

Retirement Savings Flows and Financial Advice: Should You Roll Over Your 401(k) Plan?

While both 401(k) plans and individual retirement accounts (IRAs) vary in their fees and other features, for many people, a rollover is a mistake that is encouraged by advertising and conflicted advice. Regulatory actions by the Department of Labor and FINRA have addressed misleading, ambiguous and nontransparent fee disclosures that may contribute to the insensitivity of participants to fees, but these trade practices persist. This article addresses several issues relating to rollovers from 401(k) plans to IRAs, including the extent of inertia among pension participants, the extent to which defaults (which are to not roll over) are effective in influencing behavior of participants, the extent of financial errors made by pension participants, the quality of advice pension participants are receiving (and how that may be affected by conflicts of interest), the appropriate advice for pension participants considering rollovers to an IRA and the level of responsibility financial institutions have in advising participants to roll over their 401(k) plans.

by **John A. Turner, Ph.D.** | *Pension Policy Center* and **Bruce W. Klein, Ph.D.** | *Pension Policy Center*

Pension rollovers are an important source of revenue for money managers. One estimate projects that rollovers to IRAs from other pensions will account for 40% to 50% of the net new money received by investment advisors through 2015 (McKinsey & Company 2011). An estimated \$2.1 trillion is predicted to be rolled over from defined contribution plans to IRAs in the next five years (Manganaro 2014b). Due to rollovers, IRAs have over 60% more assets than 401(k) plans (Investment Company Institute 2014).¹ In a rollover, the person receives a check from the 401(k) plan, then deposits the check with the IRA. In a trans-

fer, the 401(k) plan sends the check directly to the IRA. For simplicity, we refer to both as *rollovers*.

With baby boomers starting to retire, more workers are confronting the issue of whether to roll over their 401(k) plan to an IRA. Rollovers are the primary source of funding for IRAs. This is not a new trend. Between 1998 and 2007, more than 80% of funds contributed to IRAs came from rollovers from other plans, primarily 401(k) plans (U.S. Government Accountability Office [GAO] 2011b). In 2008, 95% of dollars going into traditional IRAs were from rollovers, including rollovers from defined benefit plans (Investment

Company Institute 2012b). In 2011, 46% of households with a traditional IRA had rollovers in their IRA, with two-thirds coming from job changes before retirement and one-third being made at retirement (Investment Company Research 2012a). This trend of rolling over money from 401(k) plans to IRAs has important implications for pension plan sponsors, pension plan participants and the entire U.S. retirement system.

The importance of rollovers is surprising because some studies have documented the tendency for pension participants to exhibit inertia (Madrian and Shea 2001, Choi et al. 2002; see, however, Muller and Turner 2013). Inertia would cause participants to leave their 401(k) accounts with their former employers because that is the “path of least resistance.” The rollover trend is inconsistent with participant inertia because it requires an action by participants. While most analysis in behavioral economics concerning retirement focuses on why people do not do something—they do not annuitize, some do not participate in 401(k) plans offering an employer match, they do not contribute sufficiently to receive the maximum matching contribution—rollovers are a question of why people are doing something.

Because of concerns that rollovers are being driven by faulty advice, the Department of Labor (DOL), the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) are all considering regulatory action (Manganaro 2014a). Both SEC and FINRA have indicated

that rollovers are an examination priority for 2014, with SEC focusing on investment advisors that encourage people to roll over to investments with higher fees (DrinkerBiddle 2014, FINRA 2014b).

This article addresses the question of whether participants should roll over their 401(k) plans to IRAs. It also examines why rollovers have occurred. Given the theory that pension participants are strongly influenced by inertia, it would be predicted that 401(k) participants would have taken the default, which is to keep the money in the account of their former employer. That result is even more likely when considering the many participants who presumably would be overwhelmed by the large number of options as to IRA providers and then as to specific investment choices. Thus, as well as addressing an issue of personal finance and the quality of financial advice that individuals receive, this article addresses the issue of the limits of the effects of inertia, which is one of the key concepts of behavioral economics as that field applies to pension issues.

