
Small is beautiful, say these plan providers

By Editor Test Thu, May 2, 2013

Transamerica launches a new service for small-plan sponsors, The Online 401(k) jumps into the auto-IRA business, and Fidelity announces that small-plan balances have rebounded 64% since the nadir of the financial crisis.

Transamerica launches Retirement Plan Exchange for small-plan sponsors

Transamerica Retirement Solutions has introduced a new service, “The Retirement Exchange,” to help more small businesses offer workplace retirement plans to more employees, and to help employees save for retirement at higher rates, the company said.

The announcement comes at a time of rising awareness that many American workers, especially at small companies, lack access to a workplace retirement plan, and that many small company owners are reluctant to sponsor plans because of the potential expense, complexities, and liabilities of doing so.

According to a Transamerica release, “The Retirement Plan Exchange is aimed at small businesses that don’t currently offer a retirement plan, and at small business owners who want to outsource plan administration and fiduciary tasks.”

Independent firms who are not affiliated with Transamerica will handle the fiduciary and administrator services. The Retirement Plan Exchange will auto-enroll eligible workers at a 6% contribution rate with an automatic increase of two percentage points per year in each of the next two years. Transamerica will make a Roth provision available to all plan participants.

The Online 401(k) creates auto-IRA service for small firms

The Online 401(k), a provider of low-cost retirement savings solutions for small businesses, has unveiled its Starter(k) solution, “the first payroll-deduction IRA designed specifically for small businesses with 100 or fewer employees,” according to a release.

Only about eight percent of the country’s smallest business sponsor a workplace retirement savings plan because of the cost and liability, said Chad Parks, founder and CEO of The Online 401(k). Starter(k) solution is designed to help small firms create an simple, automatic IRA savings program instead of a 401(k) plan.

“Starter(k) is also an ideal solution for businesses who may be subject to legislative mandates, as states such as California consider requiring employers to implement auto-retirement savings through employee paycheck deductions,” Parks said.

Starter(k) functions as follows:

- Employers pay \$25 a month for the service and participating employees pay \$4 a month.
- The plan features 10 target date model portfolios made up of exchange traded funds for a fee of only 25 basis points (0.25%), including ETF investment expenses, fiduciary advice and trading costs. Fiduciary Plan Review, a third-party investment expert, chose and monitors the portfolios.
- Participants’ contributions are automated. After picking their investment portfolio, they need to make no other decisions.
- Accounts are accessible through a web-based platform.
- Starter(k) can be implemented quickly and easily.
- Auto-IRAs don’t fall under ERISA, and therefore entail the costs of complying with ERISA.

Small business retirement plan balances have rebounded: Fidelity

Average balances in small business retirement savings plans administered by Fidelity have increased 20% since 2007 and are up an average of 64% since the financial crisis of 2008, the Boston-based fund company and retirement services provider said in a release.

The data was based on a six-year analysis of accounts at more than 200,000 small businesses (with 10 or less employees) that use a Fidelity SEP-IRA, Self-Employed 401(k) or SIMPLE-IRA savings plan.

The analysis showed:

- The average contribution to these retirement savings accounts increased across the board since 2007, with those using Self-Employed 401(k)s showing the largest increase of 21%, to \$20,950. Employer contributions to SEP-IRAs increased 14% from 2007, reaching \$13,250 in at the end of 2012, while average employer/employee contributions to SIMPLE-IRAs increased the least, rising 4% to \$6,000.
- The average balance of Self-Employed 401(k) plans rose from \$103,400 in 2007 to \$119,500 in 2012—a 16% increase over six years. SEP-IRA and SIMPLE-IRA balances increased by 17% percent to \$71,300 and 26% to \$31,100, respectively.