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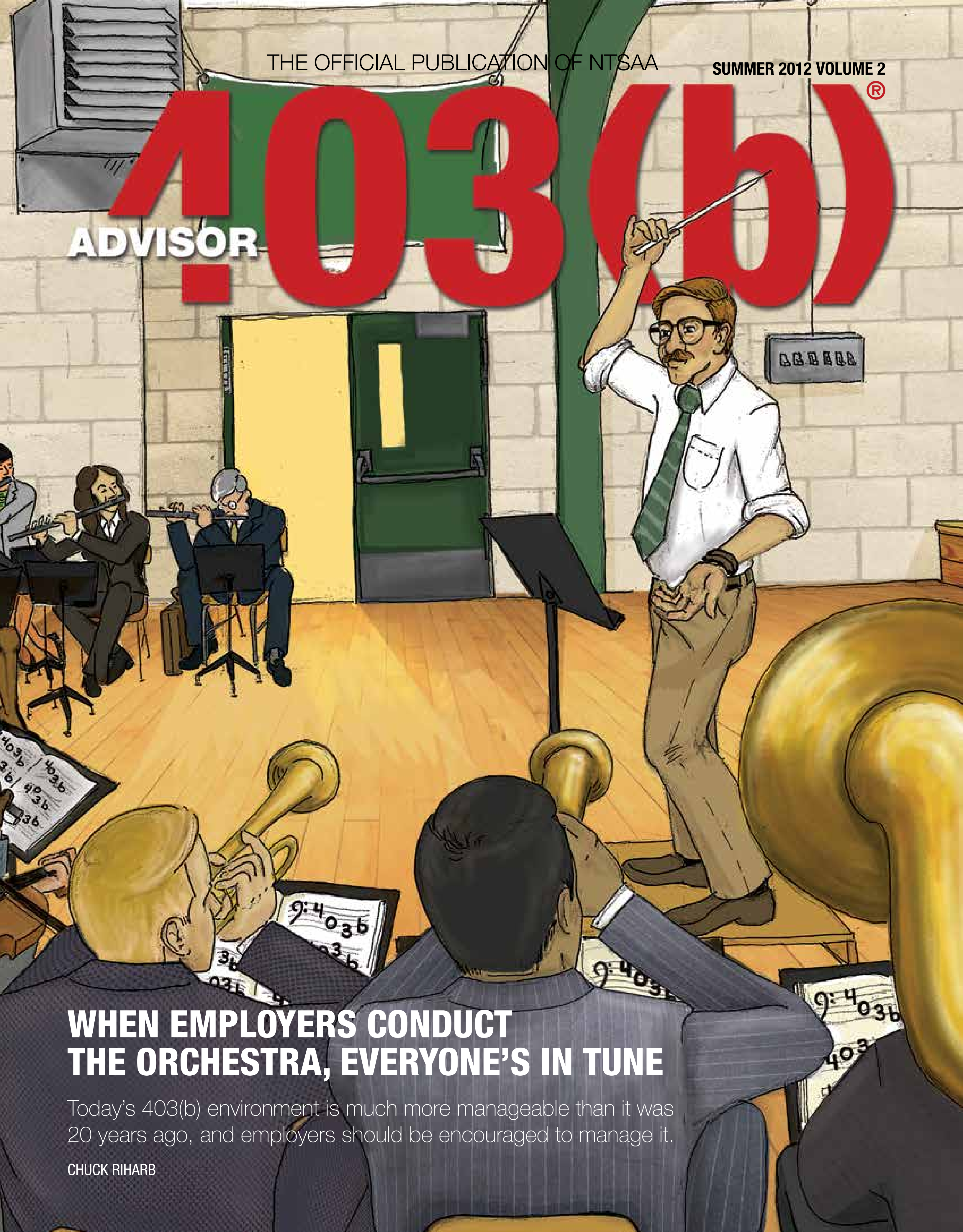

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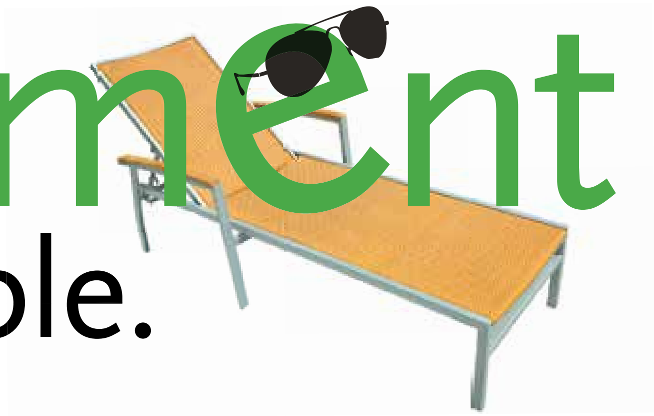

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The Exclusive Magazine for 403(b) and 457 Investment Professionals

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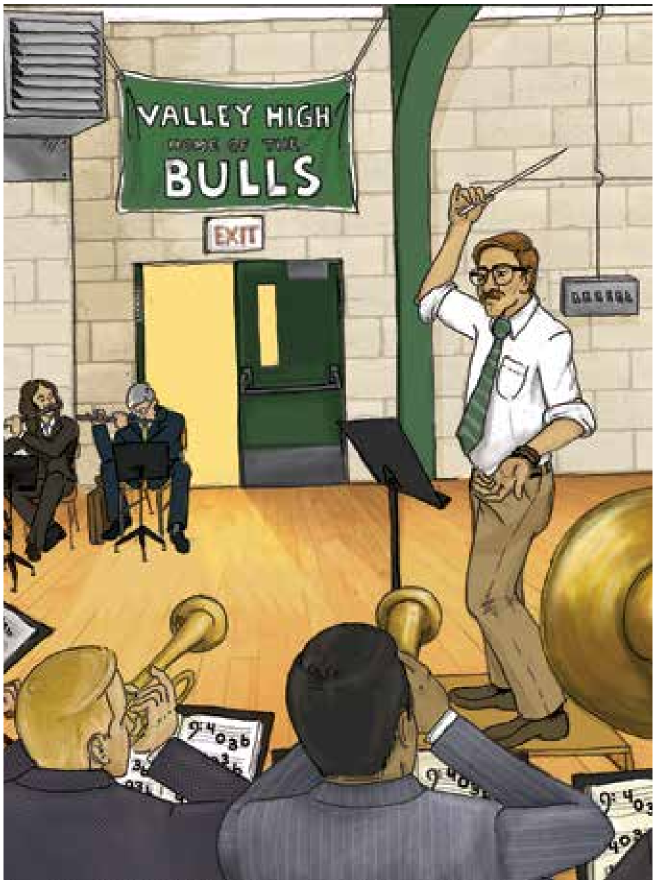

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FEATURES

COLUMNS

DEPARTMENTS

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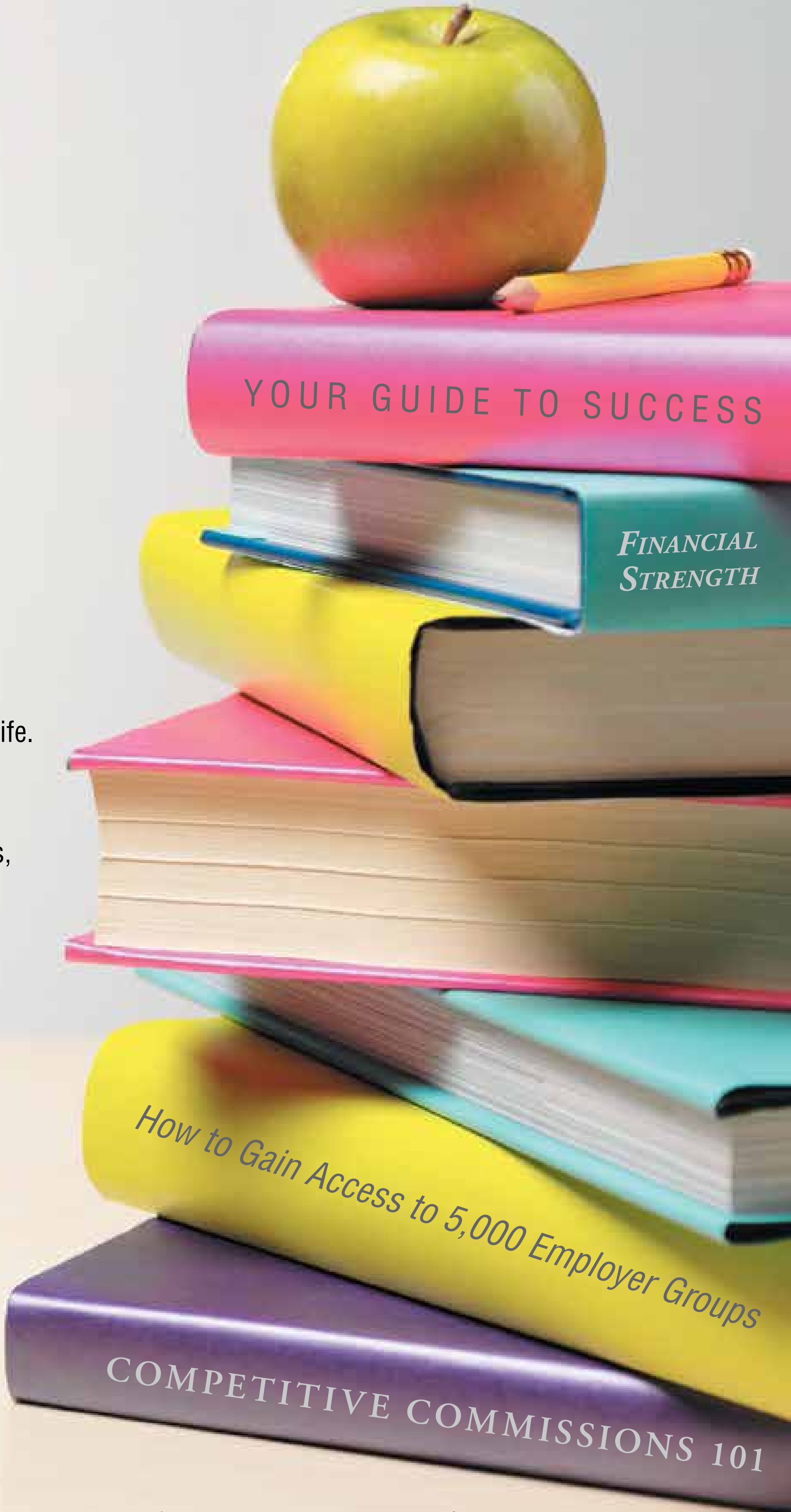

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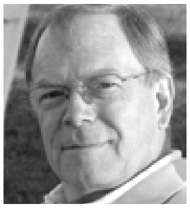


Only Optimists Need Apply

BY STEVEN SULLIVAN

At the last NTSAA 403(b) Summit in Las Vegas, one of the speakers put me on the spot. When I couldn't come up with the answer he was looking for, he jokingly told me not to go into sales.

"I'm sorry," he apologized afterward, "I was just messing with you."

No apologies necessary. He was right. The last time I tried sales was a summer job in college with a coffee service company. Their marketing approach was to have a rep go into a workplace and set up the system for two days free, then have the same rep come in and close the sale.

I was great at giving away free coffee; not so much at the other part.

As irony would have it, I've spent a good part of my career editing and writing for publications aimed at salespeople. And during that time I was constantly encountering a philosophy that can be summed up as something like, "No" isn't a rejection; it's simply a deferred "yes."

That never made any sense to me. Whenever I heard "no," I always heard, "Sorry, pal, not gonna happen. Whatever you're selling, I'm not buying. Not now, not ever. Adios."

But then, probably sometime between that NTSAA speaker's rejection of me and his apology, I had a revelation. An epiphany. Basically, it goes like this: Optimists can sell; pessimists can't. When optimists hear "no," they think: "Okay, maybe not this time. Maybe not you. But sooner or later, either you'll say yes, or some other guy will. It's just a matter of time and effort."

So that explained it. The reason I suck at sales is that I'm just a glass-half-empty kind of guy.

Phillip Broughton, author of *The Art of the Sale: Learning From the Masters About the Business of Life* (Penguin Group, USA, 2012), likens successful sales people to baseball players, who spend most of their professional time striking out. And yet they keep stepping up to the plate.

"That's why you've got to be really optimistic and tenacious," Broughton told NPR's Scott Simon recently. "It's a career in which you're rejected many more times than you're accepted. Lots of really good salesmen thrive on that. At some point there's going to be a triumph, and that triumph validates everything they do."

None of this will come as news to 403(b) advisors. What might come as news, however, is that, according to Broughton, you can get an MBA at Harvard Business School and never even get near a course in selling or salesmanship. "Many supposedly well-educated people in the business world," he says, "are clueless about one of its most vital functions, the means by which you actually generate revenue."

I'm not sure where most of the successful sales people who attended that NTSAA Summit learned their trade. Maybe it was all on-the-job-training. Maybe it was swapping ideas and war stories with colleagues. Maybe (I hope) some of it came from reading magazines like *403(b) Advisor.* Wherever they learned it, they couldn't learn the basic outlook that makes their glass always half full. I think you have to be born with that.

Steve Sullivan is editor of 403(b) Advisor *magazine. He lives in Baltimore, Md.*


TRUST

Forest for the Trees

BY FRANK R. OWEN III

Expecting ASPPA to defend 403(b) choice without grassroots support squanders a valuable resource and marginalizes advisors' influence.

As an NTSAA member, I was very supportive of our merger with ASPPA. This relationship provides a great opportunity for 403(b) advisors to have a louder and clearer voice on legislative and regulatory issues that affect our market. It doesn't, however, replace the need for advisors to stay engaged.

Expecting someone else to carry the water for us doesn't relieve us from our responsibility as financial advisors: to make sure we look out for movements in the market that could affect our clients and our relationship with them. Expecting ASPPA to do it, and then not supporting that effort, squanders a valuable resource and marginalizes your influence.

