Letter to the Editor

By Editor Test   *Thu, Aug 8, 2013*

J. Spencer Williams, CEO of Retirement Clearinghouse, comments on our cover story last week on "Zombie" 401(k) Accounts.

Dear editor,

Your recent article on the problem of returned and uncashed checks from former plan participants ("Zombie 401(k) Accounts") overlooked some very important trends for plan sponsors within the ARO [assisted rollover] market that also point to substantial opportunities to increase retirement readiness for plan participants.

Old-style ARO providers typically "warehouse" the low balances of participants who have been automatically rolled out of their 401(k) plans by their employers. They charge an annual management fee that, over time, can erode a participant's savings. Many participants never see those savings again, losing track of them.

A better model is emerging, one by which participants whose small balance accounts, when automatically rolled out of their 401(k) plans by their plan sponsors, are reunited with their savings at their next employer or in their IRA account.

That approach delivers better outcomes for sponsors in the form of increased plan efficiencies, lower plan costs, fewer complexities, increased plan assets and reduced fiduciary risk. And it delivers better outcomes for participants in the form of fewer cashouts, lower fees, more easily managed accounts, and, most importantly, consolidated savings.

Over the years, we have transacted more than $1.1 billion in total rollover assets and funded nearly 250,000 Safe Harbor IRAs. More recently we have helped more than 76,000 participants consolidate their accounts through our assisted programs. And we have been extending consolidation services through our unique ARO program that moves participants' savings from their old employer to their new one or their IRA.

We expect the latter number to grow exponentially as more plan sponsors recognize the advantages of consolidation for both plan sponsors *and* participants.

J. Spencer Williams

CEO

Retirement Clearinghouse