The article is structured as follows. By way of background, it discusses statistics on rollovers and then discusses the options facing a job changer with a 401(k) account. It surveys the pros and cons of rollovers from 401(k)s to IRAs. It then considers a behavioral economics explanation for why rollovers have occurred. It considers advertising and advice on rollovers as part of that explanation and examines reasons why participants may not be considering fees in their decision. It then discusses

policy implications. Lastly, it concludes.

Pension Options for Job Changers

A worker participating in a 401(k) plan who retires or changes jobs has four options for what to do with his account balance. First, the worker can leave the money with the 401(k) plan. Generally, this is not an option if the person has \$5,000 or less in the account (GAO 2013).²

Second, the worker can roll over the 401(k) account to an IRA. A worker over the age of 59½ whose 401(k) plan offers in-service distributions can roll over his 401(k) plan to an IRA while still working. One financial advisor encourages workers to do this (Edelman Financial Services 2014, Edelman 2014).

Third, the worker can roll over the 401(k) account to a subsequent employer’s 401(k) plan if that employer’s plan permits such rollovers. Also, the worker can roll over his 401(k) to the subsequent employer’s defined benefit plan, if the employer has one and permits such an option (IRS 2011). Workers rolling over to the account of a new employer subsequently may be able to borrow the funds, which is not an option with IRAs. Also, workers working past the age of 70½ can delay the start of payments in the 401(k) plan of their employer but not in an IRA.³

GAO (2013), however, reports that rollovers to other plans often are difficult to accomplish. Waiting periods and complicated procedures for verifying that the assets are tax-qualified are part of the problem, but regulatory ac-

tion could be taken to make it easier. Because financial firms often assist workers in making rollovers to IRAs, that type of rollover is often easier. GAO recommended that DOL and IRS take steps to facilitate plan-to-plan rollovers, such as by reducing the waiting period and the verification procedures, and both agencies agreed to look into doing that. In 2014, the U.S. Treasury Department (2014) and IRS issued guidance that facilitates plan-to-plan rollovers.

Typically, IRA accountholders pay higher fees than 401(k) plan participants—about 25 to 30 basis points a year higher (GAO 2011b), which presumably would result in their receiving lower benefits. These higher fees generally are not justified by higher levels of service or higher investment returns.

Fourth, workers can take a lump-sum payment. Taking a lump-sum payment from a 401(k) plan before the age of 55 will result in a 10% penalty tax, as well as income taxes that are due following cashouts taken at any age. When taking a lump-sum payment, workers no longer receive preferential income tax treatment on the money and taxes are due. If they have difficulty planning, they risk spending the money before retirement.⁴

A 2010 survey provides evidence on the percentage and characteristics of people terminating a job with a defined contribution plan who roll over to another plan, compared with those who keep their money in the plan or cash out

their money. The percentages vary by the amount of money the participant has in the plan. Among participants with account balances of less than \$10,000, more than half cashed out their account. By comparison, among participants with more than \$100,000 in the plan, 10% cashed out, 43% rolled over to another plan and 47% left the money in the plan. Among all terminating participants, 42% cashed out, 29% rolled over to another plan and 29% left their money in the plan. When viewed on a dollar-weighted basis, 55% of assets are left in the plan, 38% are rolled over and 7% are cashed out (Aon Hewitt 2011). These data do not distinguish between rollovers to an IRA and rollovers to an employer-provided plan. To the extent that people with larger account balances are more financially sophisticated, these statistics suggest that nearly half of that group did not roll over, but that over two-fifths did roll over.