A case in point: This past week I read the testimony that David John, the senior research fellow for Retirement Security and Financial Institutions at the Heritage Foundation, delivered before the House Ways and Means Committee in late April. While I generally agreed with his testimony, I found it contained some statements that I either misunderstood or was skeptical of. As someone who works in the retirement planning industry you might want to read it as well. You can do so by going to www.heritage.org/research/testimony/2012/04/pursuing-universal-retirement-security-through-automatic-iras-and-account-simplification.

After reading it I emailed him the following:

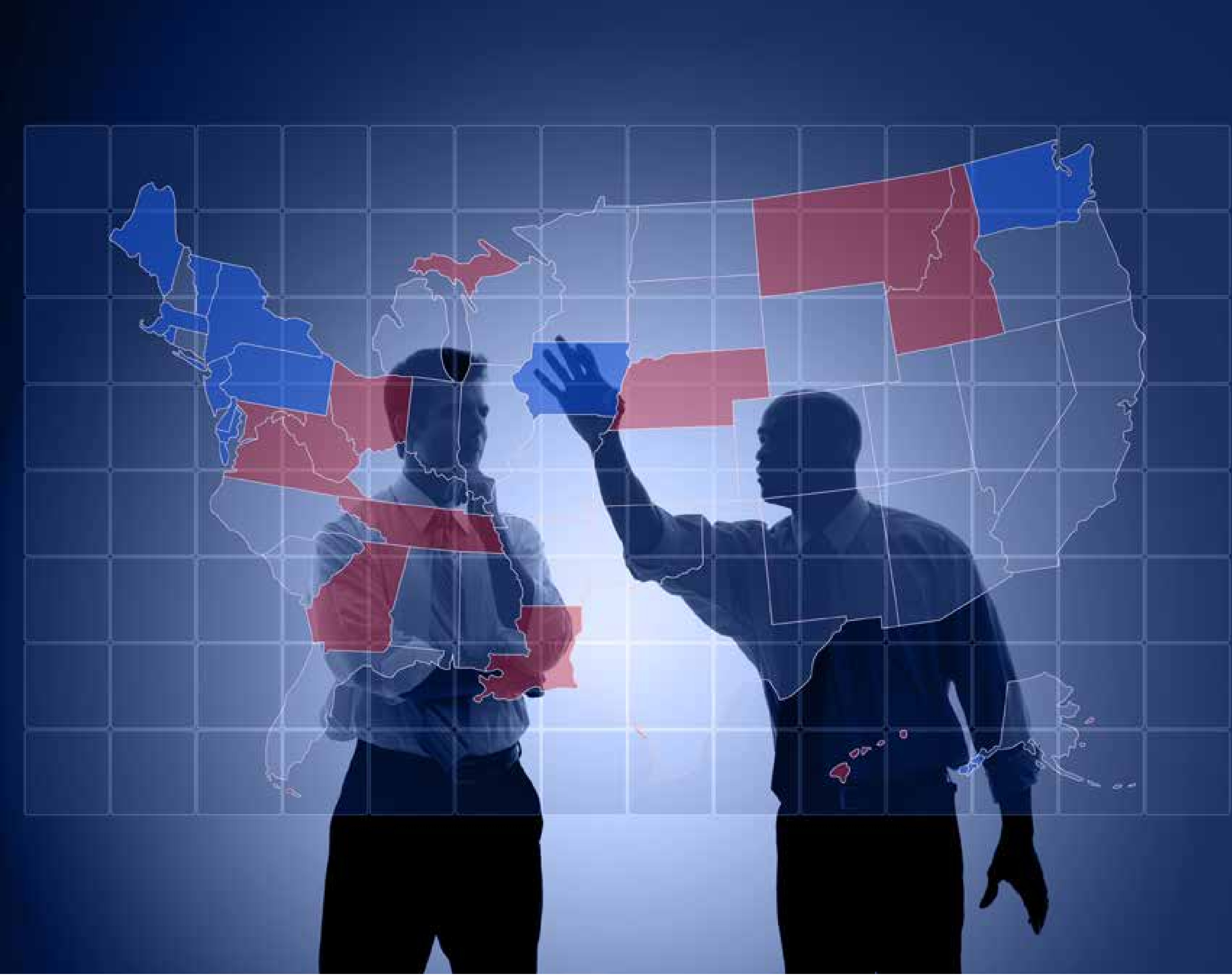
*I read with great interest your testimony on **pursuing universal retirement security through IRAs and account simplification**. I've spent 34 years working with employees to plan for retirement using retirement products, particularly the 403(b). Over the past three years we've seen this market threatened, and "simplicity" has been combined with greater regulatory burdens and a shrinking competitive marketplace.*

While I agree that reform and education are needed, I'm very concerned about one paragraph in the testimony. The penultimate paragraph in Part III states that the IRS could use tax information to contact taxpayers who have multiple accounts and consolidate them into one plan.

Taxpayers have that option now, but are you suggesting that the government should play a role as facilitator of this event? Wouldn't the logical next step be for government to choose who the providers for consolidation would be? Doesn't that just give more power and influence to government which, quite honestly, is the real problem?

You do raise some good points. We do need to encourage people to save and we need to help filter the confusion. Interesting that today there is no shortage of information available through the Internet. Is it plausible that simplification doesn't always make it better? Instead, could simplification only make it easier for one particular group to gain access and control rather than providing a solution to help Americans plan for retirement?

Retirement planning isn't a "cookie cutter" formula; everyone is different. Having a lifetime to plan should take a lot of the confusion out of the process. That's how I've helped clients for 34



years. There may be a website and a government solution that can replace me and make the process simpler, but it won't necessarily make it better.

As a reader and a 403(b) professional, what are your thoughts and what are you doing to make sure our voice is heard? You could start by joining NTSAA and supporting the advocacy effort with your time and your financial contributions.

That's what you should do. At the very least you could go to http://savemy403b.org/, where you can read about all the places in the country in which your livelihood is being threatened by legislative efforts to consolidate 403(b) providers and "simplify" the business. And where it asks you to "Click here" and send a letter to a state senator or representative, to raise your voice and speak out in favor of your clients' right to choose, go ahead and take the plunge. That's the only way to make sure that powerful and vested special interests aren't the only ones public policymakers are listening to.

If a tree falls in the forest and there's nobody there to hear it, it may or may not make a sound. But if a bad bill passes in the legislature because there's nobody there to point out its defects and offer an alternative, you can be sure it'll make more than just a noise; it'll come as an unexpected and unpleasant surprise.

Frank R. Owen III is president of FR Owen & Associates in Charlotte, N.C. He is a member of the editorial board of 403(b) Advisor *magazine.*

Don't Mess With Texas' 403(b)s

BY PHIL LYNCH

On February 23 this year, California assembly member Gil Cedillo introduced Assembly Bill 1949, legislation that would limit the choice of teachers and public employees to just a few selected choices.

The circumstances leading to AB 1949 in California seem eerily the same as we practitioners experienced in Texas in 2001. The circumstances began around 1998. A giant financial conglomerate began exerting influence on the Texas Senate. These efforts resulted in the introduction of Senate Bill 273 in 2001, which would eliminate competition, free enterprise, fair trade, a level playing field, and freedom of choice for Texas teachers. It would have restricted the 600,000 active members of the Texas Retirement System of Texas (TRS) to only 10 or fewer choices per school district.

Interestingly, a close review of the K-12 403(b) footprint of this particular company that was pushing the original SB 273 was minimal at best. Rather than create a better product and offer superior service with its captive representatives, the company did what many giant conglomerates do: It tried to out maneuver the competition and legislate its way into a larger part of market share—not with better products or by inspiring its representatives to provide better service than the competition—but with behind-the-scenes political influence instead.

We shouldn't be surprised at this strategy. Most executives at the helm of giant financial conglomerates have never been practitioners in the field, and therefore have never experienced the benefits of participating in open and fair competition in the marketplace by providing a high-quality, competitive product to teachers.

In the original SB 273, if a school district didn't want to vet the 10 products or companies, it could simply choose to follow what any other state agency or school district had adopted and use those 10 choices. One of the choices would have been the Texas Employees Retirement System's (ERS) 457 plan. Sadly, with the limited 457 employer-mandated choices (10), only 7 percent of all state employees participated. Seven of the 10 choices in the ERS 457 were with the giant institution pushing the passage of SB 273.

After three years of planning, lobbying, and writing the legislation, a copy of the original SB 273 was revealed in February 2001. Steve Bresnen & Associates, all of the Texas teacher associations, the National Association of Insurance and Financial Advisors (NAIFA), many insurance companies such as LSW, Security Benefit, VALIC, Aviva, AXA, Great American, including many of these companies' officers and general councils, top 403(b) agency practitioners, several mutual fund organizations, and certain third-party administrators—all rallied in Austin during February, March, and April to begin the process of setting the record straight while at all times protecting teachers' rights. We pulled together and dedicated ourselves to the common goal of defeating SB 273. The insight and assistance of Ellie Lowder, NTSAA consultant

extraordinaire, was much appreciated.

We promptly learned from Steve Bresnen & Associates that prevailing by simply expressing ourselves in opposition late in a legislative contest was next to impossible. We needed to offer an alternative in order to be taken seriously. So we did.

The outcome of our effort was entirely different from the original bill. Actually, nothing in the original bill survived. The bill we created protects the teacher's right to have the widest variety of safe investment choices. It gives TRS Board members a protocol to follow, allowing for the option to restrict or eliminate products with high surrender charges, prevent financially struggling or inexperienced 403(b) companies from having access to employees. It also caps annual fees in variable annuities at 2.75 percent. The Legislature accomplished this by requiring companies to go through an online TRS system of qualifying both the company and its products.

The Texas Legislature also ended the age-old and extremely unfair trade practice of employers contracting with a third-party administrator (TPA) when the TPA is actually permitted to be a 403(b) competitor in the district it administers. The legislature understood that this administration is

not "free." The teachers were paying for it through underlying fees charged in the product(s) the TPA sold. The Legislature also saw evidence of significant competitive barriers put in place by certain affiliated 403(b) vendor/TPAs and correctly set law to prevent that practice from continuing.

In 2001, we Texas practitioners, with help from the House Pension & Investments Committee, created something that protected teacher's rights for free and fair choice with their own monies in less than three months. We then overwhelmingly won the debate in the House and Senate conference committee, involving two totally different versions of a bill in order to save the 403(b) industry in Texas for our teachers.

The Legislature determined that it's competition that drives down expenses and increases benefits, not lack of choice. Lack of choice only benefits companies that would rather "pay to play" as opposed to building something of quality and value. Lack of choice penalizes teachers by limiting access to the highest quality, competitive 403(b) products. History repeatedly demonstrates that limited choice produces lower participation, reduced benefits over time, lower performance, and dreadful service. The Texas Legislature, to its credit, unequivocally saw the need and swiftly acted to protect free enterprise within the 403(b) community for the express benefit of our Texas teachers.

SB 273 was strategically incorporated into Texas law in two places: Article 6228a-5, Sections 4-13 Vernon's Texas Civil Statutes and the Texas Administrative Code (TAC) Title 34, Part 3, Chapter 53, attached.

SB 273 passed unanimously on a floor vote of 140-0 in the House and 29-1 in the Senate.

Phil Lynch is president and CEO of 1st American Pension Services Inc. in Arlington, Texas.

Choice Rules in California

On May 2, due to the overwhelming efforts of NTSAA and other supporters of choice in 403(b) plans, California Assembly Bill 1949 was defeated. The Committee on Insurance rejected passage of the bill with nine members voting against it, only two members voting for it, and two members abstaining. Notably, both the chair and vice chair voted against the bill.

"AB 1949 was promoted under the guise of reform," says Chris DeGrassi, executive director of the National Tax Sheltered Accounts Association (NTSAA), which is part of the American Society of Pension Professionals & Actuaries (ASPPA). "However, at its core, AB 1949 was legislation drafted by the largest 403(b) investment providers with the intent of eliminating all other competition from the marketplace."

The legislation would have discouraged savings and retirement planning by allowing school districts to eliminate workers' preferred investment providers. What's more, the bill was designed with a flawed pay-to-play procurement process that would allow one RFP result to be adopted by every public school district in the state of California. "The 403(b) investment provider selection process should not create a highest-bidder-for-the-consultant wins environment" says DeGrassi.

Shortly before defeat, the bill's supporters had attempted to bolster support for the bill by defaming a 2011 study on participation in 403(b) plans. The study showed that participation in 403(b) plans declined dramatically when the number of investment providers was reduced. The study found that more than 50 percent of public school employees at school districts in California and Colorado and nearly 40 percent in Pennsylvania stopped participating in their 403(b) plans when their retirement savings options were taken away from them.

"The California results were especially poignant," says DeGrassi. "California was a controlled study where we were able to look at the results of two groups of participants in the same districts—teachers who lost their investment provider and teachers who retained their investment provider. We were able to document that the teachers who lost access to their investment provider were eight times more likely to stop contributing to their retirement plan."

Advocates of AB 1949 offered results of their own study that showed that fees are often reduced as a result of an RFP process. "You didn't need a study to show that eliminating options based on cost resulted in lower average fees," adds DeGrassi. "We're interested in studying real outcomes and the impact of retirement policy changes on public education employees."

Heir Tight: Who Owns Your Business When You Die or Retire?

BY RICHARD FORD

Advisors who care about their clients need to consider who will care for them after they leave the business.

You help your clients plan for retirement, but have you considered your own retirement options? What will happen to your book of business when you retire? Who will take care of your clients? How can you maintain your income after you retire? If you're asking yourself these questions, you're not alone.

As a growing number of independent commission and fee-based financial advisors contemplate retirement—or their own mortality—they're increasingly likely to strike contracts with broker/dealers to sell the rights to their lucrative trail and advisory fee commissions, and even bequeath them to spouses and children. As the population of financial advisors continues to age, it's becoming ever more apparent that they're moving into the asset-preservation business because there's value in recurring residual revenue.

Business succession planning forces a financial advisor to consider several unpleasant facts: his or her own mortality or disability and the fact that a practice that produces a decent income may not have a substantial value. Succession planning for individuals in the financial services industry is crucial because no one can time his or her death. It's further complicated by the regulatory environment and the third parties involved: custodians, insurance companies, broker/dealers, and clients.

