDs! Allow plans to accept employer and employee monies! Keep the ROTH plan type. Don't allow withdrawals until age 60 or maybe even older. (Make the requirements similar to Social Security rules.) Keep the no-loans feature! Allow participants to work with the financial advisor of their choice no matter how the advisor is compensated.

We need to bring back true third-party relationships and strictly enforce the 1933 Security Act, prohibiting fraud, misleading information, and misrepresentation. Place the investor at the top of our priorities and render all other parties subservient. Empower the saver. If advisors or broker/dealers commit abuses, hold them and their supervisors accountable by assessing jail time and fines and make the investor whole.

Now, let's see how many of these giants advocate limiting this type of choice. Looking out over this new landscape, I see very few giants standing up.

Evan Cole is a registered financial consultant with Gateway Financial Advisors, Inc. in Fair Oaks, Calif.

The opinions expressed here are the author's own and are not necessarily those of NTSAA or ASPPA.

Transparency Changes the Consolidation Conversation

BY CHRISTOPHER M. DEGRASSI

For the past several years, governmental 403(b) plans have been under attack from consultants, policymakers, and providers (the consolidators) who, due to a combination of hubris and self interest, want to take control of education professionals' retirement assets.

The consolidators are motivated by a paternalistic point of view that education professionals, the very people we entrust to educate our youth who will build our future, aren't capable of making their own financial decisions and need protection from everyone except the consolidators. The consolidators' goal is to virtually eliminate the individual's right to make decisions about his or her own money. In the consolidators' view, the role of the individual should be limited so that financial advice isn't necessary and any "guidance" a participant might need can be provided by a call center in, say, Charlotte, North Carolina.

Until now, the consolidators have successfully advanced their cause by shadow boxing against an opponent of their own making—high fees. The consolidators were clever in creating an *ad Baculum* debate premise that anyone against their monopolistic objective is in favor of ripping off teachers. Part of the consolidator strategy is an open attack on advisors, devaluing the services and guidance they provide and directly questioning the ethics of those who have dedicated their careers to helping education professionals prepare for retirement.

That's why the NTSAA fee transparency project is the most critical component of the NTSAA policy response to the consolidator argument. We will address the fee argument directly, fully expose the consolidators' fees and services, and redirect the conversation where it belongs: how to build a culture of saving where educated investors participate in improving personal retirement savings outcomes.

Understanding that we had an important issue before us, NTSAA assembled our key constituencies—attorneys, TPAs, investment providers and advisors, school business officials, and the teachers themselves through their representatives in the National Education Association (NEA)—into the 403(b) Transparency Task Force. We talked with them about how to get the best information into the hands of teachers so they understand, in an apples-to-apples comparison, the benefits, costs, and services provided by different retirement plan options.

SELF-REGULATION

This initiative also demonstrates NTSAA's commitment to being a leader in retirement plan policy. Because our segment of the marketplace—governmental plans—isn't covered by all the disclosure and regulatory elements that apply to private-sector plans, we were left with two choices. We could ignore that standards exist in the other part of our industry, or we could lead, improving upon established best practices and create a self-regulatory mechanism for the governmental market that truly meets the needs of customers.

This is what we chose to do. We were able to look at what the Department of Labor has done with regard to fee disclosure for private sector retirement plans, then sit down with the people who actually do the work in our market, listen to their clients, and put together an even better tool. It took us eight months to work out our own system and now we're ready to implement it.

The result is the 403(b) Model Disclosure Form,

Sample page of 403(b) Model Disclosure Form. The full form can be downloaded at http://savemy403b.org/wp-content/uploads/2012/02/403b-Model-Disclosure-Form.pdf

403(b) Model Disclosure Form
for the Plan Year Beginning January 1, 20__

Company's Name: ____ (the "Company")

Plan or School District's Name: ______________________________________ (the "Plan")

Product Name: ____

The following types of services will be provided and the following expenses may be charged to your account/annuity. You should also receive documents titled "Comparative Chart" and "How to Read the 403(b) Model Disclosure Form" with this document.

I. Services

Type of Service	Face-to-Face One-on-One	Face-to-Face In a Group	By Phone	By Mail	Online	By a Licensed Advisor / Agent
Advisory Services						
Educational materials about financial decisions						
Educational materials about retirement plan						
Educational seminars						
Enrollment						
Investment guidance						
Investment planning tools						
Professionally-managed asset allocation portfolios						
Retirement calculator						
Retirement planning						
SEC regulated investment advice						
Suitability review						
Other:						

Type of Service	By Phone	By Mail	Online
Administrative Services			
Account access			
Account transactions			
Automatic rebalancing			
Loan processing			
Monthly statements			
Quarterly statements			
Other:			

For additional information, see [insert Company's web site].

II. Administration and Operational Fees - These are additional fees that may be charged to your account/annuity.

Type	Charge
TPA Fees	
Distribution Fees	
Loan Origination Fees	
Loan Maintenance Fees	
Other:	

available for inspection on the SaveMy403b website (**http://savemy403b.org/wp-content/uploads/2012/02/403b-Model-Disclosure-Form.pdf**). The form is designed to allow participants in 403(b) plans to easily compare the investment options available to them. The goal is to educate plan participants and provide information for easy comparison of expenses, benefits, and services provided by competing options. We believe plan participants should have the right to make informed decisions.

In addition to working with TPAs and the NEA, we also sat down with FINRA and the SEC to show them what we've done to close the regulatory gap between private-sector plans and governmental plans. We showed them that our efforts have the support of the clients, business managers, and the industry itself. The SEC response was extremely positive, and we expect that a "no action" letter is forthcoming. This essentially means that the SEC is allowing our self-regulatory standard to move forward without further SEC review. That's a major victory for NTSAA. The SEC will rein us in if they think we're off target, but letting us run with it and be a leader on the issue is a tremendous accomplishment.

The 403(b) Model Disclosure Form is completely voluntary but we've gotten complete buy-in from just about everyone we've worked with. TPAs are now determining how to implement this form into their tool set. And NTSAA is in the process of building a national website that will allow TPAs to pull down data they need to prepare transparency grids that can be compared in an apples-to-apples format. The website will warehouse the approved data from investment providers so TPAs have the information they need to provide transparency forms for their business officials and teachers. Creating the centralized mechanism is vital to a broad adoption.

TALKING POINTS

We're also using this transparency standard when talking to state legislators and policymakers in making the case against consolidation. When we're sitting in a treasurer's or comptroller's office, or in a legislative committee that's considering retirement plan reform, we're introducing this standard as something that should be adopted and implemented as a state statute. We are presently pursuing inclusion of the transparency standard in legislation in Illinois and Kansas.

The reception has been gratifyingly positive. Policymakers are beginning to understand the conversation isn't just about the fees but about the important role of advisors and the services they provide in improving retirement savings outcomes. We're also demonstrating that a well regulated competitive marketplace is far better for participant outcomes than state-mandated monopolies. Remember Ma Bell? What's more, the unwillingness of some low-fee providers to participate in the transparency process shows policymakers that there's more to the story than high fees, elevating NTSAA and ASPPA in their eyes.

My vision as executive director of the NTSAA is to establish NTSAA as the gold standard association promoting leading best practices for professionals in the governmental retirement plan marketplace. I see the future where NTSAA membership and credentialing are the minimum threshold for being considered a professional advisor in this business.

Christopher M. DeGrassi is the executive director of NTSAA and assistant executive director of the National Association of Plan Advisors (NAPA) in Arlington, Va.

Guaranteed Living Annuity Benefits

BY MARK E. GRIFFIN

Annuities are useful for helping clients not outlive their retirement income, and knowing how to use annuities' guaranteed benefits can make them even more attractive.

The use of annuity contracts in connection with retirement plans, including section 403(b) contracts and IRAs, is gaining attention. Annuity contracts are the only type of arrangement that can offer a stream of guaranteed lifetime income, thereby providing valuable protection against the possibility of outliving retirement savings. A variable annuity contract might be attractive because it reflects market performance and can keep pace with inflation.

However, variable annuities also reflect unfavorable investment experience, and various optional guaranteed benefits have been developed to help ameliorate that effect. These guaranteed benefits can take the form of guaranteed death benefits and guaranteed living benefits.

The various guaranteed living annuity benefits, discussed below, include guaranteed minimum withdrawal benefits (GMWBs), guaranteed minimum accumulation benefits (GMABs), and guaranteed minimum income benefits (GMIBs). Typically, the contract imposes a periodic charge for these types of guaranteed living benefits, and the available investment funds under a contract might be limited for an employee who elects one or more of these benefits.

In order to identify the individuals for whom such guaranteed benefits are best suited, it's important to understand how they work, how they might be affected by the required minimum distribution (RMD) rules the IRS imposes on retirement plans, and how the benefits interact with each other.

GUARANTEED MINIMUM WITHDRAWAL BENEFITS (GMWBs)

A deferred annuity contract (*i.e.*, a contract that provides for the commencement of annuity payments more than a year after the contract is purchased) commonly permits withdrawals before the annuity commencement date. A GMWB under a variable annuity provides for a guaranteed minimum amount that may be withdrawn each year before the annuity commencement date, even if adverse investment experience has reduced the value of the assets. If the contract value is reduced to zero by poor investment performance or a guaranteed withdrawal, an amount equal to the guaranteed annual withdrawal amount will be paid automatically each year for the life of the employee.

The guaranteed annual withdrawal amount is commonly a percentage (*e.g.*, 20 percent) of a base amount equal to the premiums paid under the contract. Depending on the terms of the guaranteed lifetime withdrawal benefit (GLWB), the base amount might be increased by additional premium payments. And it might be stepped-up to equal the value on the contract's anniversary date if that value is greater than the total premiums paid on that date. Also, if annual withdrawals exceed the guaranteed amount, the benefit base and the withdrawal amount are recalculated and reduced.

Some GLWBs are designed

to provide guaranteed annual withdrawal amounts for the joint lives of an employee and a designated beneficiary. In that case, the contract value could be reduced to zero (and the guaranteed lifetime payments commence) while the employee is alive or after the employee's death while the designated beneficiary remains alive.

