
GAO criticizes “pervasive marketing” of IRA rollovers

By Editor Test Thu, Jun 6, 2013

Posing as plan participants about to change jobs, the GAO called IRA rollover counselors at 401(k) providers to see if the recommendations were biased in favor of rollovers and against roll-ins to the job changer's next employer's 401(k) plan. (Pdf and video attached).

In April, the Government Accountability Office (GAO) issued a study that examined and criticized the process that job-changers go through when deciding whether to roll 401(k) savings into a rollover IRA or to transfer them to their new employers’ plans.

Click [here](#) for a pdf of the report, entitled “401(k) Plans: Labor and IRS Could Improve the Rollover Process for Participants.”

The GAO, reflecting the government’s general wish to see Americans keep their tax-favored savings in institutionally priced employer-sponsored plans rather than roll them over to retail IRAs when they change jobs, found evidence that 401(k) providers often make the path to a proprietary rollover IRA easy for job-changers, while making the path toward a roll-in relatively difficult.

The report suggested that, for participants, the process of dealing with retirement accounts following job changes is confusing, non-standardized, and frequently shaped by the business interests of the organizations involved—sometimes to the detriment and sometimes to the benefit of the participant.

“The effort [job-changers] have to make to understand their options and pursue a course of action can be daunting. As a result, participants can be easily steered towards IRAs given the number of administrative obstacles and disincentives to staying in the plan environment and the pervasive marketing of IRAs by 401(k) service providers and IRA providers generally...

“GAO recommends that Labor and IRS should take certain steps to reduce obstacles and disincentives to plan-to-plan rollovers. Labor should also ensure that participants receive complete and timely information, including enhanced disclosures, about the distribution options for their 401(k) plan savings when separating from an employer.”

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