At stake is control of billions of dollars in quarterly asset-based 12(b)1 and advisory fee payments.

WHAT HAPPENS TO MY SECURITIES CLIENTS UPON MY DEATH, DISABILITY, OR RETIREMENT?

Most broker/dealers will assign them to a regional director/office of supervisory jurisdiction to take over on a case-by-case basis. Most broker/dealers have a direct obligation to take care of the client upon the death of one of their representatives and to safeguard the client's securities assets.

FINRA Interpretative Memorandum 2420-2 (Continuing Commissions Policy) offers an exception to paying 12(b)1, advisory fees, or other asset-based compensation to a non-registered entity. Commissions can be paid to an advisor's widow or designated beneficiary(ies) as long as a bona-fide contract exists while the representative was still registered. In particular, the memorandum recognizes the validity of contracts that vest with the financial advisor and the heir's right to receive continuing compensation upon retirement and to designate such payments to the financial advisor's surviving spouse or other beneficiary designation.

Retired financial advisors who are no longer registered (or their unregistered widows or other beneficiaries) can continue to receive what are meant to be "service fees" under the FINRA memorandum, so long as the advisor specifies the details in a contract while he or she is still registered and active. In no event can a non-registered representative receive compensation on new sales activity. This memorandum has existed for years, but has even more importance now as financial advisors are making

revenues, depending on how your business practice compensation is structured.

Alternatively, you could vest your business with a firm that can support paying the retiring advisor (W-9) and receive up to 10 to 15 times more income spread out over a 20-year time period.

The best preventative step depends on the way you do business. Independent financial advisors affiliated with a broker/dealer face somewhat different issues. You might look at Oregon-based FP Transitions, a leading provider of equity management, valuation, and succession planning services. Or speak with your broker/dealer to find out about available business succession and vesting options. Alternatively, you might explore Mitch Vigeveno of Turning Point Inc.'s new "Successor Search," a service that assists financial advisors in need of the right successor.

the transition from commission-based practices to fee-based practices.

WHAT ASSISTANCE CAN SUCCESSION PLANNING OPTIONS OFFER?

It's no surprise that many firms use former representative or advisor accounts to recruit new representatives or reward star producers. Others will assign them as house accounts, leaving the heir with no remaining split on ongoing advisory or trail commissions.

Few firms will offer any assistance with succession planning options or requirements. It appears that most independent, full-service firms and discount brokerage houses do little to help advisors to retain the value of their practice and what they have worked so hard to create. Most of the big wire house brokerage firms decline to comment on whether they allow a representative to sell the rights to commission and fee income upon retirement or death.

In a recent conversation with a 30-year retiring wire house broker with $230 million under management, he indicated his retirement compensation would be a 3-year continuing residual commission payout of 30 percent, 20 percent, and 10 percent respectively, of what he would have previously received, over a 3-year time period.

With a commission-based practice, there's little lasting value in the long term for the financial advisor. With a fee-based business practice you align your interests with those of your client and create more long-term lasting value. Financial advisors now find themselves with residual asset-based income that creates real value within their book of business, whether it's sold or passed on to a new servicing representative.

DO YOU HAVE A BUY-SELL AGREEMENT IN PLACE? WHAT IS YOUR BUSINESS WORTH?

A $50 million book of business might annually gross $500,000 at 1 percent. Subtract from this $150,000 for replacing the owner with a paid employee and another $100,000 for overhead, and you're looking at an operating income of $250,000. Taxes after deductions might run $75,000, so you'd net $175,000.

Selling your book of business for a one-time, upfront, lump sum payment could net you only a fraction of one year's gross revenue, reducing significantly the true value of your business. With an installment sale, you may be able to sell your practice for one to three times annual gross revenues, depending on how your business practice compensation is structured.

STRATEGIES FOR CONTINUED SUCCESS

Succession planning is a big issue for many advisors, yet 60 percent of advisors surveyed report that they don't have a succession plan. In a very recent study by T.D. Ameritrade, 50 percent of the advisors surveyed stated that they would prefer to pass the practice on to an internal successor (with another 30 percent undecided).

More telling is that 50 percent of the advisors surveyed hadn't identified any clear successor. All this data points to the indisputable fact that most advisors would rather pass their business on to a colleague they know and trust. This allows them to retain better control over the process. They really want to know the person who will be entrusted with taking good care of their clients.

Over the coming years, many financial professionals will be looking to retire or sell their practices. The best way to find someone who can take over when you retire, die, or become disabled is to groom a trusted colleague or individual of

your choice whom you know can service your clients. When you retire, or should you die prematurely, a trusted partner can pay you or your beneficiaries on an earn-out basis or an independent broker/dealer through a vesting contract provision, ensuring continuity for your clients and providing value for your loved ones.

Death is inevitable, and many may become disabled before planning an orderly departure from their practice. Financial advisors owe it to their clients, employees, and families to make adequate business succession plans. You don't want to wait till you're three cars behind the flowers.

Richard Ford is senior vice president and chief marketing officer for PlanMember Services Corporation. He can be reached at 800-874-6910 x 2400 or richardf@planmember.com. PlanMember Securities Corporation is a registered broker/dealer, investment advisor, and member FINRA/SIPC.

This article is intended to provide general information only. Please seek the advice of professional legal and tax advisors for details regarding your particular circumstances.

THE SHORT FORM

- Aging financial advisors are moving into the asset-preservation business because there's value in recurring residual revenue.
- At stake is control of billions of dollars in quarterly asset-based 12(b)1 and advisory fee payments.
- FINRA recognizes the validity of contracts that vest with the financial advisor and the heir's right to receive continuing compensation upon retirement.
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- An installment sale may produce one to three times annual gross revenues.
- The best way to find someone who can take over when you retire, die, or become disabled is to groom a trusted colleague or individual of your choice.

Engaging Consumers in the Retirement Planning Conversation

BY FAY RADDING

Making the case for retirement planning isn't always easy. Sometimes having the right research at hand can help.

How can you engage consumers in a retirement planning conversation?

This question is of key concern to the MetLife Mature Market Institute, where the knowledge, attitudes, and beliefs of those in or approaching retirement are constantly under study. Established in 1997 by a staff of gerontologists, the MetLife Mature Market Institute produces groundbreaking research, workbooks, and tip sheets in partnership with national organizations, leading universities, and thought leaders. The research is widely quoted in the media and the Mature Market Institute makes all publications available to the public at www.maturemarketinstitute.com. This article reviews some of the obstacles consumers face, and offers some tools for engagement in a personalized planning conversation.

The first baby boomers are turning 66, and they're faced with a very different retirement landscape than they had ever anticipated. Some may not have been planning for the future at all, but rather simply dreaming of the good life in retirement.

In 2007, McKinsey research estimated that approximately 50 percent of baby boomers were unprepared for retirement; 24 million households with incomes ranging from $68,000 to $73,000 were envisioning retirement, but they hadn't planned for it. Another 11 million households will need safety nets. In fact, it was estimated that only 10 million households, or 25 percent of boomer households, were prepared for retirement.

Today, in spite of the economic downturn and the growing flight to safety exhibited by an increased appetite for guarantees, the number of those who feel prepared for retirement hasn't changed significantly. The Employee Benefits Research Institute's annual retirement confidence survey found that Americans are still not saving or planning for retirement. The 2011 survey found that more than 56 percent of workers have saved less than $25,000.

What prevents people from saving and planning for retirement? In 2011, the MetLife Mature Market Institute, in collaboration with the Scripps Gerontology Center at Miami University in Ohio, published a research study, Best Case Strategies for a Flexible Retirement. This study revealed that the various ways in which consumers think about retirement could be characterized by a number of different thinking styles or types. The types farthest from taking action are categorized as follows:

1. Snoozers don't think about future risks at all.

2. Active Resisters choose to ignore information about future risks.

3. Immobilized Worriers understand future risks but worry prevents them from acting.

4. Oversleepers are late in their thinking and planning and may regard their opportunity for action as "come and gone."

5. Wood Knockers think about the unexpected but they're optimistic; somehow, things will work out.

6. Plan B-ers hold on to a contingency plan as a protection against trouble ahead, but it may be a "plan" in name only.

Other consumers are closer to taking action. Stewers and Brewers take awhile to make their decisions, and Compromisers think about both today and tomorrow and balance their current needs against future risks.

Finally, Pre-emptive Planners think about potential risks all the way to the end. They put the pen to the paper, do the math, seek advice, and anticipate the unexpected.

The thinking styles of consumers should be considered in the context of the wider trends facing all of us. This era we live in has been described by an acronym, VUCA, that originates from military language: V stands for volatile, U for uncertainty, C for complex, and A for ambiguous. In light of the accelerated pace of change and the variables of the VUCA world, consumers may feel uncertain about the choices facing them and need guidance. Consumers continue to grapple with their understanding of the need for retirement income.

The Mature Market Institute released a Retirement Income IQ study in 2003 that examined consumers understanding of what's needed for a financially secure retirement. The study was repeated in 2008 and again in 2011. While the greatest gains were made in understanding that longevity is the greatest risk facing retirees (62 percent in 2011, up from 56 percent in 2008 and 23 percent in 2003), the study revealed that there's still significant room for increased understanding around key areas such as retirement income, savings, inflation, long-term care, and even Social Security. Of the 1,213 pre-retirees aged 56 to 65 who took the quiz, the majority answered only five of the 15 questions correctly.

The Mature Market Institute has a number of tools advisors can use to lead the discussion about future choices. One such tool, "The Retirement Readiness Workbook: Are You Prepared for the Transition?" helps consumers consider how to make a smooth transition to retirement. It's a companion to the study, "MetLife Retirement Readiness Index: Are Americans Prepared for the Transition?"

The research indicated that a successful transition to retirement involves the completion of 15 tasks in five categories while people are still working, and that those who decided to retire without completing these tasks put a successful and satisfying retirement a risk.

- Work: When to retire and the potential for transition to part-time work
- Leisure and activity: How leisure and work will be balanced in retirement
- Relationships: How retirement will affect one's relationships
- Income and benefits: How much money/income will be needed for retirement
- Contingency planning for the unexpected

Also based on research from the MetLife Mature Market Institute, the *Discovering What Matters: Your Guide to the Good Life* workbook, was co-created with the well renowned author, life, and executive coach, Richard Leider, known for his books *The Power of Purpose* and *Repacking Your Bags for Retirement*.

The research study by the same name, "Discovering What Matters," found that those who said they were living the good life, 84 percent said they had purpose or meaning in their life. Among those who felt that they weren't living the good life, only 34 percent felt their lives had purpose or meaning.

The workbook, accompanied by a thought-provoking DVD, guides consumers through a series of questions that lead them to explore the facets of their lives that are most meaningful. Understanding what motivates and provides meaning for clients enables advisors to develop a meaningful conversation and serves as a basis for helping clients achieve their goals while developing the advisor's practice.

As consumers face an increasing amount of information, some of the more difficult decisions may not get the attention they deserve. Advisors can distinguish themselves from the rest by focusing clients on their vision of the future, helping them face the longer-term issues, and empowering them to take control. These advisors will retain their clients and their families throughout the various life stages.

Fay Radding is senior gerontologist at the MetLife Mature Market Institute in Westport, Conn.

What to Do When You've Made a Mistake

BY LAUREN BLOOM

> Admitting a mistake may make you feel foolish in the short term, but it's the best way to build and maintain long-term trust.

Imagine this: You've prepared an extensive financial analysis to present to one of your most important clients. Your presentation goes well and you invite questions. One of your client's questions raises an issue you don't remember taking into account when you prepared your analysis.

You suddenly realize that your work contains a potentially serious mistake, and that your entire analysis and series of recommendations could be entirely wrong. You also believe that you could adjust your error back at the office so that your client would never discover it. As these thoughts run through your head, your client waits for your answer to his question.

WHAT SHOULD YOU DO?

While you might be tempted to answer, "say nothing, then correct for the error without telling my client," that response would violate ASPPA's Code of Professional Conduct. ASPPA's Code expressly requires ASPPA (and NTSAA) members to "perform professional services with honesty, integrity, skill, and care." An ASPPA member who covered up a potentially serious error would have a hard time arguing that she acted honestly or with integrity. When a mistake occurs, the ethical choice—and the one that satisfies ASPPA's Code—is to disclose the mistake to your client.