However, the RMD rules don't appear to allow lifetime payments to a designated beneficiary if the employee dies after the date that distributions are required to commence. Because it's possible that the employee might die after the date RMDs begin, retirement plan GLWBs are typically limited to providing guaranteed annual withdrawal amounts only for the employee's lifetime, and not for the joint lives of the employee and beneficiary. [This limitation doesn't apply to IRAs and "nonqualified" annuities (*i.e.*, annuities not issued in connection with an employer-provided retirement plan) where the owner's surviving spouse is the beneficiary.]

GUARANTEED MINIMUM ACCUMULATION BENEFITS (GMABs)

Because variable annuity values reflect both positive and negative investment performance, a GMAB guarantees that a minimum contract value will be available on the maturity date. A GMAB might guarantee a minimum accumulation amount at maturity equal to the premiums paid (reduced by any withdrawals), or perhaps increased by some guaranteed rate of return. Depending on the design of the GMWB, the guaranteed amount might be available at maturity for withdrawal and/or to apply to an annuity option.

GUARANTEED MINIMUM INCOME BENEFITS (GMIBs)

In order to provide some protection against the risk that annuity payments will decrease as a result of unfavorable investment performance, some variable annuities offer a guaranteed minimum income benefit under which the variable annuity payments won't fall below a guaranteed minimum amount. A GMIB can provide comfort to individuals who want a steady stream of income that reflects market increases but who have little tolerance for dips in the market.

IMPACT OF THE RMD RULES

Internal Revenue Code section 401(a)(9) and its regulations impose minimum distribution requirements that apply to retirement plans, including section 403(b) contracts. The RMD rules include separate requirements for:

(1) distributions that must commence during the employee's lifetime no later than the employee's "required beginning date" (generally, April 1 of the calendar year following the later year in which the employee attains age 70½ or retires).

(2) distributions that are required after the employee's death. In addition, the regulations set forth different provisions for applying the RMD rules to individual accounts and annuities.

The calendar-year RMD for an individual account is computed by dividing the account balance at the end of the previous calendar year by the applicable distribution period determined under the regulations. For distributions made in the form of an annuity, the regulations require that annuity payments must comply with the RMD rules. In the case of a deferred annuity, the regulations provide generally that:

(1) The individual account rules apply for purposes of determining the RMD before the annuity payment commencement date.

(2) For purposes of applying the individual account rules, the account balance is treated as the dollar amount credited to the employee or beneficiary under the contract, plus "the actuarial present value of any additional benefits" that will be provided under the contract.

The RMD rules affect the types of guaranteed living annuity benefits in at least three notable ways. First, as noted above, GMWBs in section 403(b) contracts and other retirement plans are typically limited to providing guaranteed annual withdrawal amounts only for the life of the employee.

Second, the RMD rules force distributions from an employee's contract beginning no later than the employee's required beginning date.

Third, before annuity payments commence, the presence of a GMWB, GMAB, or GMIB presumably constitutes an "additional benefit" that's subject to the "actuarial present value" requirement described above. As

a result, the calendar-year RMD in a deferred annuity contract is computed by dividing the contract value at the end of the previous calendar year, increased by the actuarial present value of the benefit, by the applicable distribution period determined under the regulations. The effect of this actuarial present value adjustment is to increase the RMD to reflect the value of the contract's living benefits.

Depending on the type and design of the guaranteed living benefit involved, RMDs can reduce or dilute the benefit. For example, an RMD (like any distribution) that's made before the annuity commencement date can reduce the guaranteed values under a GMAB or GMIB. Also, an RMD that exceeds the guaranteed annual withdrawal amount will result in a recalculation and a reduction of the guaranteed amount. Some GMWB designs, referred to as "RMD friendly," adjust for this by providing that such an RMD won't be treated as an excess withdrawal, and thus won't result in a recalculation or reduction of the guaranteed annual withdrawal amount.

Since the various types of optional guaranteed living benefits are designed to address different needs, a particular benefit might be better suited for some individuals and not others. It's important to make sure that the benefits match employees' needs. For example, an employee who primarily wants to facilitate withdrawals (a GMWB) might not need a benefit that provides guaranteed annuity payments (like a GMIB). And don't lose sight of how the benefits interact with each other in an employee's particular circumstances.

CONCLUSION

The use of annuity contracts in connection with section 403(b) contracts and other retirement plans can provide employees with unique and valuable protection against the possibility of outliving retirement savings. Also, variable annuity contracts with guaranteed living benefits can offer employees with the ability to take advantage of favorable market investment performance while providing some protection against market downturns.

However, the design of the various types of optional guaranteed living benefits varies significantly. In order to identify how best to match the employee with the benefit, it's important to understand how the benefit works, how the RMD rules might affect it, and how it might interact with other benefits under the contract.

Mark E. Griffin is an attorney with Davis & Harman, LLP in Washington, D.C.

Helping Participants Take Action for Better Retirement Outcomes

BY GARRY SPENCE

Plan sponsors should leverage the resources of plan providers to make sure participants get the most out of their retirement plans.

With today's market uncertainty, plan sponsors need to look for opportunities to instill a sense of optimism among participants that will help motivate them to save for retirement and achieve better financial outcomes. Offering participants support and education designed to foster healthier retirement outcomes will help future retirees view retirement planning in a more positive light and reinforce their confidence in their ability to achieve their goals.

Here are several ways to encourage participants to get motivated to save for retirement through their employer-sponsored plans:

ROLLOVERS MATTER

Having retirement assets in one place helps simplify the saving and income planning process and allows assets to grow. Plan sponsors can encourage participants to roll into their current plan by making the process easy and accessible. This move will help participants feel better about managing assets and generate additional savings for long-term growth.

BOOST SAVINGS

There are times in an employee's life when he or she may receive extra cash from a tax return, inheritance, or some other unexpected source. By saving a portion of the money, or even the whole amount, individuals will be better prepared to reach retirement goals. Let employees know that saving during the ages between 30 and 40 may result in the greatest long-term benefit because of compounding interest.

EMPLOYEE COMMUNICATIONS

Never underestimate the power of consistent employee communications to remind participants about the resources available to them to help save for retirement. Employers should encourage their retirement plan providers to communicate consistently with employees on the importance of taking advantage of sponsor matches, staying invested, increasing contributions, and examining their overall financial plans and retirement goals.

Many providers offer on-site retirement consultants that can conduct one-on-one meetings with employees and help with planning events and educational seminars. These types of resources should be provided for all employees at varying times throughout the day to ensure they're reminded of the importance of retirement planning.

THE SHORT FORM

- Rollovers help simplify saving and income planning.
- Saving between age 30 and 40 results in the greatest long-term benefit because of compound interest.
- Employers should encourage plan providers to communicate consistently with employees.
- Focusing on younger employees can help them develop better savings habits.
- Schedule annual checkups around memorable events such as annual pay raises or school breaks.
- Encourage employees to remain invested and resist the temptation to borrow against a plan.

START EARLY

Today, many younger participants just starting their careers may not think they need to start saving for retirement until they're further along, when they feel they can afford the contributions. Spending time with a retirement consultant or financial planner can help younger investors see that small contributions over time can make a significant difference over the long haul. Placing focus on younger employees can help these future retirees not only develop better savings habits but will also help them realize the potential for retirement plan account gains by starting to save early.

ANNUAL PLAN CHECK-UP

Just like an annual physical, participants should meet with a retirement consultant or financial advisor at least once a year to do an annual check-up of an employer-sponsored retirement plan. An easy way to remember is to schedule it around an annual pay raise or school break. A plan check-up will help participants make sure investments are on track with their overall retirement goals.

STAY THE COURSE

Many participants become emotional when saving for retirement and let their fears and uncertainty about market volatility drive actions on their retirement plans. Many become anxious and move out of their investments into ones that they deem to be more stable. Or they stop saving all together.

A recent study of baby boomers (*Boomer Expectations for Retirement, Insured Retirement Institute*, April 2011) found that one-third had stopped putting money into their 403(b)s, 457s, or other retirement accounts in light of the recession. Additionally, 20 percent prematurely withdrew funds from these accounts and subsequently one-quarter of respondents postponed their plans to retire. Encourage employees to stay the course and remain invested and resist the temptation to borrow against a plan.

Now is the time for employers to help motivate employees and communicate the benefits of participating in their employer-sponsored savings plans. Plan sponsors can use plan providers for resources to help participants achieve better retirement outcomes.

Garry Spence is senior vice president, retirement plan services, at Lincoln Financial Group in Charlotte, N.C.

Professionalism in Client Communications

BY LAUREN BLOOM

It's important for 403(b) advisors to be able to speak so their clients will listen, and listen so their clients will speak.

It's not always easy for 403(b) advisors and their clients to communicate effectively. Clients may have significantly differing levels of sophistication, but those who are less knowledgeable may be reluctant to admit it. That can make it all too easy for a 403(b) advisor to wrongly presume that the client understands complex concepts and advice. Clients may also press a 403(b) advisor to provide overly simplistic "bottom line" answers, and may ignore or misconstrue warnings that the 403(b) advisor's advice is based on projections and probabilities and is not a guarantee. Some clients may try to shift their responsibilities onto the 403(b) advisor, saying "you're the expert, tell me what to do." Worst, clients may reject or discount bad news, making an already difficult conversation for the 403(b) advisor even more challenging.

At the same time, 403(b) advisors may not recognize when their advice isn't being fully understood. It can be all too easy to presume that a client can grasp what an advisor readily understands, or to miss subtle cues that a diffident client isn't following a conversation or is afraid to ask questions about points the advisor takes for granted.

When dealing with a group of clients, for example, the advisor may not recognize that some are more sophisticated than others, or that the stronger personalities among the clients are dominating the conversation and precluding other clients from asking questions or seeking clarification. An overconfident advisor can inadvertently present recommendations as near-commands, effectively precluding meaningful dialogue with a client. Some 403(b) advisors may be reluctant to qualify their advice or protect themselves with disclaimers in written materials or conversations for fear of reducing their clients' confidence in their recommendations. And, in particular, when the 403(b) advisor has to deliver bad news, it can be tempting for the advisor to soft-pedal in order to avoid losing the client's trust.

PERILS OF MISCOMMUNICATION

Unfortunately, flawed communications can have serious consequences for the 403(b) advisor and the client alike. At best, poor communications erode trust and can seriously damage a client/advisor relationship. At worst, an unhappy client may sue an advisor for professional negligence, complaining that the advisor failed to offer adequate warnings or to disclose critical information when advising the client.