The Pros and Cons of Rollovers from 401(k)s to IRAs

In comparing 401(k) plans with IRAs, it is important to distinguish between large and small 401(k) plans. As seen below, large plans tend to be better in terms of investment options and fees. For this reason, it is important to note that most participants in defined contribution plans are in plans with 100 or more participants. In 2011, there were 77.4 million participants in plans with 100 or more participants, compared with 11.3 million participants in plans with fewer than 100 participants (DOL 2013). Thus, 87% of participants are in plans with 100 or more participants. By contrast, that year there were 75,520 plans with 100 or more participants, compared with 563,070 plans with fewer than 100 participants. Thus, only 12% of the plans had more than 100 participants. For this reason, data that indicate that most 401(k) plans are worse than IRAs in some respect are misleading because what is relevant is the situation for most workers.

Fees

In comparing IRAs and 401(k) plans concerning fees, the question is not whether an IRA can be constructed that provides lower fees than 401(k) plans. Rather, the question is whether the IRAs that people have generally charge lower fees than the 401(k) plans people are participating in. Some workers changing jobs or retiring may be able to reduce the

fees they pay by moving from a 401(k) plan to an IRA. A worker may be in a 401(k) plan with no low-fee options. For example, the 401(k) plan for the nonprofit firm Demos in 2012 did not offer any investment options with an expense ratio less than 70 basis points (Hiltonsmith 2012). A worker may face higher fees if he has several small accounts than if he rolls over those accounts into a single account, such as an IRA or a subsequent employer's 401(k) plan. For example, some accounts charge fixed fees for small account balances.

Fees tend to be higher in smaller 401(k) plans than in larger ones. A study of 401(k) fees has found that, due to economies of scale, plans with more total assets and with more assets per participant tend to have lower fees (Investment Company Institute and Deloitte 2009). Thus, on the basis of fees, a rollover to an IRA is more likely to be beneficial from a 401(k) plan that has a small number of employees and has relatively small account balances.

Fees vary considerably across 401(k) plans. One study found that 10% of the 130 plans in the study had an "all-in" fee, which includes administrative fees, of 0.37% of assets or less, while 10% had an all-in fee of 1.71% or more, with an average of 0.72% (Investment Company Institute and Deloitte 2009). In an update of that study, 10% of the 525 plans surveyed had an all-in fee of 0.28% of assets, while 10% had an all-in fee of 1.38% of assets (Deloitte 2011). This compares with an average fee for equity mutual funds for retail investors of 0.79% (79 basis points) and 0.62% in

bond funds (Investment Company Institute 2012a).⁵

For 401(k) participants in high-fee plans, rolling over their account to an IRA can easily result in lower fees. For many 401(k) participants, however, rolling over is a bad decision when judged from the perspective of fees. Typically, IRA accountholders pay higher fees than 401(k) plan participants—about 25 to 30 basis points a year higher (GAO 2011b), which presumably would result in their receiving lower benefits. These higher fees generally are not justified by higher levels of service or higher investment returns. In August 2011, DOL released regulations on enhanced fee disclosure in 401(k) plans that appear to have resulted in reduced 401(k) fees and thus would provide a further advantage to 401(k) plans relative to IRAs (Anderson 2013).

Some 401(k) plans offer very low fee options that are not available to participants in IRAs. For example, some plans provide options that are institutionally priced rather than retail-priced. Institutional pricing is the reduced pricing that sponsors of defined benefit plans have and that is sometimes extended for some options to participants in the 401(k) plan of the employer. For example, an institutionally priced equity index fund that a plan sponsor's defined benefit plan uses could charge as low as six basis points to 401(k) plan participants of that plan sponsor. In some 401(k) plans, the plan sponsor pays the administrative fees, while those fees are the individual's responsibility in an IRA. The consulting firm

Aon Hewitt (2011) writes, "Within the defined contribution system, plan participants not only generally have access to high-quality investment options at reasonable prices (through lower cost institutional fund products such as collective trusts and separate account vehicles), but also benefit from fiduciary protections. Workers cannot obtain these benefits individually in the retail market."