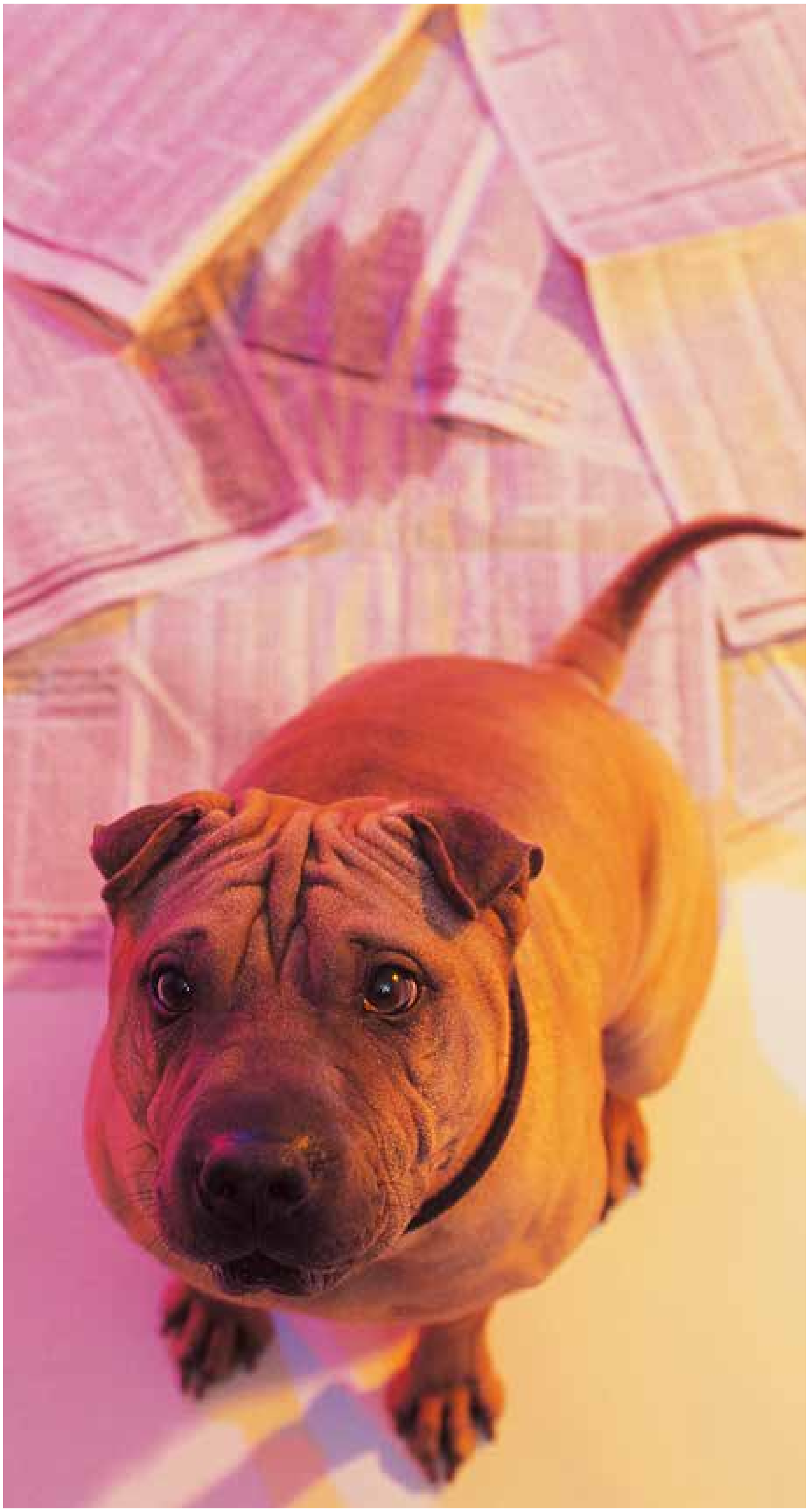
That doesn't mean, however, that the disclosure necessarily has to be immediate. After all, you've spent several weeks putting together a thorough and complex analysis. It's possible that your work product actually does address the board member's issue, but you've simply forgotten. It's also possible that the issue is less critical or relevant than it seems at the moment. Leaping to the conclusion that your analysis is entirely wrong and your recommendations need to be changed could well be simply another mistake, and one that could seriously damage your client's confidence in your professional competence.

At the same time, you don't want to let your client act on your advice until you're comfortable that it's correct. Let's presume that the board of trustees is scheduled to vote on your recommendations at this meeting. If you fail to disclose the potential error now, your client could suffer a significant injury if the board approves recommendations that do, in fact, fail appropriately to reflect a critical issue.

In situations where you realize that you may have made a mistake, a good course of action can be to disclose that possibility to the client, then correct the error. You might respond to the board member by saying something like this:

> That's a good question and, as I stand here, I'm not entirely sure we've fully considered its implications. Before the board acts on our recommendation, I'd like the opportunity to review our work and ensure that it appropriately addresses the issue you've raised.

Once you've been given an opportunity to review your analysis, do so as quickly as you can without making additional errors. Then present your client with your corrected analysis and recommendations, being prepared



to answer additional questions until your client is satisfied that you've successfully addressed your mistake.

It can be embarrassing to admit to error, and some consultants worry that acknowledging mistakes will undercut their relationships with their clients. While an admitted mistake may rattle a client in the short run, most clients understand that even the best consultants are human and make an occasional error. Honestly admitting to a mistake and working effectively to rectify it usually leads clients to trust you more, because they know you can be relied upon to put their interests ahead of your own ego. It may not always be comfortable to admit that you've made a mistake, but it's the ethical thing to do.

Lauren Bloom is an attorney who speaks, writes, and consults on business ethics and responsible litigation risk management, and a contributing columnist for TheStreet.com. She is the author of the award-winning book, The Art of the Apology – How to Apologize Effectively to Practically Anyone *and the e-book* Elegant Ethical Solutions, A Practical Guide to Resolving Dilemmas While Preserving Your Business Relationships, *available through the ASPPA Bookstore. She can be reached online at Lauren@businessethicsspeaker.com or by calling (703) 585-0651.*

403(b) Advisors and TPAs: The Benefits of Partnership

BY LISA BRUMFIELD

Good relationships with local TPAs can make an advisor's job much smoother.

The growing role of the third-party administrator in the 403(b) market hasn't always been met with open arms by the financial advisor community, and it's easy to understand why. Yet by understanding an employer's need for the services a TPA provides and approaching the new situation with a positive attitude, advisors can form a cooperative relationship with the local districts' TPAs and create a win-win situation for all the parties involved.

Perhaps no one appreciates more than I do how successful this model can be. I started my own career as a 403(b) advisor and today I manage Tax Deferred Solutions, California's largest independent TPA. So I've personally witnessed how advisors and TPAs can develop a mutually beneficial relationship.

BIG CHANGE

In 2009, the 403(b) marketplace changed when the Internal Revenue Service introduced new regulations and increased pressure on employers to comply with them. Before then, employers didn't need to hire TPAs to manage their 403(b) benefit plans because they usually acted as a mere conduit between the vendor/advisor and the plan participant. They typically had an "out of sight, out of mind" approach to managing their 403(b) plans, leaving the advisors to assist employees with loans, transferring accounts, selecting vendors, and performing other administrative tasks.

Now, because the new regulatory regime makes the employer ultimately responsible for compliance, employers need expertise in managing the added complexity of their 403(b) retirement plans. In addition, because shrinking budgets and the ongoing economic crisis have reduced administrative staff, most employers have opted to outsource the management of their plans.

Enter the TPA. In most cases, employers find it less expensive to contract with a TPA than to hire staff to manage their plans. As a result, the myriad functions the advisor performed in the past now have to be approved by the TPA for compliance purposes, which can be frustrating for the employee, the employer, and almost certainly the advisor.

But, frustrating or not, there's no getting around the IRS. So what do advisors need to do about the situation going forward?

ALLIES, NOT OBSTACLES

The first thing advisors should understand is that TPAs and advisors share the same goals: to facilitate the plan, adhere to the rules and regulations, and to service the

participant to the best of their ability.

At Tax Deferred Solutions, we want to facilitate teamwork and cooperation between our organization and the many financial advisors working with plan participants. We encourage advisors to become familiar with our policies and procedures. To further that objective, we've put detailed information online for easy advisor access, including the relevant forms used in the many administrative functions.

We want advisors to get what TPAs are all about, and understand that they're allies, not obstacles to advisors performing their vital services or to making a living.

What else can an advisor do?

IN THE LOOP

Advisors should identify and understand the TPAs in their servicing area. Each has its own set of policies and procedures, and certainly each has different forms used to initiate changes or facilitate their clients' requests.

In addition, as every savvy financial advisor knows, getting to know the names of key individuals on the TPA's staff and developing a personal relationship with them—even over the phone—can often help the wheels of business run more smoothly.

Advisors should also keep their clients in the loop about the new regulatory environment and inform them of possible delays in processing their requests. This is especially true if the client has been with the advisor since before the new regulations were published. Simply explaining the steps needed to fulfill their client's request, and the time it will take to do so, should go a long way toward gaining their understanding and maintaining the trust you've carefully nurtured during your relationship.

Another important point is to share with clients the reasons behind all this. They need to know that, while complex and sometimes frustrating, following the rules is necessary for the employer's plan to remain in compliance for the benefit of all participants.

The new environment definitely presents a challenge, but in my experience financial advisors are among the most resourceful and determined individuals I've had the pleasure to know. Because of their focus on client service, successful financial advisors will understand that their collaboration with the TPAs in their area plays an indispensible role in enhancing their clients' future financial security.

Lisa Brumfield is CEO of Tax Deferred Solutions in Citrus Heights, Calif.

Profiting from the Best-Kept Secret in America

BY COY R. HOWE

College planning is the perfect combination for insurance sales, retirement planning, and annuities.

An exciting opportunity exists in a virtually untapped, starving market, all with an immediate need. The best part: Prospects in this market are eager to discuss their personal finances and will "ask" you to move their assets to your target products.

You may be thinking: "Yeah, right, it's too good to be true." It's not. Not at all. In fact, it's actually a perfect combination. No more trying to make that difficult "future" need sale, virtually doing away with those "we want to think about it" objections.

PAYING FOR COLLEGE

Studies show that one of the top concerns facing millions of baby boomers today is financing their children's college education. Tuition and fees have more than doubled since 1989, with a four-year degree now ranging from $50,000 at state colleges to more than $200,000 at elite, private institutions.

With more than 3 million new students starting college each year, parents (and even grandparents) are trying desperately to pay the bills. As if this weren't enough, the college preparation and funding maze has become so complex and time consuming that most families are simply unable to navigate the process by themselves.

WHERE DO FAMILIES TURN FOR ANSWERS?

High school counselors and the Internet may be resources, but they typically offer only generic information and very limited help. Families need more, much more! Families need an advocate who can provide both in-depth answers and personal guidance to help them achieve optimum results.

According to *USA Today*, "The number of high school graduates (and their parents) turning to professional educational consultants for help is expected to double in the next 10 years."

It's easy to see why college planning specialists are in such great demand, and yet only a few are currently addressing this immediate need.

VIRTUALLY UNTAPPED MARKET

As a financial professional, you're ideally positioned to take advantage of this phenomenal opportunity, whether you become a full-time college planner or not. If you're like most insurance/investment professionals, the biggest challenge you face is generating a sufficient number of qualified leads to increase your client base.

You're most likely also challenged by a prospect's reluctance to discuss a future need and/or disclose their financial information. Solution: the college planning market. The benefits to you are countless—a replenishing market of immediate-need prospects, all eager to discuss their financial information with you. What could be better?

Best of all, college planning sales are most often one-call closes and the perfect door-opener for retirement planning and related insurance/investment sales.

COLLEGE FUNDING – THE INSIDE STORY

Years ago colleges looked at financial aid as a charitable operation run within their institutions. With college costs now higher than ever, this has changed dramatically. Financial aid has now become a strategic tool that colleges commonly use to recruit students they would most like to enroll.

"Simply put," says *Money Magazine*, "a great number of colleges are now willing to pay to get the students they want. Many are offering financial aid to families that earn in excess of $150,000 per year."

MONEY FOR COLLEGE

There are three basic sources of college funding: the private sector, the federal government, and the institutions themselves.

The common myth is that private-sector scholarships pay the majority of college costs, when in actuality they make up less than 3 percent of all funding awarded annually. The federal government and the institutions are responsible for the remaining 97 percent, with the colleges themselves being the single biggest source of funding, by far.

Colleges are in charge of distributing the federal government's allocated funds. In addition, and even more important, the colleges then offer their own funds to entice preferred students' attendance. Overall, colleges control the entire funding process and have the final say on all awarded monies.

BUSINESS IS BUSINESS

Scholarships, grants, and tuition discounts are how colleges commonly label their funding when, in fact, all of these monies are actually rate reductions off of the institution's total cost of attendance. These rate reductions are subsidized by the huge endowment funds enjoyed by the colleges, with hundreds of institutions having more than $100 million at their disposal.

The vast majority of colleges use these reductions to get the best blend of good students and paying customers. Their business approach is simply: Get the family to pay as much as possible and still get the student to attend.

US News & World Report says: "Even though financial aid was originally intended to go to those who needed it the most; it actually goes to those who know the most about the process. Financial aid has become a free-for-all that leaves most families baffled and disappointed."

THE PERFECT COMBINATION

Although very few have actually saved enough to pay their children's college costs, most have saved some. Unfortunately, those college savings ultimately hurt the student's funding eligibility. Remember, colleges want the student and parents to pay all they can first, before they offer funding.

Without the proper guidance, practically all of the student's and parents' assets are there for the taking and are eventually absorbed by the college. The worst part is that families have no idea how much less they could have paid. Colleges have purposefully designed this complex process to protect their own best interest. College is a business, a big business.

EAGER BUYERS

Nearly all assets count against the student and family; however, there is one unique group that's exempt: insurance, retirement, and annuity savings. These monies are considered "retirement only" and are regarded as "hands off" by the colleges when it comes to the family's contribution.

In order to increase their funding eligibility, families familiar with the process will ask you to move their assets into your target products—insurance, annuities, and associated programs that are exempt from funding qualification formulas. This creates a true win-win situation, and the perfect door opener for further retirement planning and other related insurance sales.

Most important, and unlike other insurance and investment marketing approaches, people from all income ranges are eager and excited to talk with you about college planning. After all, what could possibly be more important than their children's future?

TURN THAT "NO" INTO "YES"

With college planning, you can turn an insurance/investment "No" into a college planning "Yes," leading to long-term, multi-sale relationships. And these relationships remain both beneficial and profitable for you and your clients for years and years to come—not to mention the endless stream of referrals you will generate.

ADDITIONAL REVENUE STREAM

Don't forget about your current client base. Imagine the additional revenue stream you can quickly generate by offering college planning services to your existing customers. If you don't, someone else will. Don't leave money on the table!

Coy R. Howe is the founder and CEO of College Funding Solutions, Inc. (CFS) in Salem, Oregon and author of the book Money for College. *Mr. Howe can be reached at Coy@MyCollegeInfo.com or Coy@StarvingMarket.com.*


VALLEY HIGH
HOME OF THE
BULLS
EXIT

WHEN EMPLOYERS CONDUCT THE ORCHESTRA, EVERYONE'S IN TUNE

Today's 403(b) environment is much more manageable than it was 20 years ago, and employers should be encouraged to manage it.

BY CHUCK RIHARB

There's a lot of discussion these days about fixing the 403(b) market. But is it really broken? Or do plan sponsors, product providers, and financial advisors just need to learn how to work better together? If these three parties can align themselves and focus together on one key issue, the marketplace could change dramatically and each party would naturally benefit. That main issue is declining participation, and most school districts haven't stepped up to coordinate the efforts needed to increase it.