Such suits are by no means impossible to win, but they often involve evaluating the advisor's statements with the benefit of hindsight and, since language is an imperfect medium, almost any communication could conceivably be improved. Even if the advisor is ultimately successful in defending the suit, litigation usually generates considerable cost, anxiety, and distraction from the advisor's ongoing business activities, and can put significant stress on the client as well.

So, what can a 403(b) advisor do to improve the professionalism of his communications with a client? Generally, the advisor is wise to take

reasonable steps to ensure that her communications are clear, timely, and appropriate to the circumstances and the intended audience.

One step the advisor can take is to assess his clients, not only when first meeting them but on a regular basis. When dealing with groups of clients, it's often a good idea to re-assess whenever someone joins or leaves the group. With individual clients, periodic assessment can help an advisor recognize when a client starts needing a little extra help to understand options and make wise decisions.

GETTING IT RIGHT

Before communicating with a client, the smart 403(b) advisor devotes some time to preparation. What issues are likely to come up? What questions will the client probably ask? What will the 403(b) advisor recommend, and why?

When developing materials or preparing presentations, an advisor is wise to use plain language and to strike an appropriate balance between simplicity and thoroughness. The advisor might want to ask someone who lacks his professional expertise to review the material for clarity and completeness. Incorporating charts, graphs, and executive summaries into written materials can make them more accessible to clients while still allowing the advisor to include all necessary information and disclosures.

When speaking with a client, it's usually a good idea to pause periodically to invite questions, and to observe the client carefully. A puzzled expression or self-conscious quiet can indicate that the client is confused but not sure what questions to ask. The best conversation between an advisor and a client is often a free-flowing dialogue, with both participants speaking freely until the outstanding questions are resolved.

It can also be a good idea for the 403(b) advisor to follow up a meeting or telephone conversation with a short note or even an email summarizing the discussion and confirming next steps. This extra communication may take the advisor a little time to prepare, but it can prevent significant misunderstandings later. It also creates a written record of the conversation to which the advisor can refer back if questions arise later.

But perhaps the best approach an advisor can take is to treat each conversation or written exchange with a client as part of a larger, ongoing pattern of communication focused on helping the client achieve her long-term financial goals. Trust and mutual understanding usually build most effectively over time. The 403(b) advisor who maintains regular, ongoing dialogue with his clients may find it easier to ensure that his communications, taken as a whole, are highly professional and deserving of his clients' trust.

Lauren Bloom is an attorney who speaks, writes, and consults on business ethics and responsible litigation risk management, and a contributing columnist for TheStreet.com. She is the author of the award-winning book, The Art of the Apology – How to Apologize Effectively to Practically Anyone *and the e-book* Elegant Ethical Solutions, A Practical Guide to Resolving Dilemmas While Preserving Your Business Relationships*, available through the ASPPA Bookstore. She can be reached online at Lauren@businessethicsspeaker.com or by calling (703) 585-0651.*

Three Compliance Resolution Summits: It's a Wrap!

BY ELLIE LOWDER, TGPC

NTSAA's three Compliance Resolution Summits went a long way toward answering questions about the 403(b) regulations, but the job's not over yet.

In 2009, when NTSAA first established a forum for the resolution of problems relating to the 403(b) final regulations, there was considerable chaos. Product providers and third-party administrators (TPAs) were using myriad processes and procedures and it was clear they needed to be standardized. NTSAA provided a venue for forthright dialogue among all parties to reach agreement on standardization.

Following the first Compliance Resolution Summit in Dallas, and the publication of best practices that the industry could adopt, we saw an immediate improvement in the systemic problems first encountered. The second Summit expanded the dialogue to deal with problem solving for ERISA 403(b) plans, and the third dealt with additional issues that were still causing challenges for all of us.

Interested parties in the industry are encouraged to obtain a copy of the compliance manual at the ASPPA store http://www.asppa.org/Home-Page/Take-Action/ASPPA-Store.aspx. The manual recaps the problems discussed at both Summits, as well as the agreed upon solutions. It's chock full of information, including forms and checklists in aid of keeping 403(b) plans operating smoothly.

The third and final Compliance Resolution Summit took place May 9-11 in Dallas, where the topics under discussion were:

FEE DISCLOSURE

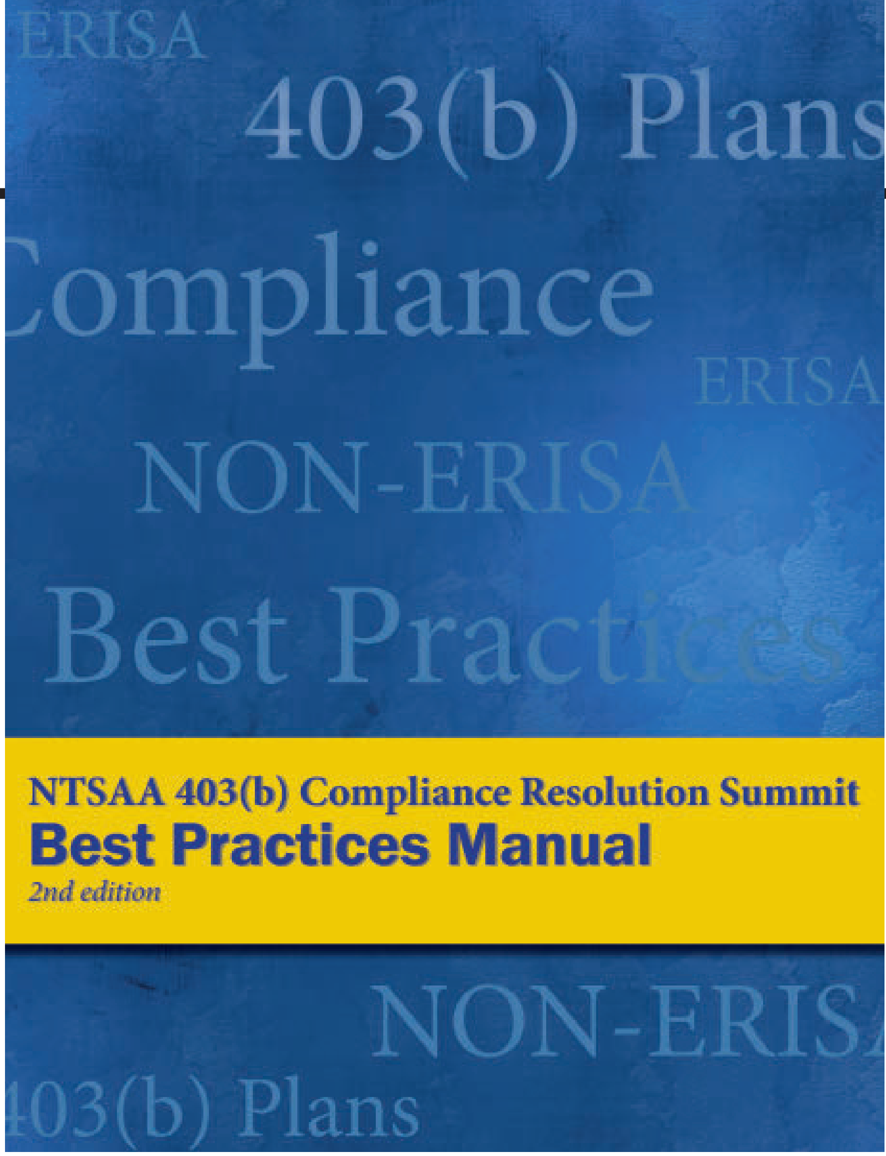
The topic was a hot one. Not only did the Department of Labor (DOL) require specific fee disclosures for 403(b) ERISA plans at both the plan and the participant level, there was also the desire to make similar fee disclosures available in a standardized format for the non-ERISA 403(b) market. The 2011 Summit Report (available to members without charge at www.asppa.org/Document-Vault/PDFs/ntsaa/11SummitReport.aspx) addresses the results of the dialogue. In addition, on February 2, 2012 the Fee Transparency Task Force published a document on this issue.

FIDUCIARY ISSUES

Even though the DOL has not yet resolved the definition of a fiduciary, it's expected to go back to the drawing board to refine the new definition in 2012, after having posted initial guidance which generated extensive comments. Suggestions for best practices are included in the Summit report, but they can't be fully developed until final guidance is posted.

INDEPENDENT AUDIT REQUIREMENTS

Large ERISA 403(b) plans are expected to conduct independent audits. The American Institute of Certified Public Accountants joined in the discussions



of resolving widespread problems following the filing of audit reports (with the Form 5500) which were required for the first time in plan year 2009. DOL guidance for filing Form 5500 permits auditors to disregard accounts to which no contributions were made on or after January 1, 2009, but this doesn't comply with the auditor's requirement to follow generally accepted accounting principles in auditing 403(b) ERISA plans.

The Task Force, including Sue Diehl, Bob Lavenburg of the AICPA, and Richard Turner, is currently developing a check list and other information to help employers, product providers, TPAs, and financial advisors with the ongoing need to file proper audits with ongoing Form 5500 submissions. The results of their work will be made available as soon as completed.

PLAN TERMINATIONS

Newly posted guidance led to the need to address the topic of employers attempting to terminate their 403(b) plans. In particular the guidance did not address the problem encountered in meeting the requirement that all assets must be distributed within a 12-month period for the termination to be a valid one. While guidance has addressed the distribution of annuity contracts from the plan, the distribution of custodial accounts remains an outstanding problem, making plan termination difficult and sometimes impossible.

ASPPA and NTSAA have submitted a request to the DOL for clarification of the custodial account issue, but they've *not* yet received the additional guidance. The Summit Report deals with best practices for employers attempting to terminate their 403(b) plan; more to come.

THE WRITTEN PLAN

In this session, the group drilled down into the meaning of following the terms of their written plan and the possible results when the terms aren't followed. The Report provides best practices for those issues.

The Summit Task Forces believe the three NTSAA Compliance Resolution Summits have contributed greatly to the smooth operation of 403(b) plans, benefiting product providers, TPAs, system vendors, employers, and the financial advisors who help both employers and participants. Every 403(b) focused individual should use the links in this article to obtain a copy of the 2nd Edition of the Summit Manual, and a copy of the 2011 Summit Report in an ongoing effort to utilize, as much as possible, the forms, checklists, and other valuable information contained in those two documents.

