



Ready, Aim, Retire.

## **The Evolving Role of the Broker**

In our industry, change is nothing new. But figuring out how it affects you and impacts your role with your clients can be tricky. The good news is that RMS is here to help. We'll not only keep you abreast of industry changes, we'll also help you find a way to leverage those changes to position yourself for long-term success.

### **A More Sophisticated Product**

As 401(k) plans continue to evolve, many products now include built-in features to help plan sponsors fulfill their fiduciary responsibilities and also offer participants investment advice. Providing those two services previously has been a major focus for many brokers. So what are your clients looking for now?

Recent surveys have shown there are a number of ways you can enhance your client relationships:

- \* Spend time with your clients and their participants to further identify and define their retirement savings needs
- \* Manage the RFP process for your clients
- \* Help guide plan sponsors through the plan implementation process
- \* Develop an investment policy statement for your clients' plans
- \* Conduct employee enrollment meetings
- \* Provide assistance to individual participants
- \* Communicate rollover and other options to terminating and retiring employees

### **The Maturing Market**

Over the next few years, our industry will experience an unprecedented shift in retirement assets. By 2012 there will be \$1 trillion coming out of retirement plans like 401(k)s, IRAs, mutual funds and other investment instruments every year.\* That's bigger than the 401(k) market has ever been.

So how can you capitalize on this market transition to not only maintain your current roster of clients but to also identify new opportunities? Here are two ideas:

#### **1. Get to know your customers.**

You may already have a good idea of the wants and needs of your clients and their participants, but how well do they know you? Will you be the first person they contact when it's time to retire? It's estimated that by 2013, nearly 30 percent of an advisor's compensation will come from retirement income assets.\* Who will they call to help them with a distribution plan for their savings?

When it's time to retire, participants will want to work with someone they know and trust. If you're not viewed as that trusted advisor, they're likely to take their sizeable nest eggs (that you helped them to accumulate) somewhere else. The time to solidify that relationship is now.

By identifying and addressing the needs of participants as well as plan sponsors, you can help them maximize their investments while simultaneously stepping into the role of trusted advisor.

Frequent communication is key, and there are a number of opportunities for contact with plan sponsors as well as participants throughout the duration of their tenure with the company. Plan sponsors will benefit from your guidance when it comes to selecting service providers, and employees will benefit from enrollment meetings that detail their options. The opportunity to provide assistance and insight to individual participants is an excellent opportunity to build relationships so that when they retire or leave the company, they'll look to you for guidance on their distribution and rollover options.

## **2. Stay informed of legislative issues.**

As baby boomers begin to retire in record numbers and the fluctuating stock market has turned retirement savings upside down, government policies are likely to change as well. It's important to stay up-to-date on legislative initiatives that will affect participants and communicate the impact to your clients. Not only will you become known as a trusted resource, you'll help participants make the most out of their retirement investments.

Don't worry about staying on top of all of the regulatory and legislative issues on your own. We'll help keep you informed of issues as they arise and let you know what actions, if any, you and your clients need to take. Read the Legislative Updates article in this issue of The Arrow for more information.

Adapting to change and finding new opportunities to differentiate yourself in the marketplace may be challenging. But you don't have to go at it alone. RMS is here to help you navigate the constantly changing tides and bring value to your clients. Give us a call to learn more and receive one-on-one strategic guidance. Together, we can develop a plan to help you stay ahead of the competition and achieve lasting results.

\* "Extending the Franchise," Retirement Services Roundtable. 2007

## **What Can We Expect During the 111th Congress?**

President Obama has begun working with a Congress in which Democrats hold a 257-178 majority in the House and a 58-41 majority in the Senate (Franken still not formally seated). The new Administration and Congress have agreed that passage of an economic recovery package will be their first priority in 2009, with health care reform and extending coverage to the uninsured as their likely second. In regard to retirement initiatives, we're uncertain as to whether significant tax legislation, which many times is used as the vehicle for moving retirement legislation, will be considered a priority this year. We are certain that when retirement issues are considered, the Democrats will control which retirement policy issues are included on the legislative agenda.