To solve the problem we need to look at the events that led us to where we are today, because it didn't just happen overnight. During the 1980s and early '90s the 403(b) marketplace was very different. School districts had open-campus policies and information about 403(b) products was in demand.

Increasing numbers of product providers and advisors responded. Even teachers sought to augment their income as part-time licensed insurance agents, explaining tax-sheltered annuities (TSAs) to their peers on campus. As the demand increased, so did the distribution. Soon, the desire to educate participants turned into a marketing frenzy, with each company trying to outdo the others. The marketplace became oversaturated and the resulting cacophony caused school districts to close off campuses.

TAKE THE PODIUM

That was then. Let's fast forward to today. Over the past 20 years, many of the employees who were part of the old environment have retired and new employees have had limited access to information on their 403(b) plans. Many of the advisors who worked back then are also retired or they're focused primarily on servicing existing clients. And we don't see many new advisors entering the marketplace.

Regulation changes have greatly altered the environment as well. In California, just over five years ago there were more than 250 companies registered with 403bCompare, the state registry for K-12 403(b) businesses. Now only 62 remain; almost 75 percent of the companies have left the market.

Even though the remaining product providers have revamped, developed new programs, and dedicated themselves to the market, we're still left with limited distribution, locked campuses, a reduction in providers and advisors, and restricted information. All this has culminated in very low participation rates. Though studies show that teachers are saving, they're just not using the tax advantages that 403(b) retirement programs offer.

DISSONANCE INTO HARMONY

So how should the industry move forward and not repeat history? By encouraging employers to step up to the podium and conduct the 403(b) orchestra, rather than listening to someone else's tune. Providers and advisors should work with employers so they understand that the only way their employees can reap the benefits of a 403(b) plan is to participate in the program. In turn, employers need to work with providers and advisors who are committed to putting together well defined programs that turn dissonance into harmony, creating an educational environment rather than a chaotic sales and advertising free-for-all.

Changing employee behavior won't happen overnight. It requires more than just a single retirement seminar. Changing behavior takes a sustained program of education and awareness. To make the change meaningful and beneficial, employers must make an ongoing commitment to participate in the process.

By viewing the 403(b) program as a foundational employee benefit, rather than a burden or a distraction, employers can see big results. The role they play must be more than just sending an annual universal availability notice or forwarding a contribution check. They should take advantage of the educational tools that are already available from providers. They can create their own programs by reviewing the tools, selecting the ones they want to use, and determining the best way to disseminate the information to their workforce. Some providers

THE SHORT FORM

- Declining participation is a problem, and most school districts haven't stepped up to coordinate the efforts needed to solve it.
- Fewer new advisors entering the marketplace; many providers are leaving.
- Though teachers are saving, they're not using the tax advantages that 403(b) retirement programs offer.
- Providers and advisors should work with employers so they understand that the only way their employees can reap the benefits of a 403(b) plan is to participate in the program.
- To change employee behavior, employers must make an ongoing commitment to participate in the process.
- The 403(b) program should be viewed as a foundational employee benefit, rather than a burden or a distraction.
- Local financial advisors should be willing to devote time to implement financial literacy programs, become involved with the needs of the school sites, and provide ongoing one-on-one financial guidance for the employees.
- Successful 403(b) programs result from the collaboration of employers, providers, and advisors.

and advisors will even consult with employers on how to best create and implement the program.

With help, employers can create a communication package to:

- Provide a website to promote benefit plans,
- Email employees to encourage participation,
- Offer frequent benefit fairs in multiple locations,
- Provide regular educational workshops from multiple vendors, and
- Hold open enrollment meetings.

In addition to the employee communication package, the 403(b) retirement program needs to be flexible in providing for the varying needs of different employees. There should be several servicing choices, including a do-it-yourself option, an advisor-assisted option, and a professionally managed investment advisory services option.

FINANCIAL LITERACY

When it comes to investment products, employers need to offer balanced plans using aggregators along with traditional mutual fund or insurance providers. Employees need well-rounded choices among investments and providers. A financial literacy and ongoing awareness program should be designed using various communication methods—financial calculators or a planning service—to make utilization easy for employees. The calculators should help employees estimate when they can comfortably retire, how much they need to save, and what their paychecks will look like when they participate.

Local financial advisors should be willing to devote time to implement the program, become involved with the needs of the school sites, and provide ongoing one-on-one financial guidance for the employees.

Finally, the district should make sure they have some consulting services for regulatory and compliance issues along with a resource to keep the employer and its employees informed on ongoing regulatory changes.

Employers can put the program together themselves using tools from multiple companies or use companies that have already bundled them together. Some of these bundled programs are offered by large insurance companies and are built around a proprietary group of investments, while others are offered by independent providers who bring the nation's largest and best known providers together under an integrated sales and service system within one account.

However they do it, employers should conduct the orchestra rather than letting the companies run away with the show. Employers should take ownership of the plan to increase participation, and put in place controls to evaluate and implement the plan. The advisors and providers become the tools employers use to implement the plan rather than a marketing force driving the process.

The focus really needs to switch from product to employee, and how employers can work with providers to increase participation. When that happens, all parties will benefit and achieve their objectives. The 403(b) marketplace doesn't necessarily need fixing, it needs a restart. We can learn from the past and, instead of recreating a chaotic marketing and advertising environment, create a collaborative and educational one.

Chuck Riharb is vice president of business development for PlanMember Services, a national independent provider firm in Carpinteria, Calif. Chuck can be reached at chuck@planmember.com.


PASSPORT

FROM K–12 TO THE NONPROFIT ERISA 403(b) MARKET: PASSPORT REQUIRED

BY MICHAEL WEBB, TGPC

When I joined Cammack LaRhette Consulting in 1991, our primary function was to meet with participants and conduct transactional services (enrollments, etc.) with respect to such participants. To be certain, we did offer other services, such as maximum exclusion allowance calculations (remember those?) and other testing, but participant support was our primary function. At the time, as an entry-level employee, my day was filled with employee and retiree calls, troubleshooting enrollment forms and other transaction forms, and the like.

With 15 employees, we weren't a large firm, and though we had one client with more than $100 million in plan assets, most of our clients were in the $5-$25 million range. Many were multiple vendor, non-ERISA plans where we represented, in a traditional broker-dealer model, one (perhaps two or three, if we were fortunate) of the many vendors the client used. While we had an excellent reputation, we were little-known outside of the Northeastern United States, where the majority of our clients were located.

Switching from non-ERISA plans to the ERISA 403(b) world means learning new rules and a whole new mindset.

Flash forward 20+ years to 2012. Our firm is now one of the largest 403(b) consulting firms in the country, consisting of an almost entirely ERISA 403(b) book of business, with the notable exception being large church plans that share some common practices with our ERISA clients. Our average client size is in the $100 million range, with several clients exceeding $1 billion in plan assets.

Processing enrollments has become a thing of the past; our primary function now is to assist our employer clients—primarily health care, private higher education, and other large private nonprofits—with their plan governance and best practices. Since we're a nationally recognized registered investment advisor (RIA) firm with clients from Maine to California, I now spend a large amount of time assisting with client retention/growth, as well as being one of the "faces" of our firm through speaking engagements and published articles such as this one.

So, if you're an advisor looking to break into the health care or other private nonprofit ERISA 403(b) plan market, what can you possibly learn from our experience? Of course, not all elements of our firm's transition will easily translate to other advisor practices. For example, we benefitted greatly from the shift of defined benefit to defined contribution plan models, which isn't likely to happen again since defined contribution plans are so prevalent in the nonprofit marketplace now. But here are some elements in our transition that other advisors could use:

TRANSITION FROM THE PARTICIPANT AS YOUR PRIMARY CLIENT TO THE EMPLOYER AS YOUR PRIMARY CLIENT.

Our firm realized early on that it was relatively difficult to grow our practice one participant at a time, but if we could somehow convince the employer to be our client, that was quite another story entirely. If you exclusively have school districts as clients, this might be a difficult assignment, as many lack the employer infrastructure (a dedicated human resources department) for the employer to be your client. But if there are decision-makers in your school districts, can you cultivate (or have you cultivated) positive relationships with them? Has such cultivation had a positive impact on your practice? In the private nonprofit world, successful client relationships happen when you show decision-makers how your firm adds value. If you have at least one client that is not a public K-12 school district, this task might be a bit easier, as there is already an infrastructure in place (*e.g.*, dedicated HR and/or finance personnel) to support such interaction.

BECOME A SUBJECT MATTER EXPERT.

In the ERISA 403(b) marketplace, plan sponsors are looking for specialists, not generalists. Pick a specific subject or subjects relative to the industry, learn everything you can about the topic, and use what you learn in practice. Send articles on what you've learned to decision-makers. Demonstrate your expertise by writing your own articles on the subject and speaking about it. (NTSAA/ASPPA conferences can be an excellent starting point for such efforts.)

Our firm started out by becoming experts on IRS audits for 403(b) plans. After that topic was mastered, we became experts in working with retirement plan operating systems, detecting defects that could lead to audits.

CLEARLY DISTINGUISH THE SERVICES YOU PROVIDE FROM THOSE OF PRODUCT PROVIDERS.

In a non-ERISA environment, if your firm is viewed as a representative of a particular vendor, it can be positive depending on the reputation of the product provider. In the ERISA 403(b) world, however, it's viewed as a conflict of interest and something to be avoided. It took us several years at the beginning of our transition to reinforce the point that we were *not* the XYZ vendor rep that might serve the best interests of the provider, but rather a trusted independent advisor that would serve the best interests of our clients. In fact, some of our earliest clients thought our employees actually worked for the vendor, a misconception that we quickly and emphatically corrected!

DON'T JUST BE OPEN TO NEW IDEAS, EMBRACE THEM.

A lot of the concepts you may have embraced for many years in developing a successful school district practice may be completely irrelevant in the ERISA 403(b) market, so you'll have to dismiss them in favor of new ones.

For instance, you may be thoroughly convinced, as many are, that 403(b) plans should have as many vendor choices as possible. In the ERISA world, however, audit requirements and other compliance issues make it relatively rare for plan sponsors to use more than one vendor in their 403(b) plans. Even multiple-vendor plans rarely use more than two or three vendors. If you don't embrace such an environment, your ERISA 403(b) practice may be short-lived. As a firm, we had to "learn to unlearn" many of the concepts that we'd mastered as non-ERISA practitioners. This was quite difficult at times, as it can indeed be challenging to teach an old dog new tricks.

In closing, breaking into the health care/private nonprofit industry can be a daunting proposition. It won't happen overnight, but with the proper effort and focus, it's not insurmountable. Our firm may be one of the more successful examples of that transition, but far from the only one. If you're contemplating such a move for your practice, I hope you find some of the concepts mentioned here to be helpful. Good luck!

Michael Webb is the NTSAA Education Committee chair and vice president, Retirement Services, at Cammack LaRhette Consulting in New York City.

Please note that this article is for general informational purposes only and is not intended to be taken as business development advice or a recommended course of action in any given situation. Readers should consult their own professional advisors in this field before taking any actions suggested in this article.

Laptops and *Ladybugs*

BY STEVE SULLIVAN

DonorsChoose helps teachers in financially strapped classrooms get the supplies and equipment they need to do the job right.

Wings Academy is a public school in the Bronx. The name is evocative, as it was probably meant to be. After all, isn't education supposed to be about soaring to great heights? About flights of imagination and learning? About inspiring students to achieve lofty goals?

That, at least, was how Charles Best, a young social studies teacher at Wings, looked at it. He and a number of his equally idealistic colleagues had daily discussions in the lunchroom about the things they wanted to do to help their low-income students take flight, but didn't have the money for. Even though, according to NEA research, the per capita expenditure for public K-12 schools in New York State was just over $16,000 in 2008, well above the national average of $10,300, the teachers at Wings Academy still didn't have the funds to get their students off the ground.

"We talked a lot about the books we wanted our students to read, field trips we wanted to take them on, art supplies we wanted for art projects," Best told *Fast Company* magazine in 2011. "We spent a lot of our own money for basics, copy paper and pencils, but the really good ideas we had for bringing the subject matter to life never went beyond the lunchroom. There wasn't a place where we could go to get the microfunding a teacher needs for the resources it takes to make a big difference."

But Best had an idea. It started as a classroom project in 2000. He had his own students write letters to his fellow Yale alumni, outlining the projects he and his colleagues wanted to do and asking if there was any way the recipients could help out. A few of them did. When donations started trickling in, and Best realized this was something people might want to connect with, he set up a very rudimentary website and encouraged some of his fellow teachers to post projects. He called it DonorsChoose.org.

"It's about being shameless and relentless and hustling for the first users and the first partners, says Best. "That takes both a certain energy and a certain humility."

"His little secret was that he anonymously funded the first couple of projects himself so he could get the ball rolling and generate excitement," says Zach Walker, donor relations manager for DonorsChoose. "Then it started getting attention on the web and from the local press and grew to every public school in New York City.

Best taught at Wings Academy for five years. At night, in addition to his lesson plans and course work, he tinkered with the website—improving it, expanding it until it started getting attention on the web and from the local press. It grew to include every public school in New York City. Then it started expanding state by state, depending on funding. Soon, it began to take up enough time and resources, and showed enough promise, that Best left the classroom to devote full time to DonorsChoose.

Today, the scope is nationwide. At any given time there are between 20,000 and 30,000 projects posted on the site. In 2011, 170,000 teachers at 40 percent of the nation's public schools have posted projects and more than 250,000 of them have been successfully funded.

TEACHERS CHOOSE

It's basically pretty simple. Teachers identify a particular classroom need (a specific book, a musical instrument, a computer) and apply to post their need as a project on the DonorsChoose website. To be eligible, prospects have to be educators at a public school, working at least 75 percent of the time directly with students. This can be a librarian, a nurse, a guidance counselor, a coach, or a speech therapist as well as a teacher. (Ineligible are principals, administrators, PTA members, teachers' assistants, student teachers, substitutes, part-time after-school teachers, and staff developers.) Once eligible, they create an account and choose their school from the database.