The plan sponsors of 401(k) plans have a fiduciary duty to pick a range of investment options with reasonable fees. Some 401(k) sponsors have been sued over the fees their plans charge, which provides evidence that not all sponsors are diligent in providing low-fee options. The attention received by these court cases suggests that, going forward, unreasonable fees in 401(k) plans are less likely to be a problem (MacGillivray and Gladbach 2007, Morgenson 2014).

The fees for IRA users may also include fees for financial advice because many people are not financially sophisticated and believe they need assistance in managing their accounts when faced with the large number of options available to IRA participants. One large provider of financial advice charges fees of 1.5% for advisory services for account balances up to \$500,000 on top of the investment fees the mutual funds in the account charge (GAO 2013).

Number and Quality of Investment Options

Advertising and advice encouraging rollovers generally focus on the greater number of investment options available

to IRA participants, making this issue, along with fees, one of the most important to consider. Along with the number of options and the question of what is the optimal number, the question of the quality of the options is also important.

Number of Options

A 401(k) plan may have only six or eight options, compared with more options in mutual funds, but the number of options varies across plans, with some 401(k) plans having more options. For example, one large plan has 73 options (Black 2011). Not all IRAs, however, have a broad range of options. For example, IRAs offered by mutual fund companies may be limited to the funds of that company (FINRA 2014b). One large IRA provider offers several small cap funds, but the one with the lowest fee charges 91 basis points.

Some advisors believe that participants should be able to invest in anything allowable. One advocate for rollovers to IRAs (Edelman 2014, p. 162) writes, “Other asset classes, such as commodities, real estate, oil and gas, natural resources and precious metals are also unavailable in many plans.”

While traditional economics views more choice as desirable, the *paradox of choice* refers to the negative effects of having too many choices. For some pension participants, having too many options may make investment decisions more difficult, which would cause the limited options in a 401(k) plan, and the presence of a default option in some plans, to be an advantage. Several studies have documented problems people have in making decisions when facing a large number of options (Iyengar and Lepper 2000, Carosa 2011). Research has documented that for psychological reasons of mental overload, above a minimum level, fewer choices are better for many people when the selection of options is sufficient. A further study found that too many investment options in 401(k) plans lowered participation rates (Iyengar, Jiang and Huberman 2004), presumably because some people were deterred by the large number of investment choices. The idea that a good feature of IRAs is having unlimited choice is not supported by behavioral research.

Quality of Options

The literature on too much choice having detrimental effects is based on people not being sufficiently knowledgeable

to choose or being overwhelmed by a large number of choices. However, another aspect of too much choice, in the context of 401(k) plans, is that there may be a tradeoff between quantity of choice and quality of choice, with a larger number of choices including more options that are of poor quality (Goldreich and Halaburda 2011). Also, Deloitte (2011) finds that 401(k) plans with more investment options tend to charge higher average fees, so in some cases, higher fees are associated with lower average quality of options.

In 401(k) plans, where the choices have been preselected by financial experts, it would be expected that the average quality of choice would be better than for IRA participants who face a much larger range of choice, with limited elimination of poor-quality choices. Because 401(k) plans have a preselected choice of investments, it likely is easier for participants to choose investments in that setting than with an IRA, particularly for unsophisticated investors.

Investigating the benefit to 401(k) participants of employer screening of investment choices, Sialm et al. (2014) find that 401(k) participants benefit from plan sponsors dropping poorly performing funds from the investment menu and adding well-performing funds. This process of screening the menu of investment options has the effect of moving participants' assets out of poorly performing funds, even if the participants are unlikely to initiate changes on their own. It appears that, on average, plan sponsors are able to prevent plan participants from making the bad decisions that individual investors outside of defined contribution plans often make relative to future investment performance.

