

# Ask Kidder.

## Is my 401(k) in danger?

Are Congress and the White House considering your retirement plan as a potential source of tax revenue? At the end of 2012, very little changed for qualified plans and for a brief time the retirement system appeared to have survived the Federal budget discussions with only a minor trim, not even getting a haircut. Recently, however, President Obama released his budget proposal with a new limitation – to cap the size of your retirement savings.

The President's proposed retirement account limit is a variable amount with current value, as determined by industry analysts, of about \$3 million. However, as interest rates increase (a yet to be defined rate by the federal government), this limit decreases. If interest rates increase 7% upward from present levels, industry analysts estimate the retirement account limit drops to about \$1.7 million. If interest rates increase to the rates that were seen in the early 1980s, the retirement account limit drops to about \$1.2 million.

Will Congress really allow this to pass? The last time Congress passed a comprehensive tax reform bill was in 1986. At that time, they reduced the dollar limit on employees' 401(k) contributions by over 70%! Congress often takes action based on how they perceive their voters are reacting.

To combat any short-sighted Congressional action, an organization called the American Society of Pension Professionals and Actuaries (ASPPA) created a website called Save My 401k. ASPPA is the leading national organization for retirement plan professionals, part of whose mission is to preserve and enhance the private pension system.

The SaveMy401k website provides a direct and easy way for you to send an e-letter to both of your Senators and your specific Representative. All you need is your name and address (only used to identify your state and specific Representative). If you desire, you can draft your own letter using the website. Otherwise, a preformatted letter is sent asking your representatives to vote against any measure that reduces current tax incentives for retirement saving.

Research results from the website and provided by the Employee Benefit Research Institute (EBRI) include the following:

- Over 80% of Americans participating in 401(k) plans earn less than \$100,000/year.
- Over 70% of wage earners making \$30,000 - \$50,000/year participate in their employers' 401(k) versus 5% who save for retirement when their employer does not sponsor a retirement plan.
- 401(k) retirement plan assets now comprise over 65% of the

average American families' financial assets.

- **IMPORTANT:** While employee 401(k) pre-tax contributions are not subject to current federal income tax, when withdrawn the contributions and income will be subject to income tax. The current federal budget scoring system (which determines the federal budget impact of a tax preference) ignores this fact! This is in direct contrast to various current tax deductions that will never be subject to tax.

Go now to [www.SaveMy401k.com](http://www.SaveMy401k.com) – learn more and spend two minutes to save YOUR 401(k).

## Did you know?

CEFEX has certified Kidder Benefits Consultants, Inc., for a second consecutive year, as adhering to ASPPA's Standards and best practices for retirement plan service providers. Fewer than 40 retirement plan service providers in the United States have earned this certification. In addition to satisfying the pension, compliance, and government reporting standards as defined by ASPPA, this certification also includes adherence to the best practices for governance, organization, human resources, operations, planning, systems, and disclosure, as defined by a cross-industry task force as published under the "Prudent Practices for Investment Stewards" by FI 360 of Pittsburgh, PA.

The CEFEX certification provides assurance to plan fiduciaries and their stakeholders that Kidder has demonstrated adherence to industry best practices. CEFEX, the Centre for Fiduciary Excellence, is an independent certification organization. CEFEX evaluates a firm's organizational practices, policies and operational procedures using the international standard ISO/IEC 17021 principles to determine if such policies have been effectively implemented.

The American Society of Pension Professionals and Actuaries (ASPPA), was established in 1966 and is the leading national organization for career retirement plan professionals.

## Announcements

Kidder ranked #4 in the U.S. based on the 2013 Plan Sponsor Magazine National Defined Benefit Administration survey for Cash Balance/Hybrid Plans. Only AON Hewitt, John Hancock and Fidelity ranked higher in number of plans.

**NOTICE-** Any tax advice expressed in this communication (including any attachments) is not intended to be used, and cannot be used, for the purpose of avoiding penalties imposed on the taxpayer by any government taxing authority or agency. If any such tax advice is made available to any person or party other than the party to whom the advice was originally directed, then such advice is to be considered as being delivered to support the promotion or marketing of the transaction or matter discussed or referenced. Each taxpayer should seek specific tax advice based on the taxpayer's circumstances from an independent tax advisor.