"When you have your idea for

a project, it's almost like shopping online," says Walker. "We have 30 vendors who are integrated into our site from which you can choose items. For example, you can actually choose the exact model of computer and the exact cost of the items you want. You put a shopping cart together, along with a written description of your project and how it will benefit your students. Then you submit it."

A team of screeners—volunteer teachers—vets each project to determine if it's legitimate and meets all the guidelines. Each project has to be a student-centered experience, for example; teachers can't request funding for their own professional development. When the proposed project passes the screening process, the teacher gets an email announcing that the project has been accepted. The teacher uploads a photo and the posting goes live.

"Anytime a teacher's project is funded, we alert multiple teachers at that school saying that one of their colleagues has had a project funded through our site and the materials will soon be shipped there," says Walker. "It's not only a way of verifying that teachers actually are who they say they are (if not, someone will probably let us know) but also of showing that we have a process that actually works."

The process worked for Mrs. Adams, a kindergarten teacher at West Liberty Elementary School in Lexington, Ky. The tornadoes that ripped through the area in early March devastated the school and forced her to set up class in a converted warehouse. She needed supplies and materials to help decorate the new space and create a comforting environment for her children. She posted her request in March, and by April she'd received more than $1,000 in contributions.

It also worked for Mr. Alvarez, a science teacher at a low-income elementary school in California. He wanted his students to be able "to observe, analyze, hypothesize, and experiment," in his classroom, rather than just read about science. In December 2011, he put together a detailed list of supplies and equipment that included a telescope, an inflatable map of the solar system, and a colony of living ladybugs. The DonorsChoose staff located the products, negotiated prices, and came up with the bottom line: $555. On December 22 the project was posted and by January 25, 2012, Mr. Alvarez had achieved his goal—ladybugs included.

"I am thrilled that you have chosen to donate to my project and am eager for my students to begin working with the tools and insects you have helped fund," Alvarez wrote to his online donors, who'd responded from as far away as Maryland. "The telescope and solar system models will help my students better visualize the relationships between the planets and other objects in our solar system. The insects and insect habitats will help them understand the relationship between living things and the environments in which they live. Taking care of the insects will also help them see that people can be environmental stewards instead of a burden on the environment."

Debby Guardino, a special education teacher in Chesapeake, Va., has not only equipped her own classroom with more than $100,000 worth of state-of-the-art technology through DonorsChoose, she's made a kind of second career out of helping other teachers do the same. On her own dime, or with whatever help she's offered, she travels the country as a kind of Johnny Appleseed, spreading the word and planting the DonorsChoose message.

When tornadoes devastated Joplin, Mo. last summer, including 240 classrooms, Guardino made it her special mission to help. She went to Joplin and led tutorials on how to use the site to generate funding. Creating a specific page to help Joplin schools, Guardino raised $600,000, funding 800 different projects.

"The first thing I did when I saw what had happened to Joplin was to go to my computer and look up how many teachers there were involved with DonorsChoose," Guardino recalls. "Only two projects were posted at the time. Within the first few days we had 100 projects posted. After two weeks, we were at 400 projects and counting."

BIG, HAIRY, AND AUDACIOUS

The engine behind all this is a staff of 50 in the organization's New York City offices. Though DonorsChoose has received donations from big-league contributors like Horace Mann, the Bill and Melinda Gates Foundation, and Capital One, most of its funding comes from ordinary people from across the country.

"From the beginning, we ask people to earmark 15 percent of their donation to help support the work we do," explains Walker. "That's an optional donation that we ask for on checkout. If someone opts out of that, 100 percent of the donation goes toward funding the project. Our goal has always been to sustain ourselves only through that optional donation, a goal we achieved last spring. Before that we relied on grants from other funders but now we're self-sustaining. About 90 percent of funders do provide the 15 percent donation."

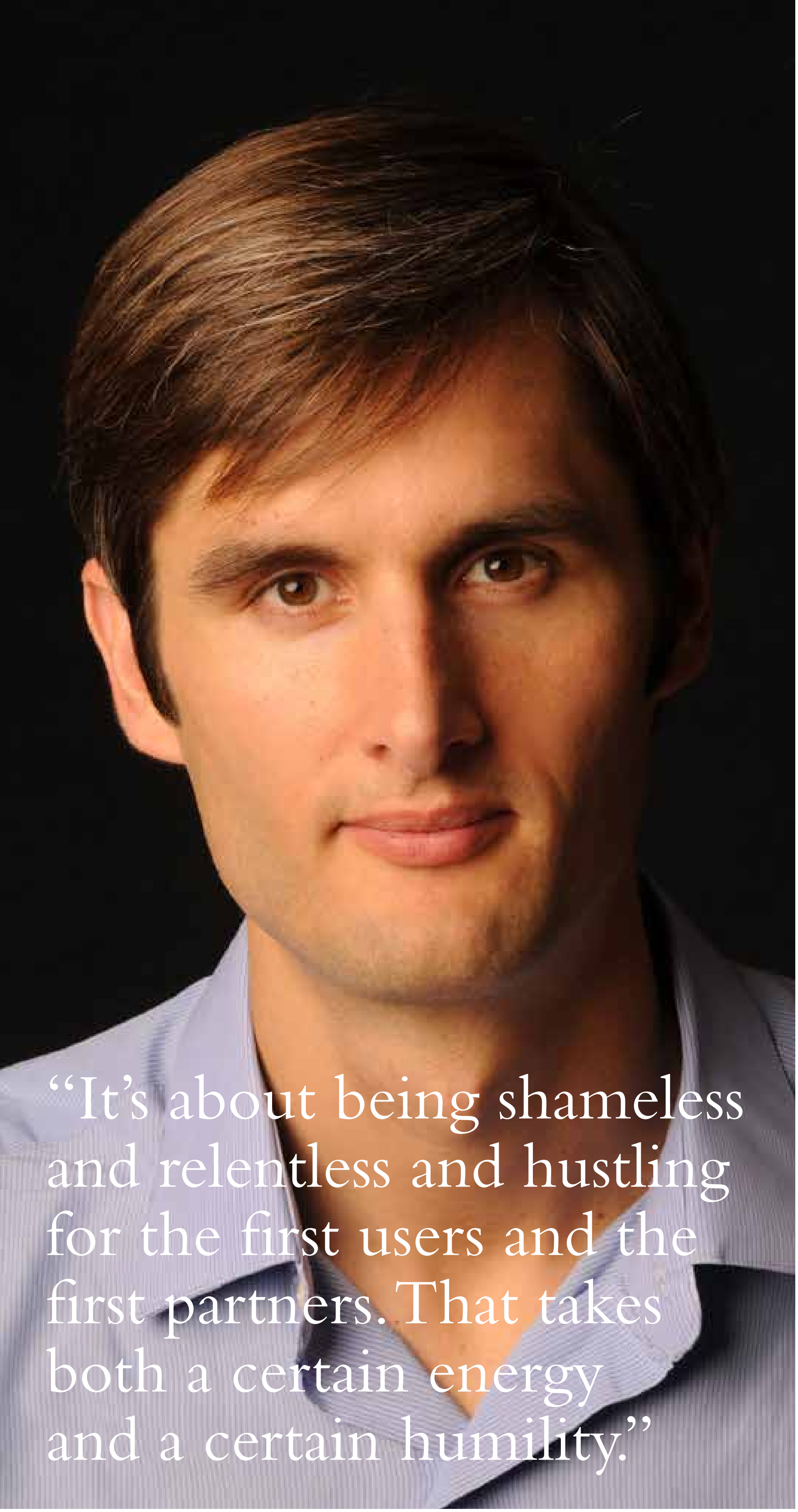
At the last NTSAA 403(b) Summit in February, DonorsChoose was a hot topic of conversation at one of the Table Talk sessions devoted to new technology. Participants saw it as a way for advisors to give back to their clients, either by making donations themselves, or spreading the word about how it works in the schools they serve.

"For instance, advisors could donate a percentage of revenue for teachers in their school district," Walker suggests. "They could fund teachers, schools, districts, a project in honor of a teacher." They could even encourage their companies to sponsor DonorsChoose gift cards, which is what Horace Mann has done.

DonorsChoose has also received some high-powered publicity and endorsements from people like Oprah Winfrey, Sen. Bill Bradley, Claire Danes, and Zac Efron. In 2009, satirist Stephen Colbert launched a "Support Our Troops by Supporting Their Children" campaign that enlisted 1,625 donors who contributed more than $167,000 in classroom resources that went to 45,500 students in public schools around the country.

"Our big, hairy, audacious goal is to have a million people give $100 million to classroom projects representing 100 percent of our country's high-need public schools, all in one school year," Charles Best told *Fast Company*. "And we're one-third of the way there."

Steven Sullivan is editor of 403(b) Advisor. *He lives in Baltimore, Md.*



Charles Best, *founder of DonorsChoose*

Assisting the Upwardly Mobile

BY JULIA BROCATO

When clients get promoted into school administration, a good advisor's role is just beginning.

Year after year, Tom Pignone consistently ranks as one of PlanMember Securities' top advisors. As co-manager of Turning Point Benefit Group, a financial services agency in Frederick, Md., he serves educators across the state. Tom's polite and professional demeanor has always struck me through my two years of working with him. He exemplifies what I feel a dedicated advisor should be. This example is no exception.

Fifteen years ago, Tom met with a referral client, Shawn Joseph, who was working as a middle school English teacher in Maryland.

"I knew there was something special about Shawn," Tom says. "He was definitely on the fast track and I predicted he would be a superintendent." Tom's advice to him was to earn his post-graduate degree and write a book.

It was quickly apparent that Tom was spot on. Shawn went on to earn a Master's and doctorate degree in education and was promoted several times, from assistant principal to principal and to director of school performance. In 2009 Shawn was named Principal of the Year, an award created to promote school principals who successfully provide high-quality learning opportunities for students while demonstrating exemplary contributions to the profession.

Tom served as Shawn's financial advisor throughout his career and in return, Shawn passed on many client referrals to him. A firm believer that Shawn was destined for a distinguished career in education, Tom wasn't surprised when Shawn called to say he was in the running for a superintendent position in Delaware. Obtaining this position would be a wonderful opportunity for his client, but the move meant Tom could also lose an important client.

When Shawn was indeed hired, Tom continued to advise Shawn as much as he could across state lines, even though PlanMember Services isn't an approved provider in Delaware's K-12 plan.

Superintendent positions are a difficult arena in which to negotiate contracts because salary figures are public record. Benefits contract amounts, however, are not. Tom did his own research and also consulted with colleagues who connected him with several experts in the field, including Ellie Lowder, a renowned tax-exempt & governmental plan specialist, to help with Shawn's negotiations.

"I'm exceptionally happy that I was aware of some regulations that others hadn't mentioned to Tom as he mapped out the best possible way to help his client" says Lowder. "Of special note was that Tom's efforts for Shawn weren't undertaken in anticipation of another sale to him, but as a trusted financial advisor helping Shawn toward a healthy financial future. This really is an important example of people helping people, and it was indeed a privilege to be involved with that journey."

Together, they devised a strategy that ultimately helped Shawn negotiate for additional benefits that were previously not even on the table. According to Tom, "Features like life insurance, moving expenses, car allowances, a deferred compensation plan, and other benefits are routinely forgotten in these negotiations but can be of critical importance."

Tom and Shawn are deeply loyal to their chosen professions and to their client/advisor relationship. Tom helps his clients succeed no matter where their careers take them, and Shawn continues to improve the education profession by his example and leadership.

And Shawn did write a book. *The Principal's Guide to the First 100 Days of the School Year: Creating Instructional Momentum* was published last year by Eye on Education publishers in Larchmont, N.Y. "I bought a bunch of copies," says Tom, "and I intend to send them as gifts to my clients who are considering moving out of the classroom and into the principal's office."

Julia Brocato is web marketing communications coordinator at PlanMember Financial Corp. in Santa Barbara, Calif.

How Financial Advisors Can Assist School Boards with Superintendent Benefit Packages

BY ELLIE LOWDER, TGPC

Be alert to the termination of the current superintendent and the search for a replacement superintendent. Call on the school business official or a school board member to deal with two issues:

- A buyout package for the remaining contract of the terminated superintendent that avoids a lump-sum buyout in the year of termination, and instead substitutes that lump sum with five tax years of post-employment 403(b) contributions at $50,000 per year [the current 403(b) limit for those employer contributions]. Note that this saves the budget impact of a one-year lump sum, permits the departing superintendent to control the impact of income tax on the lump sum, and saves payroll taxes since employer contributions are not subject to those taxes.
- A benefits package for the incoming superintendent that helps recruit and retain that person. With employer contributions to a 403(b) [and/or a 401(a) defined contribution plan], the board can impose a vesting schedule for retention, save budget dollars with no payroll taxes on those employer contributions, and change the emphasis from salary (to which some taxpayers might object) to benefits.

Also, be conscious of the hiring of key employees in colleges and universities—college deans, presidents, and highly paid coaches. Again, the emphasis on employer contributions and the de-emphasis on salary benefits everyone.

- The individually negotiated key employee contract should contain language in the "benefits" portion that specifies the amount and frequency of the employer contributions, subject to the current 415(c) limits [$50,000 in 2012, minus the elective deferrals made by the key employee, *plus any deferrals made under the age 50+ catch up contribution ($5,500 in 2012)].*
- Be sure that the employer does *not* offer the key employee a cash option. That would cause the contribution to be regarded as an elective deferral subject to payroll taxes and a lower limit (and not permitted to be made for up to five tax years post-employment for the contract buyout).
- Be sure that state statute permits employer contributions to 403(b) plans. The employer's legal counsel can quickly determine that (and should be helping draft the contract language in any event). I can supply specimen language to legal counsel to help in that process.

Ellie Lowder, TGPC, is a consultant with TSA Training & Consulting Services in Tucson, Ariz.

