



ICG TIMELY TOPICS

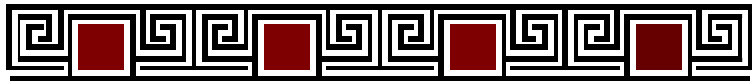


From the top

There is a lot of information that is being offered to the public today. Just remember, the quality of the information is directly associated with the motive of the person giving the information to the public. This is in all fields - politics, investments, consumer goods (i.e. fuel, food), employment (or unemployment).

All investment education can be intimidating but any information is better than no information. Investment consulting advice runs a fine line between emotional and rational. The more facts that are collected the less emotion is involved in the decision making process.

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President
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Crawford, Gregory “401(k) participants as slow as turtles” Pensions & Investments May 3, 2004 pp. 3, 41

Participants in 401(k) plans tend to wait until stock market returns are extremely low before switching to fixed-income investments. When stock market returns improve they rarely switch back.

Mottola, Gary R. and Utkus, Stephen P. “Can There Be Too Much Choice In a Retirement Savings Plan?” The Vanguard Center for Retirement Research June 2003 pp. 1 – 10 (thanks to David Dettmann for submitting this article)

Researchers at Columbia University have extended the choice overload hypothesis to retirement savings plans. The key finding: after controlling for the employer match, participant demographics, and other variables, the probability that an employee will join a savings plan decreases modestly as the number of options increases. Every additional 10 investment choices, on average, reduces predicted participation rates by 2%.

Anand, Vineeta “New PBGC head set to fix system” Pensions & Investments May 17, 2004 pp. 2, 31

Bradley D. Belt is the new executive director of the Pension Benefit Guaranty Corporation. Mr. Belt is knowledgeable of the problems with the nation’s retirement policies, familiar with securities law and the investment industry. Mr. Belt believes that his understanding of the system will bring value in helping PBGC run more efficiently.

Feinberg, Phyllis “New SEC rules may tax 401(k) plans, participants” Pensions & Investments April 19, 2004 pp. 3, 40

New SEC mutual fund disclosure rules may prove costly to plan sponsors and participants, who would bear the cost of the added record keeping costs if the SEC puts into effect a 2% redemption fee on all mutual fund sales done within a certain period of time.

Feinberg, Phyllis “Investment advice sees growth among sponsors” Pensions & Investments March 22, 2004 pp. 4, 51

More than half of 401(k) plan sponsors now offer investment advice, compared to 35% in 2000. While the number of plan sponsors offering advice has grown, the number of participants using the advice has remained around 30%. In larger plans (≥ 5000 participants) only 13.8% are using investment advice offered. There is a 50% usage rate among smaller plans (≤ 49 participants). The reason suggested for this variance of usage is the use of personal (face to face) advice versus receiving advice from the Internet.

Carlson, Leah “CFO’s make 401(k) changes in response to funds scandal” Employee Benefit News April 1, 2004, Vol. 18, No. 4 pp. 11, 12

Approximately 25% of companies surveyed are modifying 401(k)s because of the mutual fund scandal. Another 25% are considering changing their 401(k)s. Some analysts are surprised at the number of companies making changes right now. One CFO noted “You don’t want to make a change now only to find out that the fund family you moved into has subsequently become tainted as well.” Bob Shepler of FEI states “....You can’t fall asleep at the fiduciary wheel.”