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From: Sherry Russell [mailto:srussell250@yahoo.com]

Sent: Monday, May 13, 2013 11:13 AM

To: EBSA, E-ORI - EBSA

Subject: 401k estimated income proposal

Dear Program Administrator,

I am a trained Certified Financial Analyst and I recently read an article in the Washington Post regarding the Department proposal to provide estimated income projections on 401k statements. In general terms, I do support helping consumers understand the future payouts of their retirement savings plans (401k, 403b, etc) but I have certain reservations about the proposal that you might consider.

1) Most people do not understand the concept of time value of money, so they will not be able to understand the assumptions behind the monthly projected payout rate. Most people cannot understand how changing the amount of contributions, periods of contributing to the account, retirement age, etc., will affect the payout. Making the assumptions clear in the statement will not help the vast majority of people. They do not have enough training to understand them and what it means in terms of their daily lives.

2) The estimated payment is proposed to be product neutral; however, people who do not understand the relationship between payments and the value (plus positive or negative growth) of the underlying asset. They may assume that payments are guaranteed, similar to Social Security. The article mentions that there will be no liability for the plan provider or administrator, but given the lack of expert knowledge by the "common man" implied in the standard, there are going to be lawsuits anyway.

3) I am also concerned that the length of the estimated payments has only been described in the article as "until the value of the account has been exhausted." This is misleading at best. Clearly, if a payment amount has been generated, there was an implied length of payout period in the formula. This should be clearly stated. Shall we assume payout until 80 years old? 90 years old? Once again, a potential PR problem. Does DOL or a plan provider/administrator want to suggest to people their estimated life expectancy? I wouldn't think so but saying until the money runs out is too vague to be useful too.

In general, I do support some sort of projected payout for these accounts, but given the static nature of 401k statements, I do not think this is an appropriate place to address the problem. A dynamic calculator is much better for consumers. Consumers can use inputs that are personally relevant and can do their own sensitivity analysis by varying their inputs. It's human curiosity to vary the inputs. Rather than a single number on a statement that is going to be more wrong than right, I would suggest an education and communications program to get consumers to use existing or new calculators provided by DOL or plan administrators.

Thank you,

Sherry Russell
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