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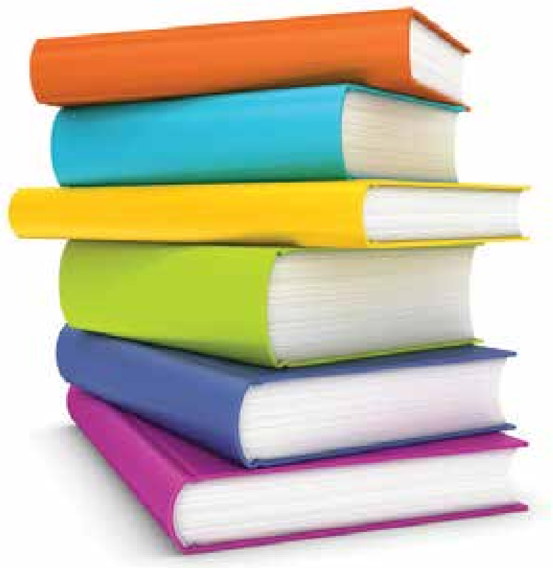

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The Stretch IRA: Non-Spouse Beneficiary Rollover Rights

BY ELLIE LOWDER, TGPC

Though the tax code is usually seen as a burden, it also contains a few gems that can lead to enhanced sales.

Tax law permits non-spouse beneficiaries to directly roll over the death benefit proceeds from a deceased's retirement plan to an inherited IRA, from which the beneficiary must take annual distributions based on his/her own life expectancy. Here are two case studies:

FATHER AND SON

A financial advisor calls to find out the options for his 403(b) client. The client's father had died, leaving the son as beneficiary of Dad's $450,000 401(k) account. The son had contacted the 401(k) plan administrator, where he was told that the plan offers very limited options to non-spouse beneficiaries, and that a lump sum may be his only option. The tax consequences of a lump-sum distribution were considerable; the son, who had no current need for the money, asked the advisor for help.

Because tax law permits non-spouse beneficiaries to directly roll over death benefit proceeds from 401(a), 401(k), governmental 457(b), and 403(b) plans, the financial advisor instructed the 401(k) plan to send the $450,000 directly to an inherited IRA, where the son must begin taking required minimum distributions no later than December 31 of the year following the year of Dad's death. By taking this action, the son now has the flexibility of stretching the inherited account over time. He can also, if his financial situation changes, choose to withdraw more from his IRA than the minimum life expectancy payment.

JENNY'S CHOICE

Well known author Michael Kitces tells about Jenny, the 28-year-old beneficiary of John Smith, who died at age 50. The 401(k) plan would permit Jenny to either take a lump-sum distribution, or a distribution of the entire account over a 5-year period.

Jenny wants to stretch the account value over her own life expectancy. Thanks to the Pension Protection Act of 2006 that created Code Section 402(c)(11) and its subsequent technical corrections, not only is there the ability of non-spouse beneficiaries to directly roll over those death benefit proceeds to an inherited IRA, it's *mandatory* that plans provide that option. The direct rollover is accomplished in time for Jenny to take her first required minimum distribution (RMD) by December 31 of the year following the year of Dad's death. Had she not done the rollover, Jenny would have been forced to liquidate the account by the end of the fifth tax year following her father's death.

The same rules apply to 403(b) plans:

- The inherited IRA must be titled as "Jenny Smith, beneficiary

of John Smith, deceased."

• No additional amounts can be contributed to an inherited IRA.

• If death occurs before the required beginning date, the first required distribution from the inherited IRA *must* be taken by Dec. 31 of the year following the year of death. Otherwise, the account must be emptied by the end of the fifth tax year following the year of death.

• If death occurs *after* the deceased has begun his or her own required minimum distributions, an RMD must be made for the year of death (payable to the beneficiary) before the rollover of the death benefit to the inherited IRA. Failure on the part of the beneficiary to take his or her first distribution by Dec. 31 of the year after the year of death will result in an IRS penalty tax of 50 percent of the amount that should have been taken, but wasn't.

• The death benefit distribution, if *not* directly rolled over, is subject to 20 percent mandatory withholding of federal income tax. Thus, the right to directly roll the distribution over must be given.

• If there are multiple beneficiaries, it's permissible to divide the rollover into separate IRAs for each beneficiary, and base distributions on the life expectancy of each. If not separated, the required distribution is based on the life expectancy of the oldest beneficiary.

• If the beneficiary is an *irrevocable qualified* trust, the beneficiary of the underlying trust can rollover the proceeds of the distribution to the inherited IRA.

THE STRETCH 403(b)?

Some 403(b) product or investment providers may not have systems in place to support the stretch 403(b). In that case, the ability to offer the stretch opportunity to beneficiaries may be available only in the stretch IRA. Be sure to check with the product/investment provider holding the 403(b) assets before advising the beneficiary on his or her options.

Financial advisors will want to be alert to the life changes of their 403(b) or 457(b) clients, and must also position themselves as financial advisors, not just the "person who takes care of my 403(b)."

Ellie Lowder, TGPC, is a consultant with TSA Training & Consulting Services in Tucson, Ariz.

Bridging the Generation Gap in Retirement Services – Part 1

BY SARAH SIMONEAUX, CPC

Understanding the generation differences in our workforce is the key to providing the right education choices.

For several years, we've heard about the "Graying of America" as baby boomers approach retirement. The retirement services industry is experiencing a similar type of graying. The Employee Retirement Income Security Act of 1974 (ERISA) changed the retirement services' world forever and some owners and managers (Radio Babies and Baby Boomers) have passed their businesses on to heirs or sold them to other entities. Some have held on and are now dealing with succession issues. Many industry experts and managers are Radio Babies or Boomers.

UNDERSTANDING THE GENERATIONS

To better understand a single generation, we look at the similarities; to compare generations, we look at the differences. Generations, like cultures, have common values and beliefs and shared experiences. Part 1 of this series will give an overview of the generations and how they see the retirement services workplace. Subsequent articles will deal with how to integrate the generations successfully in retirement services and use case studies to illustrate where each group's talents were successfully used to improve operations and increase education levels across entire firms.

RADIO BABIES

Radio Babies grew up in close family environments and looked up to heroes. In their younger years, they never had the luxuries or technology that the subsequent generations came to expect. They were a hard-working generation who wanted jobs, security, and decent wages in order to take care of their families. They were loyal to their employers, and in return, they relied on company pensions to take care of them in retirement and repay them for their years of loyalty. They were significantly affected by the Great Depression and World War II.

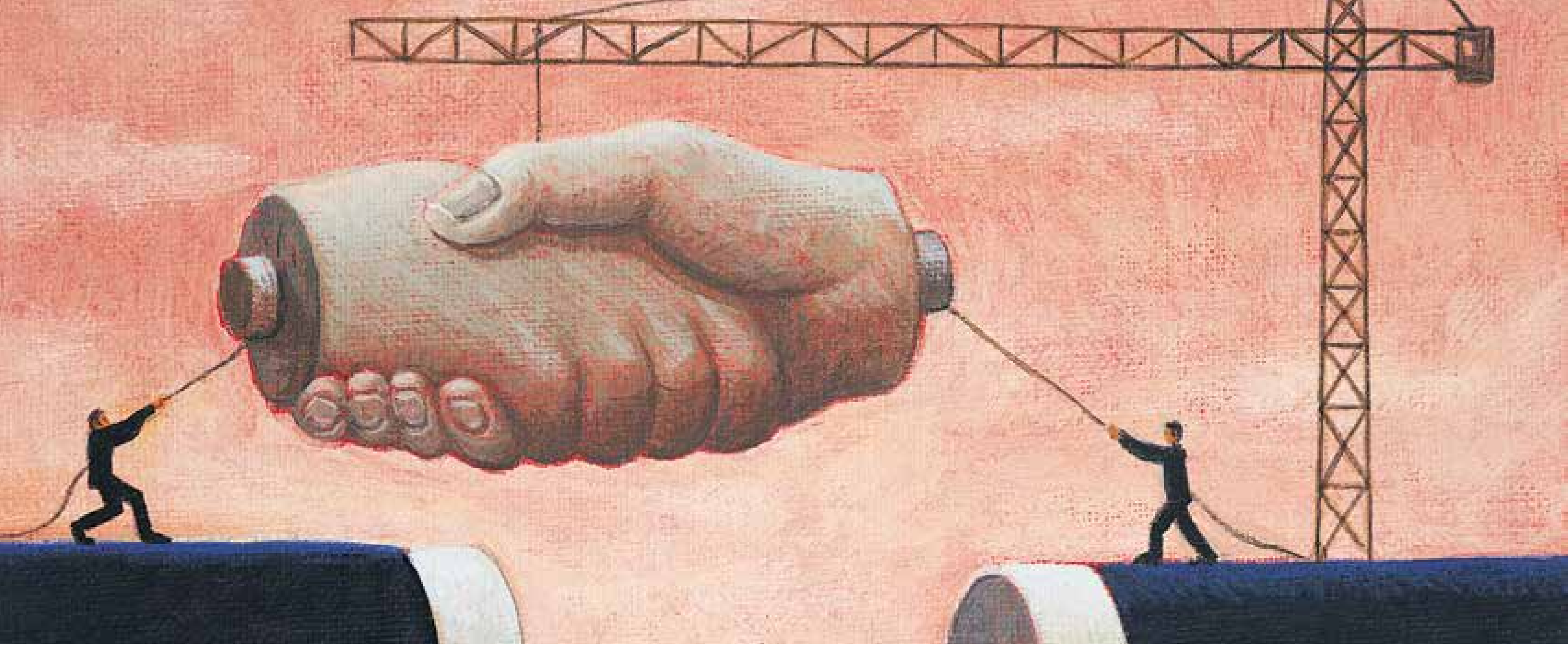
BABY BOOMERS

Baby Boomers began to see the deterioration of the traditional family as divorces became more common. They believed in the American Dream and went for it. Because the Boomers were the largest workforce group, they were conditioned to compete for position and recognition. They were workaholics, the first generation exposed to technology in the workplace. They were heavily influenced by political events and women's rights, and they pushed for change to make the world a better place.

GEN XERS

Gen Xers were the first wave of Baby Boomer children. Many Gen Xers were latch-key children and had less adult supervision than prior

CATEGORY	RADIO BABIES	BABY BOOMERS	GEN XERS	MILLENNIALS
	1930–1945 (<1940)	1946–1964 (1940–1960)	1965–1980 (1960–1980)	1981–2000
Communication style	Respectful	Politically correct	Informal, abrupt	Eager to please, inclusive
Work ethic	Hard work	Workaholic	Be efficient, get it done	Multi-taskers, what's next?
	Duty before fun	Personal fulfillment	Career development	Goal oriented
	Letters/memos	Call me anytime	Call me only at work	Email, text or IM me at work
		Faxes/Express mail	Email	Social networks
View of technology	Difficult and complicated to use and learn	Improves personal productivity, source of information, good for data storage, and processing transactions	Critical for personal and work efficiency, interactive way to connect	Core to life and work and way of thinking, always looking for the next cool thing
Workplace needs	Organization	Mission	Efficiency/results	Values
	Long term goals	Status/recognition	Technology	Collaboration
			Independence	State-of-the-art technology
			Values	Ability to learn/grow
Feedback/rewards	No news is good news	Money, title, recognition	How am I doing? Freedom	Needs continuous feedback, meaningful work
Interactive style at work	Individual	Loves meetings	Entrepreneur, independent	Team player/seeks input
	Hierarchical	Team player	Focused on product	Engaging/helpful
Work advantages	Committed	Team players	Independent	Collaborative
	Respectful	Service oriented; good at relationships	Techno-literate	Technologically savvy
	Wealth of experience	Technical experience	Creative	Multi-tasking abilities
	Hard worker	Driven	Adaptable	Heroic spirit
Work challenges	Resistant to change	May put process before results	Impatient/cynical	Need for supervision and structure
	Difficulty accepting direction from younger generations	Judgmental of those with other viewpoints	Poor people skills	Inexperienced, especially with difficult people issues



generations, primarily due to dual working parents or single-parent environments. They also were conditioned not to trust strangers. As a result, Gen Xers are very independent and not as social as other generations. Because they experienced parents who worked long hours, work/life balance is very important to them. They represent the smallest generational group of available workers. For most of them, their first exposure to technology was in school. They were influenced by the Challenger disaster, AIDS, and the prevalence of technology and the media.

MILLENNIALS

Millennials are the product of helicopter parents who controlled their schedules and activities, oversaw their schoolwork, and hovered over every aspect of their lives. Millennials were groomed to learn and achieve, and they were frequently rewarded. The mouse and computer represented what pencils were to Boomers, and the Internet became their virtual library. Technology is integral to the way they live, think, communicate, and work; they learned it in the same native way they learned to speak a language. They're social, collaborative, and consummate multi-taskers.

They see themselves as part of a global community where diversity is an advantage, and feel their work should make a difference in the world. They were heavily influenced by terrorism, which reinvigorated new respect for family and community, the Internet, and environmental issues.

BRIDGING THE GAPS

Fortunately for the profession, the children of the Baby Boomers are entering the workplace and advancing through the ranks. According to the U.S. Census Bureau, there are approximately 80 million Millennials and 50 million Gen Xers, and the Millennials are even more numerous than their Baby Boomer parents. Within the next year or two, Gen Xers and Millennials are likely to make up between 50 percent and 60 percent of the country's workforce. Their sheer size and their immersion in technology give them the power to radically transform every aspect of society.

As these talented individuals permeate the retirement services sector, one of the major challenges will be the knowledge transference required in such a knowledge-intensive business. Rapid technological change, combined with the need for sophisticated customer service, will make collaboration across the generations essential to a successful business model.

We often have misconceptions about other generations. But once we gain a better understanding of each generation, it's easier to identify and accept the differences. From there, we can seek out commonalities, capitalize on opportunities, and bridge the gaps.

Generational issues aren't new to the workplace. What is new is that the gap is much wider. The workforce is starting to look like an age barbell, with lots of younger and older workers at each end and not many workers in-between. Part 2 of this series will offer strategies on how to bridge the generation gap through education and communication.

Sarah Simoneaux, CPC, is president of Simoneaux Consulting Services in Mandeville, La. and a principal of Simoneaux & Stroud Consulting Services. She is a former president of ASPPA and previously served on the Education and Examination Committee as a Technical Education Consultant. Ms. Simoneaux wrote the textbook, Retirement Plan Consulting for Financial Professionals*, which is used for the PFC-1 (Plan Financial Consulting - Part 1) course of ASPPA's Qualified Plan Financial Consultant (QPFC) credentialing program.*

Heads in the Cloud

Microsoft may be ubiquitous but here are a few applications you may not be aware of.

