
What executives say about Obama's auto-IRA proposal

By Editor Test *Mon, Apr 15, 2013*

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Small-company CFOs and executives interviewed by *CFO* magazine this week expressed mixed feelings about the proposal in the Obama administration's 2014 budget to require small companies to offer automatic enrollment in an IRA if they offer no other retirement plan. Here are their comments:

- "I fear that in its search for more sources of revenue, Washington may attack the 401(k) concept by taking away the tax deduction for contributions so that the IRS gets the revenue now instead of after employees retire," said Hank Funsch, president of Dayton T. Brown, a \$40 million defense contractor.
- "I am philosophically opposed to it being a government mandate or in any way regulated, since it will inevitably cost more than it needs to if done that way," said Don Doherty, CEO at specialty equipment finance firm Fleetwood Industries. If the rule is to be mandatory, he would prefer that the government carve out a portion of the FICA tax and deposit it into an IRA-like plan on behalf of the employee. The funds would be placed in trust for the employee and inaccessible for general use by the federal government.
- "I think this is a good thing, because so many people have so little saved for retirement," said Kathleen Wolf, finance chief at Atari International Contracting, a small construction firm. "But forcing it is like adding another layer of Social Security. It's like when the minimum wage jumps. You have to balance that out with something. Generally speaking, it's probably going to reduce someone's compensation."
- The proposal "makes a lot of sense. Most employees will not miss the funds invested in their IRAs, but if they do they can opt out. It's a great way to get individuals to save for retirement," said Paul Remington, CFO at Westbrook Technologies, a document management software vendor.
- "This proposal is very lacking in detail," said Gregory Marsh, vice president and corporate retirement plan consultant at Bridgehaven Financial Advisors. "Funds will be deferred out of payroll to an investment vehicle, so there has to be a fiduciary. Who's that going to be? The CFO? What happens, for example, if the company fails to automatically enroll someone who's eligible to participate?" It makes no sense, he added, to burden CFOs or CEOs with more administrative activities when the new rule "would still not solve the savings crisis."