



Questions and Answers about after work Employee Retirement Financial Education

Q. “Isn't this what our broker is supposed to do?”

1A. No! Your Investment broker is essential as your plan level investment advisor. Brokers are effective at providing individual advice to participants.

Your broker has a lot of responsibilities including:

- a) Consult in the establishment of investment evaluation and selection criteria
- b) Consult in the preparation of the plan's written Investment Policy Statement
- c) Recommend an investment universe and vehicle
- d) Recommend an appropriate administrative platform
- e) Recommend an appropriate third party administrator
- f) Recommend an appropriate way to provide ongoing retirement financial education
- g) Assist in the establishment of plan provisions, policies and procedures
- h) Assist in the execution of documents and tax reporting forms
- i) Prepare investment plan applications and disclosures
- j) Obtain and distribute trustee intended investment performance reports
- k) Obtain and distribute participant intended investment performance reports
- l) Obtain and distribute participant investment education materials
- m) Provide analysis and evaluation of current investments offering performance

- n) Provide analysis and evaluation of alternative investment offerings
- o) Recommend replacement investment offerings
- p) Explain new plan related laws and their effect to management and trustees
- q) Evaluate and report to management the plan's effectiveness in meeting client goals
- r) Periodically meet with management and trustees to review progress
- s) Interface with the plan's accountant and attorney
- t) Interface with the plan's third party administrator
- u) Answer telephone calls and questions from management and the trustee(s)
- v) Answer telephone calls and questions from the participants

The above duties will take your broker twenty to thirty hours per year. Your broker barely has enough time to perform all of these duties let alone adequately create, organize and deliver retirement financial education. There just isn't enough time in a day.

2Q. “Why are employer plan sponsors responsible for providing this education?”

2A. Because this is the way it has worked out for plans with participant directed investments!

The Department of Labor 404(c) Regulations, along with the participant directed investment fiduciary standards require it. In addition the turmoil in the investment markets demand that employers provide more education.

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3Q. Isn't this just another cost being put onto employers?

3A. No! This doesn't have to be an employer cost!

The retirement plan is allowed to pay for the ongoing education of the participants because this is an essential element to the ongoing successful operation of the plan. By directing a payment from the retirement plan assets to the education provider the cost of the education can be paid for by the plan itself. When combining this with voluntary after-work education the employer's cost of retirement financial education becomes zero!

4Q. Isn't this really shifting the cost of education from the employer to the plan participants?

4A. Yes! There is no doubt that this is a shifting of the cost. However the trend in the retirement plan industry is to shift costs from the plan sponsor to the plan itself which in turn is essentially paid from the participants' accounts. This has been the case with both asset management costs and plan administration costs. So why not education costs?

But remember, even with shifting costs, when adjusted for inflation total retirement plan fees are less today than they were in 1984. This means that although participants are paying a higher share of the costs, and in most cases all of the costs, the new total cost they are paying is still less than what they have paid in the past.

5Q. Can the cost be shared between the employer, the plan and the employees?

5A. Yes! The cost may be paid entirely by the employer, the plan or the employees, or the cost may be shared in any way as long as the sharing method is the same for all employees.

6Q. What topics will be covered at the public classes?

6A. The topics will not deal directly with the specifics any one employer's plan but will introduce topics and

concepts that are fundamental and essential to participants in all plans.

A schedule of class offerings is published every six months announcing:

- a) Dates, times and location of each class.
- b) Class topics and difficulty level.

7Q. Will students be allowed to ask questions specific to their employer's plan at public classes?

7A. Yes! Although employers like to believe that their plan is better or superior in some way, there is actually little material difference between the plan of one employer to another. The fundamental tax, financial and investment offering and investment concepts that relate to the students involved are exactly the same. The instructors will be able to answer specific questions and give both general and specific answers that will answer the question. Your employees will benefit from hearing questions from other employees at other businesses.

8Q. Does sending our employees to a public class create a risk that our employees will return thinking that our plan is inferior to the plans of other employers?

8A. Based on the material presented by the instructor and the questions asked by the students and the ensuing discussion of those topics employees will leave the class and return to work enlightened. Remember, your employees talk to other people outside of your company all of the time. Retirement plans are a common topic at parties and gatherings. If your plan is inferior the employees probably already know!

9Q. What makes the private classes different from the public classes?