BY
YANNIS P. KOUMANTAROS, CPC, QPA, QKA
AND
ADAM C. POZEK, ERPA, QPA, QKA, QPFC

1 SharePoint
sharepoint.microsoft.com

Raise your hand if your company is 100 percent flawless at internal communication. It's both funny and ironic how often you hear or say "where is that saved again?" in a given workweek. By the time this article prints, our firm will have been on Microsoft Office 365 (cloud-based Microsoft Office 2010) for just over six months. In addition to all the cool Office applications we're all used to, MS Office 365 brings SharePoint to small and medium-sized businesses at a killer price, in a leased monthly package.

What is SharePoint? Basically, it's an application that makes it easier for people to work together. Using SharePoint, your people can set up websites to share information with others, manage documents from start to finish, and publish collaborative reports for quicker, faster, cheaper, and better decision making. From a software architecture perspective, SharePoint is broken into six sections:

1. Sites
2. Communities
3. Content
4. Search
5. Insights
6. Composites

Prior versions of SharePoint required a software department, but Microsoft has finally hit a home run with this newest version. All of us can now afford this powerful technology at prices starting at $6 per month per user. I recommend licensing the entire Office 365 Suite and seeing your firm productivity soar in just months!

2 OneNote
office.microsoft.com/en-us/onenote/

I hate paper, but I realize that business needs to go from paper-based to less paper before we can truly go paperless. Tablets have become the gateway technology that's slowly transforming skeptics into believers. OneNote by Microsoft takes the place of a digital notebook that combines everything: Post-it notes, pieces of information, Internet searches, fact sheets, etc.

Unlike other productivity tools, OneNote 2010 is integrated into Office 2010 to combine and share notes. Use this application to gather and organize text, pictures, digital handwriting, audio/video recordings, and more—all in one digital notebook on your computer.

Finally, a program has solved the information overload issue. No more searching your emails to find all those confirmation codes for that upcoming conference. With OneNote, you can combine digital agendas and speaker biographies; download speeches, attendee lists, hotel/air/car rental confirmations, emails, and even handwritten notes from prior events. Also, the search capabilities are awesome and immediate for future reference.

Oh, and did I mention that you can even find and apply an online template created for and by the current users? My favorite Seattle software company finally listened to their customers and created valuable, easy-to-use, integrated productivity software. Bravo!

3 QuickOffice Pro HD
www.QuickOffice.com

Microsoft Office is about as ubiquitous in business as software can be, so it's unexpected that finding a functional mobile MS Office application has been such a challenge. QuickOffice Pro HD rises to that challenge. This app, which is available for iOS and Android devices, allows you to create and edit Word, Excel, and PowerPoint documents and is compatible with Office versions from 2007 to 2010. It integrates with many cloud storage services including Dropbox and Box.net, as well as SharePoint, to give you access to your files no matter where you save them.

Need to convert that Word file to a PDF and email to a client? No problem. QuickOffice has you covered. How about making a last-minute change to that PowerPoint presentation just before you take the stage? Yep, QuickOffice lets you do that, too.

QuickOffice adeptly tackles *most* of the tasks you'd normally handle sitting at your desk, but it does have some limitations over the full versions of the MS Office applications. These include lack of a Track Changes feature for Word documents or use of macros in Excel spreadsheets. But, apart from some functionality often reserved for power users, QuickOffice has you covered. It's not the least expensive app you'll download, but the added productivity while on the go is well worth the $19.99 price tag.

While we've spent our fair share of this column writing about some of Apple's innovations, there's another technology giant that continues to push us ever onward. This quarter, we're highlighting a small, Pacific Northwest company you may have heard about… Microsoft.

4 CloudOn
site.CloudOn.com

Were you excited to read about QuickOffice, only to realize that you really need Track Changes to record your comments or that some of your most commonly used spreadsheets contain macros? Have no fear, there's a solution for you as well, and that solution is CloudOn. This nifty app actually gives you access to fully functional versions of the actual MS Office applications—actual versions of Word, Excel and PowerPoint right there on your iPad.

Essentially, CloudOn connects you to a remote server that has the MS Office applications installed. Simply add your login credentials for your Dropbox or Box.net account, and you're on your way to macro bliss with those Excel spreadsheets.

So why would you bother with QuickOffice when you can have CloudOn? A reasonable question. One of CloudOn's drawbacks is that you must be connected to the Internet in order for it to work. Either a WiFi or mobile data connection will do, but without some sort of access, you're out of luck even when it's safe to turn on approved, portable, electronic devices. No Internet, no connecting to the remote server that's the heart and soul of the app and no connecting to your cloud storage to access your files. That might sound like a deal breaker, but at the amazing low price of free, it's worth having CloudOn at the ready when you do have a connection, saving QuickOffice for when you're working offline.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From Insecurity to Reassurance

AN INTERVIEW WITH BUD SCHERTLER

Bud Schertler is the executive director of Texas Panhandle Centers (TPC) in Amarillo, Texas. *403(b) Advisor* posed several questions to Mr. Schertler about the organization's 403(b) plan for its employees.

***403(b) ADVISOR*: BRIEFLY DESCRIBE TEXAS PANHANDLE CENTERS AND EXPLAIN WHAT IT DOES.**

Schertler: TPC provides services and supports to individuals with behavioral and/or developmental health needs in the top 21 counties of the Texas Panhandle. We are part of the Texas Community Center system and are governed by a local Board of Trustees. The primary populations that we serve are individuals with severe mental illness, intellectual and developmental disabilities, and children with developmental delays. We provide quality services to more than 7,000 individuals and their families each year. Clients and staff decide together on individual plans of care that can include a wide array of available services such as assessment, case management, medication, and a variety of other treatment and support services.

HOW MANY PEOPLE DOES TPC EMPLOY?

Approximately 385.

HOW MANY ARE COVERED BY THE 403(b) PLAN?

All are covered, of which 44 participate. An additional 200 people contribute to the 457(b) plan.

WHY DOES TEXAS PANHANDLE CENTERS PROVIDE A 403(b) PLAN FOR ITS EMPLOYEES?

TPC offers a 403(b) plan so employees can make educated decisions targeting the needs of their individual and/or family retirement goals. TPC offers a 401(a) and a 403(b) plan because we believe that options and choice help empower people to make the best out of their financial future.

HOW DOES THE COMBINATION OF THE 401(a) AND 403(b) WORK?

If an employee chooses to contribute any percentage up to 6 percent of his or her salary toward a retirement account, one of which is the 403(b), TPC will match it through the 401(a). Staff's tenure determines which vested percentage they're entitled to. It's a win/win.

HOW DOES TEXAS PANHANDLE CENTERS PROMOTE THE 403(b) PLAN TO ITS EMPLOYEES?

We promote the plans and the 6 percent match at quarterly retirement meetings. We bring our advisors on-site for these meetings and explain each of the two plans offered to staff so they can make an educated decision which plan or combination of plans works best for them.

HOW IS EDUCATION ABOUT PARTICIPATION IN THE PLAN CONVEYED TO EMPLOYEES?

The plan is explained at each new employee orientation and at the quarterly retirement meetings.

HOW HAS THE CURRENT ECONOMIC CLIMATE AFFECTED THE PLAN AT BOTH THE SPONSOR LEVEL AND PARTICIPANT LEVEL?
At the participant level, several participants have contacted their advisors asking if they should lower the percentage of their contribution or make their portfolios less aggressive with more of a balanced or fixed plan until the market improves.

WHAT, IN YOUR VIEW, ARE THE CHARACTERISTICS OF A GOOD ADVISOR?
One who is knowledgeable about current market trends and can explain the market in layman's terms. It's vital that he or she listens to participants' current needs and future goals, then counsel them on how best to achieve those goals instead of just trying to sell a product that's not relevant to those goals.

CAN YOU SHARE A POSITIVE STORY ABOUT AN EMPLOYEE WHO RECENTLY WAS ABLE TO RETIRE BECAUSE OF YOUR PLAN?
Richard, who is recently retired says, "Investment with ISC Group and the 403(b) through my previous employer, Texas Panhandle Centers, made possible financial gains that wouldn't have been possible as an individual investor. While retirement represents change and a degree of insecurity, successful financial investment provides reassurance."

Client of the Year?

Do you have a client who's really impressed you with his or her dedication to the teaching profession? Who regularly goes beyond the call of duty?

We'd like to hear about it.

Summarize your ideas in a brief email to stevensullivan08@comcast.net and you could be the bylined author of an upcoming feature article in *403(b) Advisor.*

New Pastures

BY JODY DETILLIER, TGPC

> **Expanding into new school districts depends on how well you take care of the ones you already have.**

The Sonny Detillier Agency works in eight school districts and numerous private schools in South Louisiana. Most were established by my dad, Sonny, many years ago and we devote most of our effort to maintaining those relationships. We do this by providing annual educational meetings on general retirement planning issues.

In an effort to expand into new school districts, we're trying a few new ideas. First, I've designed a PowerPoint presentation on certain Teachers' Retirement System of Louisiana topics that many employees aren't fully educated on. I keep this presentation very simple and I don't talk about any investment companies or products. I've contacted a few business officials in particular districts that we would like to start working in.

My approach is to offer to demonstrate the presentation for the business official and other key school board employees who may be able to personally benefit from this information. If I can deliver and provide a benefit to these individuals, I've greatly increased my chances of providing these same services to the entire school district. Once they see the value I can bring to their district, I then show how my 403(b) product might offer additional value over the current line of 403(b) products. If you truly offer a more competitive product, this will be a second reason they may want to allow you into the district.

Finally, as a result of having our annual educational meetings in our long-standing districts, we have 403(b) participation rates that are drastically higher than the national average. We've put together a resume' of sorts to show these statistics and to prove that our methods do actually work. Listing all of the districts we work in and highlighting our tenure in each district adds to our credibility. I also explain the different ways that a higher participation rate can be financially rewarding to the school district.

We've found that if you can offer a truly generic educational meeting on topics that have high interest to the employees, you offer a 403(b) product that's more competitive than existing offerings, and can prove you've had success in other school districts, your chances of gaining access to a new school district will be greatly enhanced.

Jody Detillier, TGPC
Sonny Detillier Agency
Lutcher, La.

Anticipating the Compliance Crackdown

BY E. THOMAS FOSTER JR.

Sponsors of 403(b) ERISA plans need to be prepared for audits before the DOL comes knocking on the door.

The U.S. Department of Labor is in the midst of a crackdown on compliance issues related to defined contribution retirement plans, including 403(b) ERISA plans. The DOL reports that 70 percent of the retirement plans it audited were fined, received penalties, or had to make reimbursements for errors in 2009 and 2010, the latest years that figures are available. The average cost to plan sponsors: $450,000.

Those numbers—staggering as they may be—are expected to rise as hundreds of newly hired DOL staffers are working to enforce compliance. That means more 403(b) plans could face a DOL audit as well as serious financial repercussions if their affairs are in disorder.

It's enough to make even the most stout-hearted of plan sponsors dive under their desks. But it needn't happen. Financial advisors can help sponsors head off potential negative repercussions stemming from a retirement plan audit before a DOL auditor ever knocks on the door. Many of the compliance issues uncovered by the DOL are relatively mundane—more Miss Manners than misdeeds.

By running down the list of plan requirements that the federal government says most often trip up plan sponsors, advisors can help sponsors avoid repercussions down the road:

1. Has the plan document been updated to reflect recent changes in retirement law? Plan documents should be reviewed annually. Plan providers can and should be a source of legislative and regulatory updates.

2. Is the plan administered in accordance with the plan document? For instance, are hardship withdrawals or loans being granted in accordance with the terms spelled out?

3. Are the plan's definitions of compensation for deferrals and allocations being followed? Compensation definitions should be reviewed annually and those who are administering the plan should be trained.

4. Were matching contributions made to all appropriate employees as spelled out by the plan? This mistake can be avoided by ensuring that plan administrators have adequate and sufficient payroll records on which to base their calculations.

5. Does the plan satisfy ACP nondiscrimination tests? An independent review can determine if highly compensated and non-highly compensated employees are properly classified. Unlike 401(k)s, there is no ADP testing for 403(b) plans.

6. Were all eligible employees identified and given the opportunity to make an elective deferral? Sponsors can review this requirement by monitoring census information and matching it up with their plan's participation requirements.

7. Did elective deferrals exceed the annual limits as spelled out by the Internal Revenue Code for 2012 [$17,000 for individual contributions per §402(g); $50,000 for all contributions per §415]? Any

TAKEAWAY

The DOL reports that 70 percent of the retirement plans it audited were fined, received penalties, or had to make reimbursements for errors in 2009 and 2010, the latest years that figures are available. The average cost to plan sponsors: $450,000.

excess deferrals must be returned to the contributing participant.

8. Were employees' elective deferrals deposited on a timely basis? This issue can be avoided by closely coordinating with the payroll provider to determine the earliest date that deferral deposits can reasonably be segregated from general assets.

9. Did participant loans conform to the plan document and IRC §72? The loans need to comply with rules spelled out by the plan document relating to the amount, the term, and repayment of the loan. Procedures should be in place to prevent loans that could be considered prohibited transactions.

10. Were hardship distributions proper? Again, consulting the plan document on hardship provisions can help avoid potential issues. Ensure that the plan administrator and payroll office know the plan's hardship provisions.

11. Was Form 5500 filed by the plan sponsor with the IRS? Has a Summary Annual Report been distributed to all plan participants? Employers are responsible for filing a 5500.

Reviewing this list should be done as part of a broader review with plan sponsors to help ensure their retirement plan is meeting their goals and the goals of their employees. Conducting your own friendly "audit" with sponsors today will help them make a potential DOL audit tomorrow more miscellany than misfortune.

E. Thomas Foster Jr., Esq., is The Hartford's national spokesperson for qualified retirement plans. Foster works directly with broker-dealer firms and advisors to help them build their qualified retirement plan business and educate them about industry issues.

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