

BLUEPRINT FOR 401(k) CHANGES

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PROBLEM:

In existing 401(k) investment structures:

- Employers and service providers' efforts to help employees save for retirement are being hampered by the fear of being sued.
- Expecting to solve the lack of participant investment knowledge through either education or advice is unrealistic because participants who need help the most don't get it.
- Too much money is lost when participants are forced to cash out.
- Too much money is invested in company stock.
- Improper labeling of funds and style drift lead to inadequate diversification.
- Most employers are underqualified to choose investments for their employees.
- And the potential for longer-term investment disasters is very real.

SOLUTION: Provide a fiduciary safe harbor where employers and providers are freed from this burden with respect to investment performance.

Option #1: Participants would be provided the choice of structured portfolios that are established in compliance with industry standards that consider both the participant's time horizon and risk tolerance or the opportunity to select their own investments from a fund window:

- Participant-paid expenses for each structured portfolio do not exceed 75 basis points and the additional participant-paid fee to access the fund window doesn't exceed \$150.00 and 100% of the participant's account can be transferred into the window.
- Participants may select only one structured investment portfolio.
- Participants who stay in a structured portfolio for at least 20 years will receive a 7% guaranteed minimum average annual return.
- An IRA option exists allowing participants to retain the portfolio when they change jobs, the employer is sold, etc.

Note: The fee limits apply only to fees paid by participants.

2010	2015	2020	2025	2030	2035	2040
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Option #2: Participants would be permitted to invest in IRAs under the same rules that apply to SIMPLE-IRAs. The employer could pick a single financial entity that would receive all new deposits but participants could transfer the money accumulated to any other financial organization annually without penalty.