Curtis and Ayres (2012) find that most 401(k) plans offer participants the opportunity to efficiently diversify their investments. However, smaller plans are more likely to offer poor-quality investment choices than large plans. Curtis and Ayres (2012) find that including suboptimal investment choices in the investment menu results in a cost to plan participants who choose those options. By comparison, in IRAs there is essentially no plan menu, so the cost to participants of suboptimal choices presumably would be larger. Workers tend to invest a higher percentage of the portfolio in actively managed funds if more of those funds are available (Brown, Liang and Weisbenner 2007). Actively managed funds charge higher fees than passively managed funds.

One advocate for rollovers argues that most 401(k) plans do not offer exchange-traded funds (ETFs), which tend to charge lower fees than mutual funds. However, one company that offers both indicates that “purchases and sales of ETFs trigger sales commissions and, possibly, other brokerage costs. When these fees are added to the total cost of the investment, no-load index funds, which have no sales charges, can become a less expensive alternative” (T. Rowe Price 2009).

Legal Protections

Workers have fiduciary protections under the Employee Retirement Income Security Act (ERISA) when they participate in 401(k) plans, but they lose those protections when they transfer their assets to an IRA. Plan sponsors of 401(k) plans generally have fiduciary responsibilities under ERISA to act in the best interests of, and solely for the benefit of, the participants (GAO 2011a). IRA providers have neither of these responsibilities. Loss of fiduciary protections can be particularly important at advanced older ages when the risk of cognitive impairment is greater (Barlyn 2010).

Lost Pensions

A young worker who changes jobs and perhaps moves to a different city may have difficulty decades later locating a 401(k) account from a former employer, particularly if it was a small employer. Employers themselves may change locations, change names, be bought out, declare bankruptcy or simply go out of business, all creating

difficulties for tracking down former 401(k) account balances. While the United Kingdom and Australia have lost pension registries maintained by government agencies to help with this problem, that assistance does not exist in the United States for 401(k) participants (Blake and Turner 2002). Thus, in particular for workers many years from retirement, it may be advantageous to roll over a 401(k) account either to the account of a new employer or to an IRA.

Control

According to a number of mutual fund websites, a presumed benefit of IRAs over 401(k) plans is that the account holder has more control over the IRA (e.g., Charles Schwab 2014). What this means is unclear, since in both cases the worker can choose the investments, but the choice of investments would be larger generally with the IRA, as just discussed, though that appears to cause difficulties for many participants.

Financial Engines, the financial advisory firm, has found that workers generally do not want to choose investments and would rather have an investment professional do that for them. Financial Engines is a company that began by providing financial advice to 401(k) plan participants through employers sponsoring 401(k) plans. From its early experience it observed that often its clients did not take the steps necessary to follow its advice, so now it primarily manages 401(k) accounts.⁶ One advantage of a managed 401(k) account to participants is that Finan-

cial Engines accepts fiduciary responsibility (Financial Engines 2011). For a fee, individuals generally can have their money professionally managed, either within a 401(k) plan or an IRA, but in the IRA they generally will not have an advisor that accepts fiduciary responsibility.

One company advertises low costs, a term that is subject to interpretation. In this case, it refers to costs that generally are twice what the lowest fee providers charge, with its lowest fee small cap fund charging 91 basis points. It writes, “Plus you’ll pay no loads, no commissions and no additional management fees.” For an unsophisticated investor, this information does not provide a balanced disclosure of fees.

Consolidating Accounts

Having several small 401(k) accounts with different former employers may be a nuisance to track. One web-

site argues that a benefit of consolidating accounts is that the person can get a more complete picture of his investments (Vanguard 2014). Consolidating accounts may have the advantage of convenience. However, rolling over accounts can also mean that investment options that are available only with one employer, such as institutionally priced assets, are no longer available to the person. Consolidating small accounts can be done with an IRA or by rolling over to a subsequent 401(k) plan.

“Early” Withdrawal Options

With an IRA, workers younger than aged 59½ can make penalty-free withdrawals for first-time purchase of a home or for educational expenses (Fidelity 2014). Active employees can access money for these purposes from most 401(k) plans by taking a loan.