In 2012, NTSAA members and other interested parties attended the NTSAA Compliance Conference at the Paris Hilton in Las Vegas on May 3 and 4. The outstanding program (which included representatives from the DOL and the Internal Revenue Service) provided essential information to product providers, TPAs, IT personnel, employers, and financial advisors.

General session and workshop topics included the latest legislative and regulatory initiatives affecting 403(b) plans and participants, defining market segments, the ERISA safe harbor exemption for 501(c)(3) employers, church plans, retirement plan design for tax-exempt organizations, in-plan Roth conversions, and the IRS prototype program.

Ellie Lowder, TGPC, is a consultant with TSA Training & Consulting Services in Tucson, Ariz.

Are You Ignoring Your Clients' Most Important Retirement Asset?

BY JOE ELSASSER

Americans leave billions of dollars in Social Security benefits on the table because they don't know the rules. An educated advisor can help.

It accounts for half of your clients' retirement income; it's inflation-protected and guaranteed for life. Yet most people, and their advisors for that matter, treat the maximization of Social Security benefits as little more than an afterthought during the retirement income planning process. But this is all about to change. Thanks to increased dependence on Social Security and new tools to help people maximize their benefits, clients are getting educated and they're beginning to look to you for help.

Why should advisors pay more attention to Social Security? For one, it accounts for 44 percent of total monthly retirement income for upper-middle income married couples, and regularly provides upwards of $500,000 in present value lifetime benefits. Compare that to the average household retirement account balance, which, according to the Congressional Research Service, is $271,000.

Second, the difference between a good Social Security election decision and a bad one can easily be more than $100,000 in lifetime benefits (present value) for a married couple. Think about the average teacher, firefighter, or police officer and consider the difference an additional $100,000 would make in his or her retirement.

For single people, the Social Security decision is relatively basic. Elect early and you get a reduced benefit for a longer period of time. Elect later and you get an 8 percent per year increase in your benefits—basically, a larger check but for a shorter period of time. Most singles can use a simple break-even calculator to determine how long they would need to live to make delaying their benefits worth it.

For married couples, maximizing Social Security is much more complex. They must take into account the timing factor for two people rather than one. In terms of whole-year election options, singles have nine options: 62-70. For a married couple, picture a 9x9 grid with 81 combinations of election ages. Married couples also have access to spousal benefits, which are equal to 50 percent of their spouse's benefit if taken at full retirement age. Finally, after the death of the first spouse, the survivor will receive the higher of his or her own benefit, or the benefit of the deceased. Virtually all of the break-even calculators in use ignore these additional factors.

Bottom line: Due to lack of attention, the added complexity of the decision, and the lack of tools to help, most married couples end up making the wrong decision when it comes to electing Social Security. A Boston College study estimated that Americans leave $10 billion in

Social Security benefits on the table because they don't take advantage of the special claiming options available to married couples. Why? Mainly because they don't know they're available. According to a survey conducted by Social Security Timing® and MarketTools, only 27 percent of people are even aware these strategies exist.

They're also lost when it comes to getting help. In the same study, we found that nearly 80 percent of people think they can go to the Social Security office for advice on how to maximize their benefit. The reality is that SSA personnel are trained to help people get the highest benefit available that day, not over the individual's lifetime or, more important, over the joint lives of the individual and spouse. Further, the SSA actually prohibits its representatives from dispensing advice.

But here's where it gets interesting for advisors. In the same study, when told about unusual claiming options, 57 percent of respondents said they would expect their financial planner to analyze their options and help them make the right decision. The same percentage of people said they would actually look for a new advisor if their current one couldn't help them maximize Social Security. With battered portfolios and fears of outliving their money, your clients are hungry for advice on how to maximize their Social Security—and they're looking to you for help.

So, how can you help your clients make the right decision? The following strategies regularly increase lifetime Social Security benefits by tens of thousands of dollars.

OPTION NO. 1: RESTRICTED APPLICATION

Once you reach Normal Retirement Age, you have the option to restrict your application to exclude certain benefits. If a benefit is excluded, it will continue to build delayed retirement credits.

As an example, a higher-earning spouse, who may want to wait until age 70 to collect his or her own benefit, may be able to file at 66 for only the benefit available under the spouse's work record, while still allowing his or her own benefit to build delayed retirement credits. At age 70, he or she would then switch to his or her own benefit. Alternatively, a lower-earning spouse could restrict his or her application to only spousal benefits, while continuing to claim delayed credits on his or her own earnings record.

OPTION NO. 2: FILE AND SUSPEND

The Senior Citizens' Freedom to Work Act of 2000 allows a worker to earn delayed retirement credits after filing for benefits if he requests that he not receive benefits during a given period. As a result, a higher-earning spouse can file for benefits, then immediately suspend the benefit, and continue to earn delayed credits. In the process, he or she will have made the spouse eligible for spousal benefits under his or her earnings record.

Certain combinations of the two techniques are also allowed. For example, the higher earner could file and suspend to make a spousal benefit available to the secondary earner, who could then file a restricted application for only spousal benefits. This would allow both earners to earn delayed retirement credits on their own earnings records while one spouse still collects benefits now.

In total, there are nine different ways to combine these techniques with basic benefit election options. Many of these combinations could be considered "switch strategies" because they entail electing a limited benefit for a period of time, then switching to a larger benefit at some point in the future. In total, a married couple needs to consider 81 age combinations across these nine different election strategies, for a total of 729 options. And that's only looking at whole-year election options!

A further level of complexity emerges for couples in which one partner worked in a government or other job and didn't pay Social Security taxes on the employment. For these people, the Windfall Elimination Provision and Government Pension Offset affect benefit amounts and claiming strategy options.

If it sounds complex, that's because it is. But it's a decision that almost every pre-retiree and retiree has to make at some point. Having the expertise and the tools to help them make the right decision gives you a clear competitive advantage over advisors who continue to ignore this issue.

Joe Elsasser is an independent advisor in Omaha, Neb. and the creator of Social Security Timing®, a patent-pending software that allows financial advisors to help their married clients maximize their Social Security benefit by examining the hundreds of possible election strategies and identifying the option that offers the highest lifetime benefit.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Philadelphia Story: Affirming Choice in 403(b) Plans

NTSAA, working with Philadelphia public school educators and policymakers, reaffirms the ability of participants to retain their incumbent 403(b) advisors and reject the elimination of choice.

BY NEIL D. WERNICK

On the afternoon of December 21, 2011, more than 1,200 Philadelphia public school educators—through their phone calls, letters, petition signatures, and attendance—told the School District of Philadelphia to save their 403(b) plan. With a sense of urgency, commitment, and passion seldom associated with the everyday business of retirement plans, these teachers urged the School Reform Commission, the governing body of the School District of Philadelphia (SDP), to reject a resolution calling for the elimination of four out of the five incumbent 403(b) providers.

The opponents of the resolution argued that, if adopted, this action would have disrupted the lives of the 8,500 teachers and their families being served by current providers. Perhaps most compelling were the impassioned stories told by educators about their highly-valued and long-term relationships with their financial advisors. Letter after letter spoke emotionally about financial advisors who had, time after time, enabled them to navigate difficult financial waters, to plan and achieve important financial milestones, or otherwise to realize financial stability and well-being in their lives.

After an RFP process that had taken nearly two years to reach this point, the SDP was prepared to affect a change that teachers apparently didn't want and that would not save the District any money. These unintended, negative consequences were about to be unleashed not only in the midst of the holiday season, but within an already difficult climate of District layoffs, budget cuts, and declining morale.

The situation begs the question of how the District could have made a recommendation that was so unpopular, so potentially disruptive, and so apparently indefensible. According to my analysis, the answer lies in what may be a set of six invalid assumptions underlying the guidance provided by an outside consultant to the District. Following is a discussion of those assumptions.

Many public school 403(b) plans are made up exclusively of employee contributions plus the interest, dividends, and gains on those contributions.

INVALID ASSUMPTION #1

403(b) PLANS ARE INTENDED TO BE LIKE 401(k) PLANS.

According to the American Society of Pension Professionals & Actuaries (ASPPA): "403(b) plans differ from 401(k) plans in that school districts are frequently less involved than private employers are in their 401(k) plans. Individual public schools do not have human resource departments and school districts frequently do not have the resources to develop a "culture of savings" in the same way as the private sector. School-sponsored 403(b) plans typically are not subject to the non-discrimination rules that encourage many private employers to foster savings by lower-paid workers. Additionally, participants in 403(b) plans often have their own individual contracts with the investment provider. Thus, participants bear more responsibility, and often need more help to learn about how the plan works, how much to save for retirement, and how to invest their money in the plan." (*Protecting Participation*, Debra A. Davis, Esq., LL.M., Dr. Geralyn Miller, Ph.D. & Judy A. Miller, FSA, MSPA.)

It's also important to note that unlike 401(k) plans that usually include some level of employer match, many public school 403(b) plans are made up exclusively of employee contributions plus the interest, dividends, and gains on those contributions. Thus, employees and not the employer in those plans are the source of all funds in a 403(b) plan. Accordingly, it seems ill-advised for a school district to impose any significant changes to a 403(b) plan where there are no employer contributions without the express consent of the plan's participants.

INVALID ASSUMPTION #2

EDUCATORS' CHOICES ARE DRIVEN PRIMARILY BY LOW PRICE.

Price is certainly an important factor in choosing a 403(b) provider. Educators should, however, also rely on several other decision criteria including: a) provider experience and reputation; b) product offerings among mutual funds and annuities; c) investment platforms for creating and managing a risk-appropriate, well-diversified portfolio; and d) the help of financial professionals. The Philadelphia experience showed that educators want a range of choices including, but not limited to, a low-cost option.

INVALID ASSUMPTION #3

SALARIED ENROLLERS ARE PREFERABLE TO INDEPENDENT FINANCIAL ADVISORS.

As Ed Forst, CEO of Lincoln Investment, testified before the Philadelphia School Reform Commission (SRC) on December 21, "It is financial advisors—not enrollers—who, through lifelong relationships, provide educators and their families with the ongoing help that makes long-term financial well-being a possibility. It is, in fact, the value of individual financial planning and guidance… which compels more than 1,000 educators to write letters, sign petitions and attend SRC meetings."

