THE 401(k) PLAN:

Building financial security through comprehensive employee education

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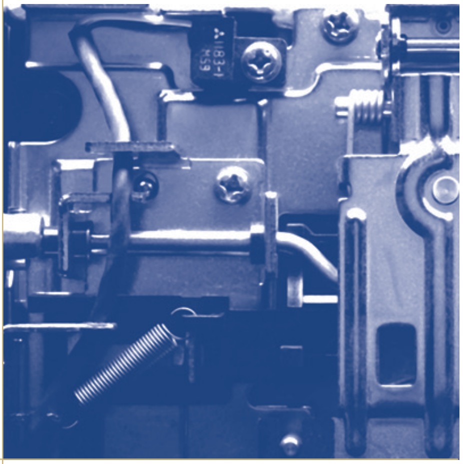
Building financial security through comprehensive employee education

Regardless of which retirement investment structure you choose, employee education is ultimately the single most important function to the overall success of your organization's retirement plan.

In addition to increasing participation in contribution plans by providing employees with a clear understanding of the benefits available to them, establishing an employee education plan can lead to increased satisfaction and loyalty. Such a plan will also make your company more attractive to potential employees.

As a part of my 401(k) management services, I provide a solid educational program that seeks to accomplish five goals:

- Ensure that participants understand the importance of investing for retirement,
- Emphasize the need to start saving today on a pre-tax basis,
- Educate participants about their plan and its **investment options**,
- Explain the concept and significance of **diversification**, and
- Reinforce the need to develop and stay with a **long-term strategy**.



To meet these goals, I offer a comprehensive, four-step approach to employee education that consists of:

- Research,
- Goals and objectives,
- Implementation, and
- Ongoing education.

By structuring an educational framework around these components, I can help you and your employees enjoy the maximum benefit from your company's retirement plan.

RESEARCH

The research process is the critical first step in ensuring a thorough understanding of your company's diverse and unique needs. After conducting an analysis of your employee base, I will make specific recommendations and work with you to develop a strategy for communicating the benefits of your company's retirement plan.

Before implementing an employee education program, it is essential to determine:

- Employees' understanding as it pertains to saving for retirement,
- What goals employees have for their retirement years,
- Employees' knowledge as it relates to investing in the plan,
- Employees' perception of plan benefits and features,
- What educational topics best suit employees' current needs,
- The most effective medium(s) to deliver messages, and
- What internal resources can be leveraged to properly implement the plan.

GOALS AND OBJECTIVES

After the initial analysis is completed in the research phase of the program, goals for the plan can be established. Based on our experience, many companies have common goals. Your company may have additional objectives, which can also be incorporated into the plan.

Increasing participation rates

Low participation can be attributed to a variety of factors. Some employees may tell themselves that they can't participate because they believe that:

"I can't afford to save."

"Retirement is too far off to be worrying about it now."

"I don't understand my plan's benefits."

Increasing participation can be accomplished if effective and frequent educational programs are used to communicate the benefits of the plan. These programs create financially confident employees by using a variety of proven methods that demonstrate how the plan can easily and effectively help them save for their future.

Frequent communication regarding how the plan can work to help employees save not only increases participation among them, but demonstrates that their employer is concerned about their needs – an important factor in nurturing employee loyalty.

Introducing general plan changes

In an age of shrinking corporate benefits, it is common for your employees to be concerned when they hear about their benefits changing, even if the changes are positive. For this reason, it is vital to communicate plan changes as early as possible in an affirming way, highlighting improvements and addressing initial questions employees may have about their change in benefits. Some suggested approaches include letters, fliers, posters, voice mail and e-mail.

Implementing specific plan changes

Often, plan changes, such as the addition of a 401(k) provision, affect only a segmented population.

I can develop a strategy that uses the appropriate communication materials to address issues that may arise for these targeted groups. If a 401(k) option is added, for instance, we will ensure that the employees who have never had a 401(k) plan understand that they can now make pre-tax contributions to the plan. I teach the concepts of compounding and pre-tax savings by using examples that are easy to understand.

ONGOING EDUCATION

Each quarter, employees will receive account statements that detail balances and investment performance, as well as illustrate asset allocation and other account summary information. In addition, I will evaluate the current programs that target the appropriate audiences.

Highlights of the ongoing education portion of the program include:

- **Targeted educational modules** – These modules are based on issues such as "Diversifying your investment portfolio" and "Planning for the long run."
- **On-line participant account information** – Participants can access their account via the Internet. Employees can inquire about balances, pricing, performance, asset allocation and contribution elections. Interactive calculators and worksheets help them assess their financial planning goals and objectives.
- **Availability of an investment professional** – I am always available during normal business hours to assist employees with questions on the plan, asset allocation strategies and/or personal financial planning.
- **Educational seminars –** I will provide ongoing financial seminars on a variety of topics, including estate planning, distribution decision making and asset allocation advice.

BUILDING FINANCIAL SECURITY . . . ONE INVESTOR AT A TIME

By listening to each employee like they are the only investor in the world, I can help them assess their present situation and design a plan to help meet their retirement goals.

My business is people and their financial well-being. I devote my best efforts to meeting and, when possible, exceeding my clients' expectations. My objective is to put *you* – and your employees – *first* to serve you both effectively, efficiently and distinctively – whatever your retirement plan needs.

Contact me today to see how my employee education plan can help your employees build financial security for their future.

Diversifying investments across a broad range of choices

Many participants are heavily invested in conservative options for a variety of reasons, including:

"I don't understand how stocks work."

"The safest route is the conservative one."

"I have heard that stocks are risky."

Using tools such as personal profiling and investment questionnaires to deliver the message, I help participants grasp the concept of diversification across a wide range of investment options. This assists employees in evaluating their goals and risk tolerances to maximize the value of the plan.

Increasing average deferral rates

Low deferral rates can be attributed to many factors. It's not uncommon to hear employees explaining away their low deferrals with reasons such as:

"I can't afford to save more."

"I don't know what my retirement savings goals are."

"I didn't realize the positive impact on my take-home pay."

Increasing the percentage of annual earnings your employees invest in the plan is an important goal because of the tremendous benefit they (and highly compensated employees) can gain by increasing their savings rate.

I can provide solutions, including targeted meetings, to accomplish this goal.

IMPLEMENTATION

Implementation of the employee education plan will be carried out in two phases, using a variety of media, including letters, posters, fliers, e-mail, voice mail, educational kits, video, group meetings, direct access to my toll-free telephone service and access to online services.

Phase one: Communicating change

Your employees will receive communications about the enhanced plan's features and participant services. The goal is to generate enthusiasm for the enhanced plan for those who already participate and to entice new participants to join.

Commonly used methods during this phase are announcement letters, posters, company newsletters and fliers.

Phase two: Education and enrollment

During this phase, your employees will receive comprehensive educational enrollment kits that address a variety of topics, including:

- Why should I save?
- How does my money work for me?
- What are my choices?
- What happens next? An action plan.

These kits are customized to include the plan's details, enhancements, investment choices, fund prospectuses and asset growth calculators.

Also during this phase, I will be available to help employees evaluate their choices and allocate their assets among the available investment options. This service will continue throughout the life of our relationship.