An advantage to keeping the money in a 401(k) for workers younger than 59½ is that it can be withdrawn at job change without penalty as early as the age of 55. If it is rolled over to an IRA and then withdrawn before the age of 59½, it is subject to a 10% early withdrawal penalty.

Why Are Rollovers Occurring?

The preceding section discussed the pros and cons to consider concerning rollovers, arguing that particularly for participants in large plans, which is most participants, rollovers to an IRA are a mistake. This section considers why rollovers are occurring, focusing on why inertia has been overcome.

Overcoming Inertia

Studies have shown that in some circumstances many pension participants have a considerable amount of inertia (Madrian and Shea 2001, Choi et al. 2002; see, however, Muller and Turner 2013). For example, if they are enrolled by default, they tend to stay enrolled and not to change the default investment. Generally, many 401(k) participants do not change their investments, while it may be a better strategy for some to move to more conservative investments as retirement approaches.

One factor that may cause inertia in some circumstances is fixed costs, including time costs, of making a change. The companies encouraging rollovers generally advertise how

easy it is to do and that they will do all the work to facilitate a rollover.

Much of the advice participants currently receive on rollovers, however, comes from mutual funds and other providers of IRAs, which encourage investors to roll over their “old” 401(k) plans, and this encouragement is biased by profit motives. It appears that pension participant inertia has been overcome by a concerted advertising effort by mutual funds companies and other IRA providers to encourage rollovers. This advertising can be seen on television, on websites, in print media and in public places, such as train stations. At the same time, no competing advertising encourages workers to not roll over. Issues relating to advertising and advice are explored in a later section.

Committing Investor Errors

The behavioral finance literature documents that many pension participants make investment errors due to behavioral biases and lack of knowledge about investing. Because participants encounter a lot of advertising encouraging rollovers, they are prone to do so, even if that is not in their interests.

Providing Incentives

Some companies offer cash incentives for rollovers. For example, Scottrade (2014) and E*TRADE are offering a \$1,000 cash bonus for the rollover of an account greater than \$500,000, while other companies, including TD Ameritrade, TD Bank, Ally Bank, Columbia Bank, the Navy Federal Credit Union, OptionsHouse, Motif Investing, Merrill Edge and Bank of America, are also offering cash incentives. At one time Schwab offered a bonus of up to \$2,500, but that offer is no longer available (IRABonus 2014). Most companies that offer cash incentives pay \$500 or less. Cash incentives are treated as miscellaneous income for tax purposes, and the companies are not required to report them to IRS if the total of these incentives paid to a person in a year is less than \$600. For smaller amounts, it is up to the individual to report them, and presumably they generally are not reported. A payment of \$500 not taxed is equivalent to a payment of \$625 taxed at a marginal rate of 20%.

The cash incentives have several effects. Presumably, for

many people they appear to offset the fixed costs of making a rollover by providing an immediate benefit to rolling over. For people who are impatient and have a high discount rate, they allow them to receive cash now. The cash may appear to many participants to be a gift, with advertising generally framing it that way. However, because these companies do not give money away, the cash incentive is more like a nontransparent loan that the participant repays later through increased fees. Thus, the payment of cash for rollovers appears to be a strategy that takes advantage of the behavioral biases of unsophisticated people.

Insensitivity to Fees

The fact that rollovers occur at the cost of higher fees suggests that many participants are insensitive to differences in fees. Previous studies have shown that many U.S. workers have a low level of financial sophistication (Lusardi and Mitchell 2006, Lusardi 2008, Turner and McCarthy 2000). Insensitivity to fees can be due to inattention to differences in fees, or it can be due to a lack of awareness as to the importance of fees in terms of their effect on account balances at retirement. It also could be due to misleading information being provided or financial advice concerning rollovers that generally treats the issue of fees as unimportant in the rollover decision. Each of these issues is discussed.