In addition, a 2007 study by Charles Schwab showed that retirement plan participants who received professional assistance or advice in allocating their (retirement plan) assets earned a significantly greater rate of return than those who didn't receive assistance. Further, as stated in ASPPA's *Protecting Participation* research findings, a recent study "showed that people who spent time with a financial advisor saved significantly more for retirement."

INVALID ASSUMPTION #4

EDUCATORS ARE INDIFFERENT REGARDING WHO PROVIDES SERVICES TO THEIR 403(b) PLAN.

The Philadelphia story proved beyond doubt that teachers care deeply about their relationship with their retirement plan provider and financial advisor and are highly motivated to advocate for retaining those relationships and their freedom of choice.

The School Reform Commission heard or read the following comments that were typical of those from the 1,184 educators who voiced support for their current financial advisors or providers and their opposition to the pending resolution:

"I was able to retire from the district after 35 years of service with the help of (my financial advisor)."

"For 30 years (my retirement plan provider) has provided my family and me with sound financial planning."

"(My financial advisor) has given me the help and tools I need to plan for my retirement."

"(My retirement plan provider) has been our company for almost 50 years and three generations of my family."

"It would be a disservice to lose the ability to have the expert advice and knowledge provided by (my financial advisor)."

In remarks before the SRC, Debra Davis, Esq., assistant general counsel and director of government affairs for ASPPA, advised the commission members: "Your participants have selected their investment providers and have established relationships with them. We believe you should not disturb these relationships unless you find a compelling reason to do so." To date, no such compelling reasons have been suggested.

INVALID ASSUMPTION #5

REDUCING THE NUMBER OF PROVIDERS WILL HAVE LITTLE TO NO EFFECT ON PLAN PARTICIPATION.

Participation in voluntary retirement savings plans has been a personal financial challenge since the 403(b) option was first made available by the U.S. government in 1958. In Philadelphia, by comparison, due largely to the District's encouragement, the ongoing educational efforts of incumbent providers and employee satisfaction, current participation is above the national average.

The research findings of ASPPA clearly demonstrate that participation in 403(b) plans declines precipitously when the number of plan providers is reduced. In cases from Pennsylvania to California, the number of 403(b) plan participants declined between 40 percent and 54 percent when the number of incumbent providers was cut sharply.

In her testimony before the SRC, Debra Davis called attention to ASPPA's research, stating: "At a school district in Pennsylvania the reduction (in participation) was nearly 40 percent. You do have a published research paper that shows you that in several school districts throughout the country there was a dramatic decline in participation when the number of investment providers was reduced."

Protecting existing choices in Philadelphia would likely prevent financially devastating consequences for educators due to the absolute number and remarkably high percentage of current participants in the District.

INVALID ASSUMPTION #6

REDUCING THE NUMBER OF PROVIDERS TO ONE OR TWO WILL GENERATE COST SAVINGS TO THE SCHOOL DISTRICT.

This is simply false. School districts in general, and the School District of Philadelphia in particular, would realize zero cost savings by reducing the number of providers to one or two.

With the previous set of invalid

assumptions identified and addressed, it becomes much easier to understand why SDP seemed headed in the wrong direction. The apparent shortcomings in the District's due diligence process became abundantly clear during the December 21 meeting when Pedro A. Ramos, Esq., chairman of the School Reform Commission, opened the session to public comment. Without exception, each one of the many outside speakers urged the SRC to vote against the resolution.

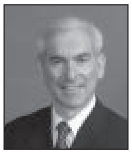
The most dramatic moment in the hearing came at the close of the testimony by Ed Forst of Lincoln Investment when he asked everyone who opposed the pending resolution to stand up. Nearly everyone in the near-capacity audience at the School District of Philadelphia headquarters stood, including many people who were there to address other issues before the Commission.

Based on the overwhelming opposition to the resolution and the need to more adequately address issues regarding employee preferences and choice, potential disruption, relationships with life-long financial advisors, future participation, and cost savings, the resolution was withdrawn by the District staff. This was an immediate victory for Philadelphia educators and their freedom of choice.

The issue is expected to appear again in the near future in the form of a new resolution before the School Reform Commission. As of press time, we're uncertain of the nature and ultimate outcome of any new recommendation.

Regardless of the final outcome, we continue to believe that the proposals presented by the incumbent providers offered the School District of Philadelphia and its employees a sensible and diverse line-up of choices among products, services, prices, and professionals. Accordingly, we continue to advocate not for a preferred position for Lincoln Investment but rather, in defense of every teacher's freedom to choose the retirement plan and partner that best meets his or her individualized preferences and the needs of their families.

The takeaway message from the School District of Philadelphia experience is clear: Clients value their relationships with their financial advisors and they're motivated to take action on their behalf. This is a very encouraging outcome for all financial professionals serving this market, especially in the current environment where our public institutions are strained, regulatory scrutiny continues, and our public schools are reeling from the impacts of fiscal crises.



Neil D. Wernick is chief marketing officer for Lincoln Investment in Hanover, Pa.

THE EVOLUTION OF THE K-12 403(b) MARKETPLACE

Under the new normal, 403(b) advisors need to think outside the traditional TSA envelope and forge new partnerships with school districts and employers.

BY MARK SKINNER

The K-12 403(b) market is in the midst of five significant and simultaneous changes. The individuals and organizations who respond to this evolution proactively may create the new normal in the market.

The changes are:

- New 403(b) regulations have gone into effect.
- School districts are under tremendous financial pressure.
- In a low-interest-rate market the traditional margins paid by insurance companies are contracting.
- Many insurance companies are also working in a challenging financial ratings agencies environment.
- We're facing an unprecedented demographic phenomenon in public school education, with almost 40 percent of K-12 educators eligible to retire in the next five years.

What all this means depends on your perspective. If you're a school district administrator, a TSA representative, an investment provider, or an educator, your view of these changes and how they affect you may be quite different. The opportunity for the 403(b) specialist, whether an individual or organization, is first understanding these changes and then developing a strategy to respond to them.

THE SCHOOL DISTRICT

School districts need to respond to the new regulations and do it in a way that is the least costly, the least disruptive, and the most efficient. The district is now a partner in the decisions surrounding the delivery of 403(b) programs. While the regulations may have brought 403(b) providers and districts together, there is great opportunity in understanding the needs of the districts beyond just the scope of 403(b) alone and truly becoming their partner. They're dealing with many other issues, including managing their overall expenses, not the least of which are the spiraling costs for retirement and their overall benefits program.

The first step in assisting the districts is to establish an educational and awareness campaign. The goal is to build financial literacy about retirement and integrate that with TPA administrative services. This will help relieve some of the long-term pressure on school districts to be the sole source of retirement benefits. Building greater self-reliance through knowledge and understanding of retirement planning can be a big plus in dealing with employees. Bundling unbiased information and planning tools, along with personal counseling, will add great value. Combining these services with 403(b) and 457(b) TPA services will allow individual educators easy access to the knowledge they need from a trusted source and will assure school districts that their plans are in compliance.

The second step is to integrate other similar services for the district, such as a FICA Alternative Plan or a Special Pay Plan. These can greatly simplify the district's administrative responsibilities and save it money. It also helps individual educators by consolidating other aspects of their retirement. Both of these plans are retirement oriented and should be coupled to the 403(b) and/or 457(b) plans. They both provide a tax deferral for the employees of contributions as well as a significant savings in FICA taxes to the districts. Like 403(b)s, they must be IRS compliant. The combination of these types of programs and services is a natural and logical fit.

The third step is to expand services to include a full employee benefits administrative capability. 403(b), 457(b), FICA Alternative, and Special Pay Plans are all part of a district's benefits program. By taking off the blinders of just a limited 403(b) relationship and to encompass these other programs, the 403(b) representative can deepen his or her relationship with the district. This can include online benefits enrollment for core group insurance and paperless Section 125 plans. This allows the district to consolidate its benefits into one source and reduce its workload and expenses.

THE TSA REPRESENTATIVE

Traditional 403(b) TSA representatives may have difficulty surviving in this evolving market if they don't expand their capabilities. As the schools seek solutions for their compliance responsibilities, the decisions they make will favor organizations with scale who can deliver, at a minimum, TPA solutions.

A consequence of the new regulations is often a consolidation of the number of 403(b) vendors. 403(b) specialists, who for years have represented one company, may find that 403(b) is no longer the company's core focus, or perhaps the company isn't one of the approved vendors going forward. Depending on a single product provider platform and providing only 403(b) services is a certain recipe for failure.

Today's 403(b) representatives and their firms need the ability to provide the most appropriate solutions from a range of savings and investment options, including fixed annuities, variable annuities, mutual funds, and investment advisory services, while having a number of solutions in each category. This ability to provide a diversified range of options, and to do so from a diversified group of institutions or investment platforms, will become increasingly important. The old days of working with one company and representing just its products is rapidly vanishing. Like investors, representatives and their firms must be diversified in their capabilities and their investment platforms.

THE INVESTMENT PROVIDER

Whether the investment provider is an insurance company, a mutual fund, or a broker/dealer that manufactures investment advisory services (RIAs),

the past three years have been very difficult. The insurance companies have suffered a tough economic climate with historically low interest rates, generating low "spreads" from which to derive income. At the same time, they've been under close scrutiny by state insurance departments and ratings agencies over reserves and profitability. This has caused many to shift strategies, change compensation structures, and rethink support for the 403(b) market.

Mutual funds and RIAs have had their own challenges as well. In the face of big swings in the equity markets, people have shied away from investing in the market. Though the perception of risk is a large obstacle, diversification should remain a cornerstone for any long-term investor.

Investment providers, regardless of type, need to embrace and support the independent TSA representatives and the role they play. In lieu of employer matching contributions like 401(k)s, 403(b) plans are almost exclusively employee contributions. If not for the TSA representatives communicating the role and value of 403(b) plans, participation would plummet. All you have to do is look at models where a district went to a single provider without personal counselors and you can see how participation drops.

THE EDUCATOR

One thing that doesn't change, however, is that the most important constituent in this entire discussion is the individual educator. Never before have so many educators been facing retirement in such a turbulent economic environment. The role that 403(b) representatives play is invaluable. One on one, they listen to educators' problems and questions and help them understand the process.

