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ICG TIMELY TOPICS



FROM THE TOP

Time for a change

Investment experts have always talked about investing for the future and the trends of investing. If the 1997-1999 stock market taught us anything, it is that change always follows the trend. This is best summarized by Warren Buffett. "Most people get interested in stocks when everyone else is. The time to get interested is when no one else is..."

Where is the trend today? All I read about is "guaranteed" investments and bonds, junk bonds and real estate (wow talk about risk). No one wants stocks. What is wrong with this picture? Pick up your favorite magazine. Is anyone positive on stocks? Did you know that as this goes to print the market is up 8.30% since December 31, 2002 and 11.5% since March 31, 2003? Is it time for a change? Has the change already begun?

Donald R. Stanforth, President
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Anderson, Scott "Managed accounts could save 401(k) plans" Global Pensions January 2003 p. 1

Most plan sponsors find that their employees are either unwilling or unable to make informed investment decisions. Education may not be enough to help these employees make a decision. Managed accounts, which are currently being piloted by several small pension plans, offer a professionally managed default fund within the existing 401(k) structure. With managed accounts the liability is with the investment manager.

Neel, Dan "Union Loses Suit Over Mismanaged Pension" Investment Management Weekly February 3, 2003 Vol. XVI, Issue No. 5 p. 3

A disgruntled plan participant won an \$8 million settlement against the International Union of Operating Engineers Local 825. Three factors contributed to the decision. First, trustees managed the assets without enlisting the advice of "professional money managers." Second, 90% of the fund's assets were kept in fixed-income investments, and not diversified into investments such as common stock. Third, union pension fund managers operated under the assumption that because the fund was a defined benefits plan, meeting the defined contract benefit was the limit to their obligation, even when it was being outpaced by inflation.

Editors "Progress report - Deciphering that 401(k) statement" Plan Sponsor February 2003 pp. 23, 24

Participants have generally looked at their retirement plan statements to see how the ending balance compares to the beginning balance. This article offers insights and tips on deciphering the statement.

Staff Writer "Phased Retirement" In Focus Vol. 3, No. 1 First Quarter 2003 pp. 1, 2

As baby boomers begin to reach their mid 50's employers face the possibility of an enormous "brain drain" when the boomers begin to retire in large numbers. The goal of the employers is to find incentives for an employee to delay or phase retirement. The problem with this is that regulatory, legal and tax realities don't yet support a phased retirement plan. The goal is to design a framework that will meet the needs of both the employer and employee.

Benjamin, Jeff "Separates pioneer: Time for disclosure" Investment News Vol. 7, No. 13, April 7, 2003 pp. 3, 21

The standard practice in the investment industry is to present a single fee for bundled services. The problem with this practice is that it leaves little indication where the fees are going. There are proponents who are suggesting that these fees should be broken down and disclosed to the investor so they can see how the fee is divided.

Ries, William Campbell, Esq., and Arcuri, James A., Esq. "Responsibilities of Retirement Plan Fiduciaries: Recent Developments" The Monitor Vol. 18 No. 2 March/April 2003 pp. 14, 15

Retirement plan fiduciaries must be ever more vigilant to protect the interests of plan participants from improper acts of third parties. Plan administrators face liability for failing to impose the advanced written notice of blackout periods to participants.