
Financial Engines To Personalize Advice for 401(k) Participants

By Editor Test *Mon, Jun 8, 2009*

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Financial Engines, the 401(k) advisory firm co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, has introduced the Financial Engines Retirement Plan, "a personalized statement" that gives "401(k) participants a comprehensive roadmap" to retirement.

The Palo Alto-based company will provide enhanced advice and investment management for 401(k) investors as they approach and enter retirement, as part of the company's "Retirement Help for Life" services, which involve evaluation of a participant's finances, creation and execution of a plan, and ongoing account management.

The firm is answering plan sponsors' need for advisory services that last "for life" rather than just for an employee's tenure with a company.

Sponsors once hesitated to advise plan participants, fearing liability for poor outcomes. But poor outcomes did arrive, for a variety of reasons, and plan sponsor sentiment has swung toward providing more aggressive advice—up to and including the management of participant accounts.

At the same time, the regulatory climate has swung toward encouraging impartial forms of advice. From a fiduciary standpoint, it has become more risky for a plan sponsor *not* to provide advice for participants than to do so.

That trend is creating demand for the services of independent institutional advice providers like Financial Engines.

Financial Engines works with eight of largest plan providers, including Fidelity, Vanguard, Hewitt, Mercer, T.R. Price, J.P. Morgan, ING and ACS, according to its website. It serves more than 750 large plan sponsors, including 112 members of the Fortune 500 and eight of the Fortune 20.

The recent market downturn has reduced retirement account balances and shaken investors' confidence, the firm said in a release. It cited Investment Company Institute and Employee Benefit Research Institute data showing that investors lost \$2.1 trillion dollars in the year ending September 30, 2008, that only 13% of workers feel confident about retiring, and that 44% say they merely "guess" at how much they will need for a comfortable retirement.

The firm's Retirement Plan grew out of the company's online plan participant advice service. The plan provides a personalized printed statement for participants who have chosen to have their retirement account professionally managed. It addresses investments, savings and retirement income issues:

Investments. The Retirement Plan gives the participant the fund-by-fund changes that Financial Engines plans to make in their account. It incorporates information on the participant's tax-deferred and taxable accounts in a "household view."

Savings. The Retirement Plan also provides advice on saving and what an increase in savings could mean in terms of increased employer match. It includes savings to Roth 401(k), IRAs and other tax-deferred accounts.

Retirement Income. Addressing the question, "How much am I going to have in retirement?" the plan forecasts the value of the participant's portfolio at retirement and the likelihood that the participant will achieve his or her retirement goal. Participants not on track to achieve their goals are directed to a licensed investment advisor.

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