It's ironic that the few insurance companies that advocate limiting choice in favor of a 401(k)-like service model don't offer human face-to-face services. Their model actually constrains participation because it lacks people to help communicate the role that 403(b) can play. The single-platform investment strategy they advocate also flies directly in the face of that most basic tenant of investing—diversification. Educators should have choice, both in who they work with and in the platforms they can choose from. It is, after all, their money and their future, not the school district's.

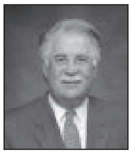
Independent 403(b) representatives bridge a gap. They're planners for the middle-income educators. They make the theoretical practical. They explain personally how the state retirement system, Social Security, and a 403(b) can be orchestrated to deliver a secure future. It's the 403(b) representatives who conduct education workshops, meet with educators in their homes, and help them navigate the plans that will affect their future.

Investment providers should embrace the role of independent 403(b) representatives and their firms. They must recognize the need to support expanded service models and seek partners in the industry who can meet the needs of both districts and their employees.

THE NEW NORMAL

The new normal I suggest is a model built around five components: education about retirement planning, personal counseling, multiple investment platforms, an expanded service model that establishes a partnership with districts beyond just 403(b), and an embrace of the need for choice and support for the independent 403(b) representatives and their firms.

Are you ready for the new normal?



Mark Skinner is the president and CEO of U.S. Retirement Partners in Iselin, N.J., the nation's largest independent retirement and benefits firm specializing in the K-12 market with more than 1 million clients.


403(b)
ADVISOR SUMMIT
NTSAA'S ANNUAL CONFERENCE
Vegas...The place to (b)

NTSAA'S 403(b) ADVISOR SUMMIT PLAYS VEGAS

For serious 403(b) professionals, NTSAA's 403(b) Advisor Summit in Las Vegas was the place to (b).

BY STEVEN SULLIVAN

If Las Vegas were a financial advisor, would anybody listen to its advice? I sure hope not. Nevertheless, advisors flocked there in February to attend NTSAA's first 403(b) Advisor Summit at the opulent Caesar's Palace to swap ideas about what people really should be doing with their retirement money.

The overriding theme of this year's Summit was how to stop the "race to the bottom" triggered by the attempt of some school systems and state legislatures to consolidate 403(b) plans and limit participant choice. ASPPA Executive Director/CEO Brian Graff brought advisors up to date on what NTSAA has been doing to combat these attacks.

"I don't know when financial planning became a commodity," Graff said. "You need to stop being afraid to talk about how you provide valuable services for which you need to get paid. There's no shame in that."

Lincoln Investments CEO Ed Forst told the "Philadelphia story" of how, with NTSAA's help, more than 1,200 Philly public school educators—through their phone calls, letters, petition signatures, and attendance—told the School District of Philadelphia to leave their 403(b) plans alone. (See article on page 24.) The Philadelphia experience serves as a perfect example of how facts can triumph over opinion and misinformation, and how involvement in NTSAA really can have an impact on your bottom line.

"No system is perfect," said Graff. "We're not perfect. We're going to have to be more transparent. We need to change the conversation from fees to transparency, from increasing participation rather than increasing market share. Get more customers, everybody wins."

A big conversation changer at the Summit was the introduction of the 403(b) Model Disclosure Form. Using DOL transparency standards as a template, NTSAA's 403(b) Transparency Task Force took disclosure to the next level, designing a voluntary system school districts can use to sort out who's getting paid to do what and how much. (See article on page 8.) Released a week before the Summit, the Model Disclosure Form received media attention from USA Today, Bloomberg, and many others. More than 80 school districts have already committed to using the form.

In other sessions, Bill Acheson showed advisors how to read body language and send subliminal signals to get the sale; Harley Gordon stressed the importance of the long-term care sale in comprehensive financial planning; Paul Dyer added tax planning (see article on page 38) and John Belles added college planning to the mix. In addition, Sue Diehl, a regular contributor to *403(b) Advisor* and member of its editorial committee, was awarded the Bob Schiller Meritorious Service award in recognition of her dedication to the association and the 403(b)/457 marketplace.

And that was just in the general sessions. The afternoons were packed with concurrent breakouts that made choosing difficult for many attendees. Workshop topics included nonprofit ERISA plans, Social Security planning (article on page 22), guaranteed living annuity benefits (article on page 12), and early retirement incentive programs—all eligible for continuing professional education credits.

In between were breakfast and lunch table-talk sessions where advisors could connect one-on-one with vendors, industry experts, and each other.

"There was't one workshop or presentation at which we didn't think our time was well spent," says Melissa Flagstad of ISN Network, a first-time attender of the Summit. "I can't say the same for many of the events and conferences we attend. At the Summit conference, all the presenters were prepared and had relevent and innovative concepts and ideas, and they delivered them in a compelling fashion."

"I wanted to drop you a note to thank you for your guidance through our membership process and also for providing detailed information on the benefits of an ASPPA membership. Our discussion and your detailed email with the benefits of membership is what really captured our interest. I'm glad it did.

I'm pleasantly surprised. From a business development standpoint—my position here at our agency—I have way more tools than I did before I attended the NTSAA Summit, and more information relating to the 403(b) market than I expected to receive. I am better equipped for my own business objectives and can better support other advisors I work with. But even more importantly, our president Jeffrey Berson and I have more tools to support our broader agency objectives.

There wasn't one workshop or presentation at which we didn't think our time was well spent. I can't say the same for many of the events and conferences we attend. At the Summit conference, all the presenters were prepared and had relevant and innovative concepts and ideas, and they delivered them in a compelling fashion. After the February Summit, frankly, it seems to me our membership with ASPPA is one of the most valuable to our agency.

Thank you again for your support and we look forward to long-standing membership with ASPPA."

Melissa Flagstad
Senior VP Business Development
ISN Network
Carlsbad, Calif.

Stop Being a Salesperson and Run a 403(b) Bonanza Instead

BY PAUL A. DYER

Instead of just using your clients' tax returns as a starting point, why not be the one who helps prepare them, too?

New words are coming into our industry faster than a freight train: systemization, process, compliance, suitability, automation, "the Cloud." These words are all part of the frameworks being promulgated by the implementation of Dodd-Frank. Even though this legislation just passed, it'll soon affect all of our related financial services industries, as if there hasn't already been enough to deal with in the past few years! Every advisor will have to adapt to these new standards or perish.

The good news is: This has already happened to the tax industry and it's uncovered a cornucopia of opportunity for 403(b) advisors (and other advisors alike) who are willing to adapt their practices.

IRS Circular 230 took the CPA and tax world by storm in 2009 when it imposed similar basic rule structures. It forced the tax world to re-evaluate how it transmits data back and forth with its clients over open email architecture, Internet, fax machines, etc. Now all tax information has to be securely transmitted with data encryption or by private IT networks, which are similar to what the banking industry and the credit card industries had to adopt in the late '90s.

What does this all have to do with me, an advisor in the 403(b) marketplace? It's an unbelievable opportunity for you to let legislation that seems to be a burden actually work to your own advantage. Because of the Circular 230 compliance issues passed by the IRS, many tax preparers across the country decided that, with this new regulation, they would end their tenure in the tax preparation industry.

At the same time, other business models such as H&R Block, Liberty Tax, and countless others, have had to re-evaluate their systems and pricing due to the heightened requirements the new IRS rules forced on them. A recent *U.S. News and World Report* article stated that 1,070,000 accounting jobs would be opening soon, even though most industries are shrinking. The accounting world opportunities are growing like almost no other.

It's a fantastic opportunity for 403(b) advisors to bring a process in their office that fosters greater client communication and greater client trust. More important, it annually does what many advisors struggle to do most of their career—potentially bring them face to face with hundreds of people in a positive way, without a lot of effort or drip marketing. It's also a process that gives the advisor faster credibility than if they approached the same client only from a financial perspective.

How do you do that? By being a 403(b) advisor who also owns a tax office. Mining a tax return for sales

It forced the tax world to re-evaluate how it transmits data back and forth with its clients over open email architecture, Internet, fax machines, etc. Now all tax information has to be securely transmitted with data encryption or by private IT networks...

opportunities isn't new, but providing the service to gain those opportunities isn't an option that's ever been packaged and provided as "compliant" with broker/dealers. In the past, most broker/dealers have seemed to simply hide behind the "Our advisors don't give tax advice" disclaimer and ignore that it's all but impossible to give advice about 403(b) dollars without giving tax advice. Now all that has started to change.

Some of the larger broker/dealers have adopted collaborative models with CPA firms (with various rules) and others have read the writing on the wall and stepped out with never-before-seen acceptance. Case in point, Vision Advisors Financial Services and their broker/dealer affiliate, High Point Securities, has launched "Vision Tax Advisors" as an approved tax preparation and tax planning program for their investment advisor representatives and registered representatives. This allows them to provide tax preparation and planning services as an outside business activity and also to deliver CPA-prepared tax advice to clients. This is a sign of the future combining of worlds that Dodd-Frank is fostering.

In a recent article entitled "It's all about Brass Tax!" by Mark Kanakaris, a 403(b) specialist in Georgia, he says:

"We can no longer run around and talk about products that defer taxes on non-qualified money. People have already heard that story, however, in some cases it may be all a client can do, but you must be sure from a tax perspective and your client will thank you."

Mark goes on in his story to talk about how being the owner of a tax office and understanding the tax code better makes his client relationships develop much faster.

"After many years in business most of my clients are referrals and closing is easier! You have the credibility you need… But, I'm not looking to wait that long with new clients or prospects. We need the credibility today, not tomorrow, and owning a tax office lends itself to that beautifully!"

Most important for anybody to understand in this new environment is that taxes are going up. Your middle clients in the 403(b) market are going to be vastly affected. They've rarely (if ever) had mandatory tax planning imposed on them. When you as an advisor own a tax office or work closely with a CPA, you stand out from the crowd as a shining beacon. You've become an advisor who's truly doing everything in the best interest of your client and can easily beat any competition.

Mark ends his article with this:

"It is my opinion all of the training from home office support people who are not selling in the field can only take you so far. The value that they have is in better ways to present products and to teach reps to ask certain questions to help your clients make good choices but in the end, the credibility combined with taxes is going to win the day. This marketplace is changing every day and with a tax foundation, we are there for every change and we understand how it really impacts our clients."