Inattention

Empirical research indicates that people generally have a low level of knowledge about financial issues. In

particular, survey research indicates that pension participants generally do not know how much they are paying in fees (Turner and Korczyk 2004). A survey of mutual fund investors indicates that most find prospectuses, where fee information is provided, are too long and complex, so they do not read them (Investment Company Institute 2006). In the survey, 59% said that prospectuses were very difficult or somewhat difficult to understand. Only 34% indicated they consulted a prospectus before purchasing a mutual fund. Choi et al. (2010) found in an experiment that many people did not pick the lowest fee mutual fund when given a choice of funds that all tracked the same index and thus essentially were identical.

Lack of Transparency of Fee Disclosures

Lack of knowledge about fees presumably arises in part because of the lack of transparency of fee disclosures. Making good investment choices requires that participants have clear information about the fees charged by the different options they are considering.

In the past, a number of companies advertised that they offer “no fee” IRAs. In reality, they do charge fees, with that advertisement accompanied by a footnote explaining that a number of fees still do apply (e.g., Fidelity 2012, USAA 2012).⁷ Users who consider that footnotes contain technical information, or information of insufficient importance to include in the text, and who for other reasons do not read the footnotes, would not see the explanation of fees in the footnotes. Thus,

this type of advertising may present a misleading comparison between the fees in IRAs and in 401(k) accounts. GAO (2013) found that investment call centers frequently made the claim that IRAs were “free.”

GAO (2013) reviewed fee disclosures online for ten large providers of IRAs. It found that fees often were disclosed in ways that made them difficult to understand. The lack of transparency involved a number of different aspects of the disclosures, which may suggest a strategy of lack of transparency in fees. GAO found that fee information generally was scattered across the providers’ websites in ways that made it difficult to find all of the applicable fees.

The results of the GAO (2013) non-generalizable survey suggest that IRA fees are often disclosed in ways that imply fees are not important. Fees sometimes are located in difficult-to-find places—in one example, the last section of a 49-page document. That section used small font type to disclose the information, another implicit message that the information was not important. Further obfuscating the fee disclosures, often the word *fee* is difficult to find.

Once a potential IRA participant finds the fee information, it can be difficult to understand. An obfuscating element of the disclosures is that the word *may* is frequently used, even when the fee described would always apply. *May* implies that under some circumstances fees would not apply; in fact, that is never the case in many of the circumstances where it is used in IRA fee disclosures.

DOL regulations require greater clarity in 401(k) fee disclosures than is required for IRA fee disclosures (GAO 2013, DOL 2012). However, in the implementation of the fee disclosure regulation, DOL found that fee disclosures for 401(k) plans can be complex and that small employers in particular can have difficulty deciphering fee disclosure material they receive from plan service providers. To deal with that issue, DOL (2014) released a proposed rule that would require service providers to provide a guide to assist employers in locating fee information.

Misleading Information

One company advertises *low costs*, a term that is subject to interpretation. In this case, it refers to costs that generally are twice what the lowest fee providers charge, with its lowest fee small cap fund charging 91 basis points. It writes, “Plus you’ll pay no loads, no commissions and no additional management fees.” For an unsophisticated investor, this information does not provide a balanced disclosure of fees.

Conflicts of Interest

Insensitivity to fees may also arise because the participant is being advised or encouraged to roll over by a party that has a conflict of interest in that it will benefit from the advice through fees it will receive. In this situation, covered in the next section, the advice presumably will tend to ignore the issue of fees.

Advice and Advertising Encouraging Rollovers

Advice can take two broad forms. The first is *generalized* advice, such as is provided through advertising and through information on websites. The second is *individualized* advice that is provided by a financial services professional to an individual. Different regulatory standards apply to the two forms, and arguably different regulatory reforms are needed concerning the current standards. In another dimension, advice can also be categorized as either *conflicted* advice, where the advisor has a financial incentive to provide advice that may not be in the best interest of the client, and *neutral* advice. Generalized advice that is conflicted involves marketing or advertising. Gen-

eralized advice that is neutral can be found in educational materials.

