



## **“To Retire, or Not to Retire: That is the Question”**

A Look at New 401(k) Plan Designs and Trends

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With 76 million Americans nearing retirement, the pressure on the current socialized retirement system is extremely high. With the fallout of many private pension plans, it is already clear that traditional defined benefit pension plans are also under extreme pressure. Baby boomers have never accepted “no” in the past, so what will be their answer to the question, “To retire, or not to retire?” I think the answer will be, to retire...

As retirement plan consultants, Longfellow Benefits speaks with thousands of plan participants every year. Unfortunately, many participants that we meet are fearful. Defined, the fear that participants encounter is a fear that they will not have enough money to retire, or they will be able to retire, but at the poverty line. Compounded onto this fear of enough money in retirement is the fear of investing and investments. When faced with these fears, too often participants

decide to either not participate or to participate and invest in the most conservative plan option. There has to be a better way!

***As employees near retirement, what if your 401(k) plan could guarantee the following:***

***No less than an annual 5% rate of return?***

***Unlimited upside market growth and a 5% floor rate of return?  
A stream of payments for as long as you live?***

***A stream of payments for as long as you and your spouse live?***

***Are these ideas of a new 401(k) plan to good to be true? They may not be far off. These are the ideas and requirements of the next generation of retirement plans.***

While the press and regulators focus efforts on reducing plan expenses and fees, baby boomers are requesting security and safeguards. Baby boomers have worked hard at saving money, moving from traditional defined benefit plans to 401(k) plans in the mid to late 1980's. Baby boomers are willing to pay for such guarantees and safeguards. Retirement providers are racing to meet the challenge.

As consultants, our job is to help manage the day-to-day complexities

of your benefit plans with a focus on effectiveness and efficiency. As consultants, our role is also to prognosticate. In January of 2005, Longfellow's retirement division projected that Target Maturity Funds would be met with great praise from participants. Two years later, Target Maturity funds are one of the fastest growing and most widely accepted investment category by plan sponsors, participants, and legislators.

Today, faced with an aging population, the retirement industry is deep in their design bunkers creating new programs and products that will meet the need of the baby boom generation. From a product standpoint, Longfellow expects to see additions to 401(k) plans on an opt-in basis. The traditional aspects to 401(k) plans should continue to allow younger workers to take full advantage of market opportunities at a lower expense without guarantee riders. As workers age, retirement assets will be allowed to shift into income guarantee products that safeguard against market volatility. Another feature to these products will be to offer participants an income stream come retirement. In short, 401(k) plans will continue to look more like traditional pension plans, with the exception that employees will be bearing the risks of longevity and investment volatility!