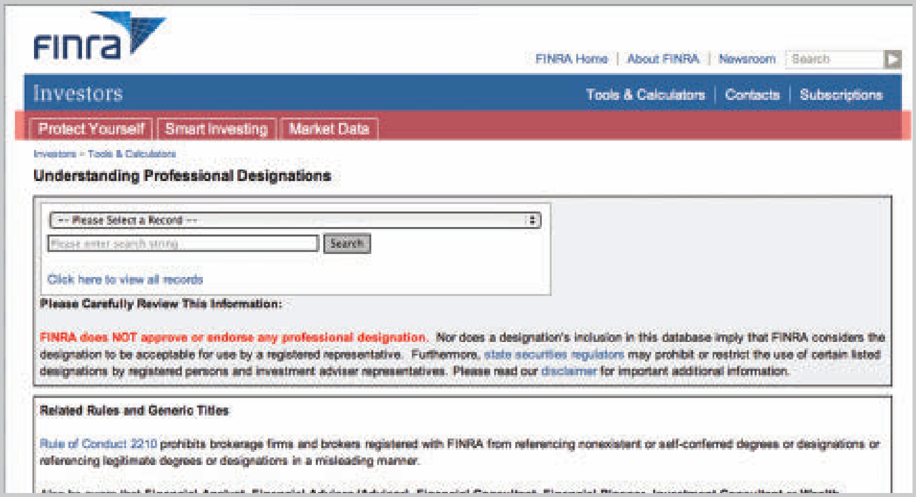
As I travel around the country speaking and discussing the developing models, I'm encouraged. In my opinion, Mark Kanakaris stands out as a shining example of the future industry stars.

Personally, if I were a 403(b) account holder in Georgia searching for an advisor, I'd easily notice how Mark stands out. He not only owns his own financial planning firm, he also owns his own tax firm, Cherokee Tax. After speaking with him for a few minutes as a consumer, I'd quickly determine that if I wasn't working with Mark versus any of his local competitors, I could be making a huge mistake.

But he's just one example. There are many advisors across the country who are becoming the new hybrid of how financial advice is given and how tax preparation is done in this country. Circular 230 has forced a change in the industry and that's a good thing for the consumer.

It's a giant opportunity for any 403(b) advisor facing Dodd-Frank realities and struggling in a difficult market. People will be drawn to that kind of individual and discard anyone without such a strong story.

Paul A. Dyer is CEO of United Tax Partners Services in Bangor, Me. He can be reached for comment at paul.dyer@utaxps.com.



FINRA's Guide to Professional Credentials Is Worth Following

BY SARAH SIMONEAUX, CPC

FINRA's website offers a one-stop shop for retirement professionals looking for the best credential that will build trust and enhance their bottom line.

The most clicked on section of the Financial Industry Regulatory Authority (FINRA) website is the sub-heading called "Understanding Professional Designations" http://apps.finra.org/DataDirectory/1/prodesignations.aspx. Here anyone can check how one financial industry credential stacks up against another designation. Although FINRA doesn't approve or endorse any professional designation, firm compliance departments use FINRA's benchmarks as part of the process of approving credentials for use on business cards.

For example, ASPPA's Qualified Plan Financial Consultant (QPFC) and Certified Pension Consultant (CPC) credentials are both listed on the site. But how do ASPPA's—or another organization's—credentials measure up? Here's what FINRA looks for in a credential and what it means:

ISSUING ORGANIZATION AND ACCREDITED BY

These categories may seem like a formality, but they actually tell you quite a bit about the nature of the designation. Credentials issued by a for-profit organization are designed, frankly, for the organization to make a profit. Although the courses and exams leading to the credential may be on point, continuing education requirements are likely to be granted only when attending the issuing organization's conferences and webcasts, or by using their specific materials. Independent accreditation is also more important for a for-profit issuer than for a non-profit one.

Under "Accredited By," look for a non-profit educational partner such as a college or university or an independent education organization with a track record of accrediting credentialing programs. Finally, what happens to the value of the credential if the organization is sold, merged, or just stops doing business?

Non-profit issuing organizations, on the other hand, are likely to have education as one of their primary missions, but not their only mission or source of revenue. If they're also membership organizations tied to the retirement industry, they're going to be around for as long as the industry survives. A good non-profit educational provider's goal will be to make credentials meaningful, robust, and up-to-date. They provide value to their designated members for the long term.

Accreditation is less important for a valid non-profit provider, but they're likely to have been accredited by an organization not listed by FINRA. For example, ASPPA's exams are overseen by the University of Michigan, and ASPPA courses and credentials are eligible for college credit with the American Council on Education. However, FINRA doesn't list either of these institutions under "accredited by." Check out for-profit and non-profit issuer's websites for the details of educational institutions that may be involved with their programs.

PREREQUISITES/ EXPERIENCE REQUIRED

If the credential doesn't require any prerequisites or experience, candidates should dig deeper. Although it's common to have no prerequisites for an entry-level certificate program (such as ASPPA's Retirement Plans Fundamentals or Tax-Exempt & Governmental Plan Administration Certificate), having no previous requirements for a designation can signify a less than robust credential. Most strong retirement professional credentials require some combination of industry experience, investment licenses, or certificate-level exams. An exception to this rule would be if the education and exam requirements show that multiple exams are required, some of which are proctored.

EDUCATIONAL REQUIREMENTS AND EXAM TYPE

These requirements are the meat and potatoes of any meaningful credential. Robust credentials will show a program of study here, typically one or more semester-long courses. Courses should have learning objectives, study guides, and/or textbooks and supplemental webcasts or boot camps. The fewer the study options and learning objectives, the less robust the credential. Designations that require only one weekend or week-long course should be viewed as entry-level credentials to be used as a stepping stone to higher level designations. It's like the old adage says: You get out of something what you put into it.

CONTINUING EDUCATION REQUIREMENTS

CPE requirements are second only to education and exam requirements when deciding on the value of a credential. Be careful of designations that have "none" in this box on the FINRA site.

How worthwhile would a doctor's specialty accreditation be if he or she never had to learn anything new? The same is true in the rapidly changing qualified plan profession. Imagine a credentialed professional who had no CPE required and wasn't up to date on the latest fee disclosure or fiduciary rules. Would you be comfortable hiring him to assist with your qualified 401(k) or 403(b) plan?

Look for a minimum of 10 credits per year and preferably 20 credits per year. CPE shouldn't be restricted to the issuing organization's product; qualified CPE requirements should allow for other valid issuing organizations' offerings. For example, ASPPA and NIPA recognize each other's courses, webcasts, and conferences as valid CPE. In addition, ASPPA allows CFP and CEBS courses focused on qualified retirement plan issues to count as CPE.

COMPLAINT AND DISCIPLINARY PROCESS AND PROFESSIONAL STATUS

Transparency and accountability are the keys to maintaining a quality credential. Designations should have an ethics component that is backed by a meaningful complaint and public discipline process. Being able to check online if a professional has maintained her credential through CPE is also the sign of a designation that has "teeth." Credentials without the ethical backing of a robust discipline process may not stand up to those that have these processes and status checks in place.

Spending your money and, more important, your valuable time on a credential is a great way to distinguish yourself in a crowded field. And, spending your time and money wisely for a designation is critical to your career. Use the free tools provided by FINRA and ASPPA to evaluate the best credential for you and for your clients.

Sarah Simoneaux, CPC, is president of Simoneaux Consulting Services in Mandeville, La. and a principal of Simoneaux & Stroud Consulting Services. She is a former president of ASPPA and previously served on the Education and Examination Committee as a Technical Education Consultant. Ms. Simoneaux wrote the textbook, Retirement Plan Consulting for Financial Professionals*, which is used for the PFC-1 (Plan Financial Consulting - Part 1) course of ASPPA's Qualified Plan Financial Consultant (QPFC) credentialing program.*

Simian Surveys and Other Pursuits

Downloads and apps can help keep your business running smoothly for little or no money.

BY
YANNIS P. KOUMANTAROS, CPC, QPA, QKA
AND
ADAM C. POZEK, ERPA, QPA, QKA, QPFC

1 eBillity
www.ebillity.com

Everyone hates tracking time, especially us. Some professional service businesses have been tracking time for years; others are newer to the concept. Whether you're a 403(b) advisor or a plan consultant, the ability to analyze where your valuable time goes is a powerful tool.

eBillity brings time-tracking to your computer, your smartphone, and fully integrates into QuickBooks. It's the self-proclaimed simplest and fastest way to track, manage, and bill time. Finally, a turnkey application integrated with QuickBooks that's totally cloud-based and makes tracking time easy.

Whether you want the eBillity software integrated with QuickBooks, or the stand-alone version, this powerful technology is very cost effective. Even the unlimited Premium version is $39.95 per month, but the good news is you have no contracts, you can cancel at any time, and all data are fully exportable and owned by you. Now the tough part: convincing and training your staff to start logging their time to your customers!

2 SurveyMonkey
www.surveymonkey.com

A few magazine articles ago we wrote about MailChimp (Summer 2011, p.53), a very powerful online email marketing tool. Today we bring you SurveyMonkey, an online survey technology that fully integrates with MailChimp to ask your customers how they really feel about the services you provide.

Here's how it works. Set up a user account with SurveyMonkey and link it to your user account with MailChimp. Using SurveyMonkey's powerful design features, you can create as simple or extensive a survey as you want. From "how are we doing" to "what else can we sell you" to "give us feedback," this application is phenomenal for learning more about your customers and their perceptions. The best part about SurveyMonkey is that the basic version is free.

Finally you can ask your customers to complete an easy online questionnaire without using a pen, and can even tell them exactly how long it should take. Create surveys, collect responses, and analyze results. Another silver lining here is that if you want to pay for the premium version of SurveyMonkey, they will even do the work for you. Just fill out a survey of your needs, of course!

Adam and Yannis are always on the lookout for new and creative mobile applications and other technologies. If you have any tips or suggestions, please email them at adam.pozek@dwcconsultants.com and yannis@spectrumpension.com.

3 Dropbox
www.dropbox.com

In previous installments, we've reviewed Box.net (Summer 2011, p. 53) and iCloud (Winter 2012, p. 43). Now it's time to take a look at Dropbox, another of the cloud storage, sharing, and backup services.

