

# the dana report

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## ABOUT THE FIRMS



Dana Consulting Group, Ltd. and Jennings Law Firm, Ltd. were established to provide employers with a single source of comprehensive legal and consulting services relating to retirement plan and employee benefit matters.

If you know someone who would like to receive *the dana report*, click the link below.



## 401(K) PLAN ASSETS & IRA ASSETS TOP \$15 TRILLION

Assets in 401(k) plans & IRAs now top \$15 trillion. That is TRILLION, not billions. Not even the debt of the US government tops that. The Joint Committee on Taxation estimates that between 2016 and 2020, pre-tax contributions to defined contribution plans will cost the US Treasury about \$584 billion - that is NOT the actual contributions but the reduced tax dollars to the government.

We mention this to demonstrate that for US workers, there is no better way to save for retirement than through a tax-favored retirement plan account. Survey after survey also demonstrate that most US workers look to their employers to provide them a 401(k) plan to do that. Many financial advisors are getting out of the retirement plan business due to the Labor Dept's fiduciary regulations. Our view is that the retirement industry is a growth industry for the advisor who is willing to take time to build and service his/her practice. Dana Consulting Group offers a number of services to advisors to not only build their business but also service it. If you would like to talk with us, please call Lee T. Jennings at (630) 802-7644.



## CASH BALANCE PLAN ADMINISTRATION CALENDAR

We have posted to our website ([www.danaconsulting.com](http://www.danaconsulting.com)) under the Education Center tab a calendar summarizing important due dates relating to cash balance (and defined benefit) plans. The calendar is not exhaustive but covers the important dates that CPAs and financial advisors should be aware of.

More and more companies are establishing cash balance plans as a way to provide substantially higher retirement plan contributions for owners and other key executives, as well as improve the company's overall retirement program. If you represent highly profitable companies who are complaining about the limited contributions that are available under traditional 401(k) and profit sharing plans, you should really take a look at a cash balance plan. If you would like additional information, including a no-cost contribution proposal, give Lee T. Jennings in our office a call at (630) 802-7644.



## BABY BOOMERS EXPECTED TO

## TRANSFER \$30 TRILLION IN THE FUTURE

According to the Journal of Accountancy (the trade journal of the AICPA), baby boomers are expected to transfer an estimated \$30 trillion (Yes, we said TRILLION) to their families and other beneficiaries over the next few decades. And they are not just talking about billionaires.

When we take over a retirement plan, we always ask why the plan sponsor is changing its service providers and the Number 1 reason is service. In the case of financial advisors, the complaint is that they will not meet with the plan's participants. The advisors love meeting with the owners but don't seem to find the time for the poor rank and file employees. This is a BIG mistake. A lot of these poor rank and file employees are going to be on the receiving end of these wealth transfers. Maybe not in the millions of dollars but we are seeing people getting low six-figure amounts. An advisor only needs to be picking up ten or more of these each year and his/her wealth management business can be growing by a million dollars or more each year.

These rank and file employees are also easy to serve and the advisors' competitors are not cold-calling them 24 hours a day. An advisor who is willing to invest some time with these employees over the years will find that employee calling the advisor when mom or dad dies and the employee needs some help with the bequest. The retirement plan industry is a rich source of new business for advisors who want to pursue it. A growing book of plans also translates into a growing book of future wealth management clients.

Our firm partners with financial advisors who market to and serve the retirement plan industry. If you are an advisor looking to get into this business or looking to increase your retirement plan business, please give Lee T. Jennings a call.



## PLAN DOCUMENT LANGUAGE MATTERS

Plan documents matter and who gets to interpret them also matters. A recent case involving a disability plan demonstrates once again why this matters.

Prudential Insurance Co. administered a disability plan for a plan sponsor. Prudential denied a claim and the denied participant sued. The question came down to whether Prudential had discretion in interpreting the terms of the disability plan. The court said no and held the Prudential erred in denying the claim.

The US Supreme Court held way back in 1989 in the case of Firestone Tire & Rubber Co. v Bruch, that deference would be provided (in that case to the plan administrator) provided the plan document clearly gave the administrator the power and right to interpret the plan and construe its provisions. This has

become "magic language" that every ERISA plan document should contain. If the document contains the magic language, then the administrator's decision will be overturned only if it is "arbitrary and capricious". The disability plan at issue with Prudential did not contain the magic language and contained provisions like "satisfactory to us", "when Prudential determines", and "satisfactory to Prudential." The ERISA plan documents we prepare for our clients contain the magic language. You should determine if yours do? If not, the documents should be amended immediately to add it.

NOTE: The magic language also comes in handy when arguing with an IRS agent over what a plan provision means.



## 401(k) SALES CHAMPION MARKETING PROGRAM

We have long maintained that a dedicated financial advisor is key to a successful 401(k) plan. To assist our financial advisor partners be as successful as they can, we offer the 401(k) Sales Champion Workshop. This is a web-based marketing program designed exclusively for financial advisors who service clients in the retirement plan industry. The workshop has been updated with several new enhancements.

If you are interested in looking at the workshop, please visit our website at [www.danaconsulting.com](http://www.danaconsulting.com), and click the tab on the left column of the Home Page.

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