

FOR YOUR

BENEFIT



SUMMER 2014

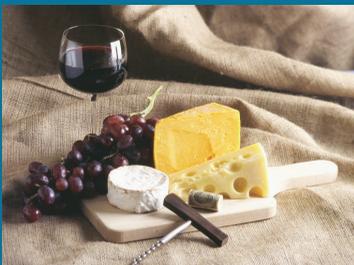
**CMC 14TH
ANNUAL WINE AND
CHEESE EVENT**
SEPTEMBER 18, 2014

4:30 PM TO 7:30 PM

JOIN US AS WE CELEBRATE ANOTHER YEAR. WE'LL HAVE AN OUTSTANDING ARRAY OF WINES, CHAMPAGNES, AND ARTISAN BEER, ALONG WITH PLENTY OF DELICIOUS FOOD.

WATCH YOUR MAIL FOR AN INVITATION. OR, RESPOND NOW: 818-247-7900, EXT. 102.

WE WILL ALSO BE CELEBRATING THE SUCCESS OF OUR SISTER COMPANY, RETIREMENT PLAN FIDUCIARIES, INC. VISIT THEIR WEBSITE AT: WWW.RPF-INC.COM



OUTLIVING THE MONEY: IRS ALLOWS LONGEVITY ANNUITIES

No one wants to think about out living their money, but as people live longer, that threat looms large. Allowing longevity annuities in 401(k)s and IRAs just makes good sense. This will insure that people don't run out of money during retirement. While the option to buy annuities exists today, most of the annuities sold at retirement are immediate annuities. This provides lifetime income, but it also requires handing over a large sum of money to an insurance company in exchange for the annuity. Many people object to losing:

- Investment control of the money,
- Access to the funds in an emergency, and
- Possibly losing the funds on death.

Postpones Payouts Until Age 80 or 85

The IRS has just approved the qualified longevity annuity contract (QLAC) which should solve some problems by postponing payments until age 80 or 85. The IRS



now allows 25% of the account balance, up to \$125,000, to be invested in one of these annuities. In addition, the IRS also listened to our requests to allow the policy to have a full refund of premiums-paid option. This provides a refund if the benefits paid before death are less than the amount paid in. That should make heirs happy.

Another bonus: The amounts put into these annuities are fully exempt from the age 70½ minimum distribution requirements. That allows the participant to use the rest of his funds, manage his investments, and spend prudently for a fixed time period before the guaranteed income kicks in. *(Continued on back)*

How much difference does this deferral really make?

Here are today's numbers for a refund annuity



(where the purchase price will be paid on an early death) for someone age 65 with \$100,000 to purchase the annuity. The monthly guaranteed benefit for life is:

- \$505 starting immediately at age 65
- \$2,679 starting at age 85.

Thus, a person with \$400,000 could purchase one of these annuities with \$100,000 and plan on spending \$2,000 +/- per month from their regular investments over 20 years and have a guarantee of \$2,679 that kicks in at a specified age thereafter.

Give us a call at 818-247-7900 if you'd like more information. ■

FIDUCIARY AWARENESS RISES

The recent media coverage of plan fiduciary errors, and resulting fines, has raised awareness in plan sponsors. They have become very aware of these duties and their responsibility to handle them in a prudent and timely manner or risk enormous fines, penalties, or even jail time. Even the Supreme Court weighed in by saying that ESOP trustees did not get a free pass for holding employer securities even though that is what the plan was designed for.

The American Society of Pension Professionals and Actuaries (ASPPA) conducted a survey of pension professionals. The concerns raised included:

- Improper handling of mergers/acquisitions.
- Controlled/affiliated service groups are not identified/handled correctly.
- Plan sponsors are too busy running their business to handle fiduciary duties.
- Participant disclosures are not being distributed.
- Compensation is improperly determined.

According to Judy Diamond Associates, Inc., 12% of all 401(k) plans failed discrimination tests and needed corrections. The DOL says 75% of plans audited failed due to fiduciary errors.

Fiduciary errors often creep in due to apathy, not understanding the plan document, or plain ignorance. The IRS and DOL want to make examples of plan sponsors who don't handle their responsibilities in a timely or prudent manner. The DOL has increased the number of plans they will audit in 2014 and beyond. ■

REDUCE FIDUCIARY LIABILITIES

Our sister company, Retirement Plan Fiduciaries, Inc., will assume the fiduciary duties plan sponsors



647 W. BROADWAY,
GLENDALE, CA 91204
TEL. 818-856-1678
WWW.RPF-INC.COM

choose to outsource, and reduce the liability for fiduciary errors. Bonus: It frees the plan sponsors' time to do what they do best—run their businesses and make profits. Give them a call (818-856-1678) and they will be happy to show you what they can do to reduce fiduciary liability to help avoid penalties and fines. ■

AROUND CMC

Michael Bain, ASA, MSPA attended the Plan Sponsor National Conference, the Pension Practice Council and the Print and Electronic Publishing Conference in Chicago, in June.

Cathy Green, CPC, ERPA spoke to the Financial Planners Association in Pasadena, this spring.

Michael Bain, ASA, MSPA and Cathy Green, CPC, ERPA attended the National Pension Study Group (NPSG) in Victoria, British Columbia in July.