First, let's consider some of the similarities. Dropbox offers a free basic account that includes 2 GB of storage space and paid accounts of up to 100 GB for $19.99 per month. Anything you save or copy into the local Dropbox folder on your computer is automatically synced to your online account and any other computers on which you have installed the software. Install the free app for your iPad, iPhone, Blackberry, or Android, and all your files are instantly accessible. If you make a change on any one of those devices, the updated version is immediately synced to all the others. File sharing? Check. Security and encryption? Check. Workgroup accounts for shared storage and collaboration? Check.

What really sets Dropbox apart from the others, however, is its seamless integration with many other apps and services. Audiotorium, the note-taking/voice-recording app we covered in a previous installment (Fall 2011, p. 61) is a great example. Simply type your Dropbox user name and password into Audiotorium, and all of your notes and recordings are instantly available on all your devices or to anyone with whom you share your Dropbox folder. GoodReader (see below) is another example. Open a PDF from your account, make changes, highlights, etc., and save. All of your updates are immediately synced. Apart from the storage fees described above, the desktop software and mobile apps are all freebies!

4 GoodReader
www.goodreader.net

As you may have deduced from the Dropbox description, GoodReader allows you to read and mark-up PDF files directly from your iDevice. It also allows you to open and read many other common file types such as Word, PowerPoint, and Excel. Since the app integrates with Dropbox, you can access your files anywhere you can get an Internet connection and all of your changes are automatically synced to your other devices. If you need to work offline, simply download your files in advance and the synchronization will occur the next time you're connected.

When you've finished your review and mark-up, you can email files directly from within the app. One downside is that the app isn't universal, meaning there are two different versions for the iPhone and iPad. But, at only $4.99 each, you can download both for not much more than the price of a value meal at the closest burger joint.

When you're ready to take a break, cheap tech can help you unwind. Download Band of the Day for your iDevice to get the latest scoop on some great new music. As you might guess, the app features a new band each day, and you can actually listen to a few songs to see what you think. We're talking several entire songs, not just those 15-second clips that cut off at the best part. Not into Emo? Have no fear. The bands cross a variety of genres from jazz to hip hop to that old-time rock and roll and everything in between. By the way, this cheap tech is absolutely free.

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*Adam Pozek is a partner with DWC ERISA Consultants, LLC (www.dwcconsultants.com) in Boston, Mass. He is a frequent author and lecturer and publishes a Blog at **www.PozekOnPension.com**.*

Winning Ideas

BY JODY DETILLIER, TGPC & JOHN SCHU, TGPC

Two veterans from the 403(b) Advisor Summit share sales secrets to help you boost your business.

TEST DRIVE YOUR RETIREMENT

I'm by no means proficient in technology, but I have had great success in using my iPad to organize myself and also help educate our clients. I've scanned practically all of my forms and sales literature, converted them to PDFs, and stored them in iBooks. I organized them by company and function. So now instead of having to lug around a briefcase full of folders and brochures, a few flicks of the touch screen makes instantly available everything I need to make a sales presentation. If by chance the prospect would want a copy of the sales piece, it can easily be emailed directly to him or her. In addition, for only $10, Apple's "Keynote" application stores and organizes all the PowerPoint presentations I've ever used with clients.

I was so inspired by the use of this new tool that I've actually taken certain sales ideas I've developed over my 20-year career and given them new life. With the help of my main product provider's marketing team, we've developed five slick marketing PDFs that I use directly on my iPad with clients and prospects.

One of these presentations is called "Test Drive Your Retirement." It starts with the premise that when a state employee retires, most will only receive a reduced percentage of their pre-retirement income from their state pension plan. I calculate how much of a reduction this will be and challenge her to live on that reduced income today to see if she can manage. The difference between her current income and her future retirement income could then be invested in her 403(b) program.

If the client can successfully do this, she's answered an important question about her ability to retire. She also would have invested additional funds in her 403(b) program that can be used to offset the retirement income gap. If she can't manage to invest that much money, she may need to revisit her expected retirement date and do additional planning.

As an added bonus, any money invested today in her pre-taxed 403(b) will be sheltered from current income taxes. Although taxes will be owed when withdrawals are made during retirement, the client may be in a lower tax bracket due to her reduced pension income, which will offer further savings.

Jody Detillier, TGPC
Sonny Detillier Agency
Lutcher, La.

BACK TO BASICS

These are just a few basic prospecting tips and techniques you may have lost sight of in the progression of your career.

A major part of gaining access to teachers is how you're perceived when you get there, so be genuinely interested in what they do and understand their issues—before you even broach the subject of sales. Go to PTA meetings and listen; volunteer for fundraising events; get involved in school/community projects. One of our reps says that she typically makes multiple visits to a new school before people realize that she isn't just another teacher. Give before you take.

You never get anywhere unless you ask, so ask for a few minutes to talk about generic retirement issues at mandatory faculty and staff meetings. Find out where the faculty likes to go for treats—a local café or donut shop—and bring refreshments.

Also, schedule systematic back-to-back account reviews onsite and be sure to ask for referrals. This helps get you there for the entire day, which opens the opportunity for "bumper car marketing:" Once you're in the door you bump into lots of other people.

Propose lunch-and-learn sessions with faculty. If you get the green light, don't forget to let them know you're coming. And bring lunch from that café or restaurant they like.

John Schu, TGPC
Lincoln Investment Planning, Inc.
Wyncote, Pa.

Client of the Year?

Do you have a client who's really impressed you with his or her dedication to the teaching profession? Who regularly goes beyond the call of duty?

We'd like to hear about it.

Summarize your ideas in a brief email to stevensullivan08@comcast.net and you could be the bylined author of an upcoming feature article in *403(b) Advisor.*

Getting Better, Not Just Getting Older

BY E. THOMAS FOSTER JR.

The number of people age 90 and older is projected to quadruple. Calculating how much they'll need to live on in retirement is both a challenge and an opportunity for 403(b) advisors.

"You're not getting older, you're getting better," was a famous slogan from a TV commercial promoting hair coloring for women in the 1970s. It was an appeal to women flirting with middle age who wanted to maintain a youthful appearance.

Forty years later, many of the people who colored their hair to hide the gray or who tried other remedies to retain their youth are now retired. Whether they still dye their hair, many can expect to continue "getting better" for nearly 20 or even 30 more years. A 65-year-old today can expect to live another 18.5 years on average, according to the National Center for Health Statistics.

Many will even live well beyond their mid 80s and into their 90s as the U.S. Census Bureau projects that the population of people age 90 and older will quadruple in the next 40 years. That's after nearly tripling in the past 30 years.

Those demographics spell new challenges for financial advisors who serve the 403(b) retirement plan marketplace. The growing possibility of more people living to what doctors refer to as "oldest old" or beyond age 85 means new asset accumulation and distribution strategies are needed.

Perhaps the biggest challenge facing Americans as they head toward retirement is their relative paucity of retirement savings. In 2011, 56 percent of those who said they were saving for retirement had less than $25,000 squirreled away, according to the Employee Benefit Research Institute (EBRI). And 40 percent of those surveyed said they weren't saving for retirement at all.

There isn't enough hair color in even Hollywood to mask the financial problems caused by the graying of America. But sponsors of 403(b) plans can help significantly by positively influencing the behaviors of their employees and placing greater emphasis on the importance of saving for retirement. The tools are available if only more would use them.

MAKE IT AUTOMATIC

A potential starting point is the widespread adoption of automatic enrollment. Advisors can promote greater savings by encouraging plan sponsors to make retirement savings a default rather than simply a menu item on a benefits enrollment card. Automatically enrolling employees in a 403(b) plan, especially if the contributions are withdrawn from paychecks on a pre-tax basis, demonstrates that saving for retirement may have less impact on take-home pay than many people expect. And once savings start to accumulate, they may just become an incentive for employees to continue.

Some industry critics maintain that automatic enrollment is less effective than it could be because employers typically start contributions at a meager 3 percent of pay. Criticism

TAKEAWAY

> Few Americans truly understand how much savings they need for retirement or how that savings translates into income.

accepted. There is no reason why employers can't start contributions at a higher level—5 percent or 6 percent of salary—and create more meaningful savings at the gate.

Many in the retirement planning industry believe that savings levels need to rise dramatically if Americans are to accumulate the resources they need to live comfortably in retirement, especially those living into their 80s and 90s. Another opportunity for employers to promote savings is to automatically escalate contributions, too. Contributions can rise by 1 percent or 2 percent a year until total contributions reach a meaningful level, say 10 percent of pay or more. Any employees who wish to discontinue the escalation or even the savings can opt out. But experience shows that few do.

PROVIDE THE TOOLS

Next on the agenda: providing tools to determine how much retirement savings are needed in retirement. Plan sponsors can be of immeasurable help to their employees by making calculators and other tools available to conduct a "gap" analysis, helping determine not only what resources they'll have available in retirement but what their expenses will be as well. The difference or "gap" then becomes a savings goal.

Few Americans truly understand how much savings they need for retirement or how that savings translates into income. Which is why the federal government is weighing the implementation of new rules that would require retirement savings to be translated into monthly income on participant statements for 403(b)s and other defined contribution plans. The result could be an eye opener for many plan participants. It could be a motivator as well.

Actually turning those savings into income, however, is both a challenge and an opportunity for advisors. Many plan participants may consider annuitizing some portion of their savings to create a guaranteed, lifetime income that lasts as long as they do. How much lifetime income is right for them can be addressed as part of a gap analysis and working with an advisor. Some 403(b) plans already have annuity options built into their plans, so advisors may want to start there for at least comparison purposes.

The graying of America is transforming the 403(b) market as retirement plan participants, providers, and advisors look for new solutions to a growing problem. Whatever the color of their hair, though, the one color that Americans need to increasingly focus on as they improve with age is green: how much green they're saving and how much income it will generate for them in retirement. Advisors in the 403(b) marketplace can help to promote a new "green movement" by working with employers to boost retirement savings.

E. Thomas Foster Jr., Esq., is The Hartford's national spokesperson for qualified retirement plans. Foster works directly with broker-dealer firms and advisors to help them build their qualified retirement plan business and educate them about industry issues.

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