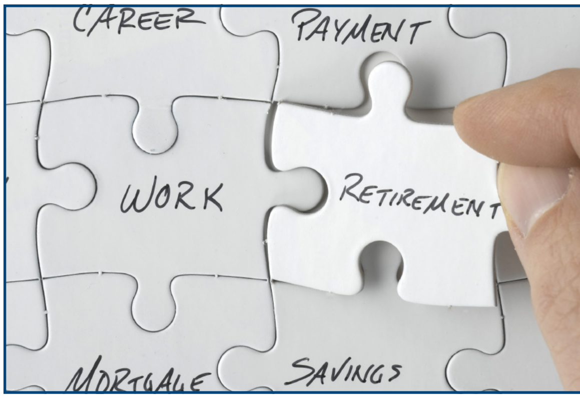

The Economic Crisis…

What does it mean to you and your company's retirement plan?

By Sarah Kaelberer, MBA, CFP®, CLU, ChFC

If you are a business owner and you are not paying close attention to your company's retirement plan, you may be taking a bigger gamble than you know. And, there can be a significant impact to your own personal assets. Every business owner deserves to be informed about the current risks, liabilities and ramifications of managing or mismanaging their company's retirement plan.

The past year's revealing stories of corporate CEOs mismanaging retirement funds and losing millions of dollars in employees' retirement money reinforces the importance of being informed. The lack of knowledge of retirement plans carries far too great of a risk for any business owner.

You can and should take steps to ensure that you, your employees and your company are taking the proper actions with your retirement plans. Ask questions and require answers of your financial advisers. Start by asking these questions:

What should I be doing to minimize my risk as an employer and as an individual?
Ultimately you have to follow the guidelines set forth in ERISA. You are required to do things right each and every year, including evaluating the offerings and your adviser's qualifications. The Prudent Expert Rule (ERISA) says that you don't have to know everything but you do have to hire experts to know and understand current offerings and legalities. It is still up to you as business owner to ensure that your advisers are staying up to date on current pension and investment options and laws.

For example, did you know that if you are an owner and trustee of the 401(k) Plan, you are no longer covered under your corporate liability shield and can now be personally liable if there is a lawsuit or significant error?

What am I required to provide to participants in turbulent market times?
You are not required to provide participating employees anything more during the turbulent times than you are during the good times. You are required to provide participants access to information and if you want to "do it right" then you should provide them access to a professional adviser so that each participant can design their own account with their own goals, objectives, and risk tolerances in mind. Be consistent in the information you provide to participants – in good times and in bad.

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What are other companies doing with their retirement plans to help contain internal costs?
Some companies are eliminating their company contributions, but they also pay a price in employee morale. If you eliminate company contributions, it is essential that you understand the rules and guidelines. Depending upon the type of company contribution that you have, there are certain steps that need to be taken to discontinue it. Talk to your adviser.

In some cases, owners have chosen to lay off one employee instead of discontinuing the company retirement contribution to the entire team. Other companies are looking for low cost providers which may mean sacrificing quality of work and the choices that are available to participants.

Just how much responsibility do I really have for the participants' investment losses in the retirement plan?
Your responsibility or lack thereof depends on the choices and who made them. If you do things properly, you have very little liability. If you don't, you may be tied up in court with significant costs to defend yourself.

For example, today there are some ways to get guaranteed income within retirement programs. The devil is in the details when it comes to guarantees because every guarantee has a catch. Both the trustee and participants must understand those catches to ensure that it is worth it. Catches can include details such as requiring you be employed at this company a certain number of years; or it may require that the guaranteed income is taken as a monthly pension versus lump sum. In some cases you are not allowed to take the guarantee with you if you leave the company. And while some of these programs have catches, they can still be a very good option in the right setting. And if they are not designed and managed properly, all the extra advantages would be lost. It is important if this option is in the plan that you know it is being done right.

The market of the last six months has taught us that "we don't know what we don't know." Take the time to ask questions, listen and understand what you have in your company retirement plan, including the risks to you as a trustee and to your employee benefits within the plan. Be informed and reduce the risks to you, your company and your employees.

Sarah Kaelberer is a partner at Business & Estate Advisers with offices in Minnesota and Wisconsin. She is a seasoned and trusted adviser and author, and has achieved the industry's highest recognition known as "Top of the Table" for the Million Dollar Round Table – a recognition achieved by less than 2,000 professionals in the world. She can be reached at sarahk@business-estate.com or 952-475-0440.