9A. Normally the private and public course curriculums, materials and documentation are exactly the same and will be presented in the same way. The differences are that an employer may work with our education coordinators to customize the private

“Without education financial decisions are based on the emotions of fear and greed”

For class schedules contact The Pension Specialists, Ltd. 815.394.5500 customer service ext. 103

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classes to whatever the employer wishes. Finally, the cost of a private class can average a lower cost per student than that of the public class if the private class is well attended.

10Q. How will the curriculum change so that the classes stay new and interesting?

10A. Our staff will continually update the materials and curriculum to provide fresh new ideas to the students that attend. We will offer classes on different topics E.g. Investment Securities, Financial Markets, International investing, Investing Strategies, etc.

11Q. How do you deal with the differing level of knowledge between students?

11A. We will offer classes at different levels E.g. Beginner, Intermediate and advanced. Classes will combine level and topic as follows:

- a) Financial Markets/ Beginner level
- b) Financial Markets/ Intermediate level
- c) Financial Markets/ Advanced level

12Q. Are the instructors of the classes qualified to teach the classes?

12A. Yes! Their education and professional credentials include Attorney, Certified Public Accountants and Certified Financial Planners. All are actively involved in financial planning and financial service practices. Most are also licensed investment sales people and offer these services to the general public in consideration of fees or commissions or both fees and commissions.

13Q. Will the instructors solicit the attendants for investment sales and financial planning services?

13A. No! The instructors have agreed to not solicit the attendants, violation will result in dismissal. Instructors may not telephone, mail, e-mail or in any

way contact the class attendants without permission. The instructors are allowed to introduce themselves and describe their background and credentials and distribute information about themselves. Attendees will be allowed to sign a form asking to be contacted.

The employer will be provided a copy of the list of attendants that have asked to be contacted.

14Q. What alternatives are there to providing education?

14A. None really! Some 401(k) vendors/ investment companies are beginning to offer investment management services to participants in lieu of education. This service is

usually a minimum of 1.5% of the participant's account. A participant with only \$10,000.00 as an account balance will pay \$150.00 per year. A participant with \$100,000.00 will pay \$1,500.00 per year. In the end participants are better off to learn how to handle their money and make their own decisions.

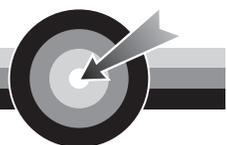
Take a moment to review the cost analysis of after work Employee Retirement Financial Education for ABC Company on the next page...

“No one likes to lose money. And when they do they look for someone to blame!”

“Without education employees make costly mistakes”

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Cost Analysis of after-work Employee Retirement Financial Education

E.g.1. ABC Company with fifty employees holds mandatory two-hour retirement plan meetings during the workday. ABC employees earn \$18.00 per hour with taxes and benefits being another \$3.60 per hour. The direct cost per hour per employee is \$21.60. If every employee attends the two-hour meeting then the cost is **(50 E'EEs x \$21.60 rate X 2 hours) = \$2,160.00.**

WRONG!

This cost analysis is incomplete. It ignores the allocation of non-employee overhead that could double the answer in this example to \$4,320.00. **BUT THIS IS ALSO WRONG!**

Businesses are not operated to cover costs businesses operate for profit. If the above costs account for 75% of sales then the sales value of lost production during the meeting is **\$5,760.00. THIS IS NEARER TO THE CORRECT ANSWER!** The employer's cost is \$115.20 per employee or \$57.60 for every one hour of employee meeting. The employees receive little substantive education.

E.g.2. ABC encourages and promotes all fifty employees to attend one two-hour class each year. The cost per employee is \$40.00. If all fifty employees attend then the total cost is \$2,000.00.

E.g.3. ABC company provides ongoing and consistent education for its fifty employees: A private class is offered at a time and location selected by ABC company two times per year. Assume that seventy-five percent or thirty-eight employees attend the private class. The remaining twelve employees attend one of the public monthly or quarterly meetings offered. ABC pays \$1,000.00 for the two private classes and \$40.00 each for the twelve employees attending the public classes. The total cost to ABC is \$1,480.00.

- a) The employer saves \$4,280.00 when compared to E.g.1 from above.
- b) The employer saves another \$520.00 when compared to E.g.2 from above.

E.g.4. Review the employer in example E.g.1. The employer changes its policy and begins offering voluntary after work retirement financial education. In addition the employer directs that the cost of all such education be paid for out of the retirement plan assets. The employer's cost of education has dropped from \$5,760.00 to zero!

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