Democrats will continue to spearhead most of the retirement initiatives during the 111th Congress. We'll see an emphasis on expanding coverage for all Americans with the reintroduction of the Automatic IRA and the elimination of perceived tax incentive inequities by increasing tax incentives for lower income families. There will be continued interest in fee disclosure for qualified and individual retirement plans, and possibly an expansion into the 403(b) and 457 plan markets.

Some of these changes will undoubtedly evolve over the course of the year. RMS will stay on top of these and other initiatives and will keep you abreast of the latest developments.

## **The Worker, Retiree and Employer Recovery Act**

In light of the current economic crisis, former President Bush signed the Worker, Retiree, and Employer Recovery Act of 2008 (the Act), which provides much needed funding relief to defined benefit pension plans. Many believe one of the most important provisions of the Act is the temporary suspension of the required minimum distribution (RMD) rules for participants and beneficiaries in 401(k), 403(b), IRAs and other defined contribution plans.

Generally, participants in qualified retirement plans and IRAs must begin taking a RMD following attainment of age 70½. The Act suspends the RMD requirement for participants and beneficiaries for the 2009 calendar year. Under the Act, no RMDs are required for individuals who reach age 70½ during 2009 and who would normally have to begin taking their 2009 RMDs by April 1, 2010. Those benefiting from this change are the retirees and beneficiaries of retirement accounts who would otherwise have to sell depleted-in-value assets, such as stocks and mutual funds, in order to take their RMD.

Unfortunately, the Act does not help individuals with a 2008 RMD and will not help individuals who attained age 70½ in 2008 but chose to delay his or her first RMD (for 2008) until April 1, 2009. Those individuals still must take their first (2008) RMD by April 1, 2009; however, they will not have to take the otherwise-required RMD for 2009. The Act does not change the way in which an RMD is calculated, such as providing interim valuation dates.

## **Department of Labor 401(k) Fee Disclosure Regulations**

Many in the industry assumed that the Department of Labor (DOL) would release final regulations under ERISA 404(a) and 408(b)(2) by mid-December 2008. However, the regulations were not issued prior to Obama taking office and on January 20, Obama's chief of staff Rahm Emanuel issued a memorandum related to DOL regulatory projects. The memo stops the publication of any new proposed or final regulations without approval from an Obama official.

The proposed 404(a) regulations would require plan sponsors to provide adequate fee disclosures to plan participants so they may make informed decisions regarding investments offered under the plan. The proposed 408(b)(2) regulations explain, the prohibited transaction exemption in ERISA that requires a "reasonable" contract or arrangement between plans and service providers. To be considered "reasonable", such contracts must provide advance disclosure of a provider's services, any direct and/or indirect compensation, as well as any potential conflicts of interest to the plan.

Because the regulations weren't finalized, we anticipate that DOL Chairman Miller will introduce new legislation in 2009 that proposes even greater disclosure requirements. We also need to consider the fact that President Obama will be appointing new administration to the DOL and thus, we won't know the precise actions of the DOL for several months. We'll continue to monitor this issue and will keep you posted as we learn more.

### **Strong. Stable. Secure.**

The almost unprecedented economic upheaval we're experiencing has shaken confidence in the strength and stability of our financial system. There's no doubt that the world is much more financially complex than it used to be. Now, more than ever, it's important to ask yourself if the providers you recommend will be there for the long haul and back the promises they make to you – and to your clients.

Mutual of Omaha, our 401(k) product provider, remains strong, stable and secure. Standard and Poor's has affirmed the AA– (Very Strong, the fourth highest of 21) rating assigned to Mutual of Omaha Insurance Company, United of Omaha Life Insurance Company, and Companion Life Insurance Company. The attached brochure takes a look at Mutual's strong financial position in this time of economic uncertainty. [Download brochure>>](#)

### **PMFM Recognized**

PMFM Inc./ 401k Toolbox<sup>®</sup> announced that Morningstar<sup>®</sup> named the PMFM Managed Portfolio Trust (ETFFX) the #1 U.S. Growth Fund over the past year out of a universe of nearly 10,000 funds. RMS works hard to bring quality product partners to the table, enabling you to offer your clients the best of the best. We will continue to search out solid, successful partners that enable us to offer one of the most reliable portfolios available.



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