Generalized Advice

DOL has indicated that financial advisors that encourage participants to roll over to an IRA do not have a fiduciary duty to provide advice in the best interests of the participants. According to DOL’s interpretation of the law, mutual funds only have to give participants suitable advice and not the best advice (Investment Company Institute 2011).

Further, mutual fund companies argue that advertising in the media and on their websites encouraging workers to roll over their 401(k) accounts to an IRA is not advice and so is not even subject to the suitability standard. In other words, they reject the concept of generalized advice. They argue that recommending to roll over to an IRA is not advice because it is not made to a specific individual, and for that reason it is not possible for them to determine if it is suitable for the individual receiving it (Investment Company Institute 2011).

Individualized Advice

Some people who talk with advisors are being advised to roll over their 401(k) plans by advisors who are not acting in their best interest. FINRA (2014) warns participants that they may receive advice to roll over to an IRA from an advisor that has a conflict of interest. That conflict of interest is that the advisor will gain fees or compensation from that action.

Regulation of Advice and Advertising

In 2013, FINRA (2013) issued a regulatory notice concerning information provided about IRA fees. The notice provides guidance to firms concerning public communications of IRA fees. It wrote, “FINRA is concerned, however, that some broker-dealers’ communications that discuss fees may not be fair and balanced and could be misleading.” It notes that it has observed overly broad language stating that no fees are charged for accounts. It also notes that it has observed cases where types of fees that are not charged are highlighted and separated from disclosures regarding fees that are charged. Before this regulatory notice, some firms advertised “free” or “no fee” IRAs where in fact fees were charged.

Following the issuance of the notice, financial firms are permitted to say that there is no fee for making a rollover or opening an account but that other fees “may” apply. While this is a step in the right direction, telling financially unsophisticated people that fees *may* apply when there is complete certainty that other fees *do* apply is still a misleading disclosure. The FINRA regulation is weak.

Indicating that fees may apply is not the only misleading advertising relating to rollovers. Given the low level of financial sophistication of many 401(k) plan participants, the following are examples of statements from financial company websites that may be misleading to many people: “You’ll feel good knowing your hard-earned retirement savings are protected, even during market volatility” (Ally Bank 2014); “See the growth potential of your investments when you roll your old 401(k) into an IRA” (T. Rowe Price 2014); “Rolling over puts your money back into your hands, so you can decide how to invest it” (Nationwide 2014).

Advice on rollovers generally involves investment advice. It involves advice that the person sell his or her investments in the 401(k) plan and purchase new investments in an IRA. For this reason, FINRA has indicated that the advice, when provided as individualized advice, must be suitable for the person (FINRA 2013b).

The FINRA regulatory notice has clearly identified a problem concerning misleading disclosures about IRAs and, presumably, reduced its prevalence, but only concerning a limited range of statements that were misleading. Mis-

leading advertising still exists concerning the comparisons that participants make when considering a rollover.

GAO (2013), in an investigative study of the individualized advice provided by 30 call-in centers, found that financial firm call-in centers often recommended IRA rollovers with little information as to whether this would be appropriate for the particular individual receiving the advice. The study also found that clients often received biased, incomplete or inaccurate information favoring rollovers.

Policy Implications

The fact that many 401(k) participants are rolling over to higher fee IRAs may be one factor in the problem of undersaving for retirement. Higher fees can have a substantial effect on the accumulated account balance after a number of years.

These results are similar to the “mis-selling” scandal in the United Kingdom. In the U.K., many people were advised to make pension changes that were in the financial interest of the advisor. Little effort was made to determine whether the advice was suitable for the client, and often it was not. Suitability is a relatively low standard, with a higher standard being the fiduciary standard that the advice is in the best interest of the client. The advice received in the U.K. and, based on the GAO (2013) study, in the United States from call-in centers often does not even meet the suitability standard.

DOL in 2010 issued a regulatory proposal with the intent of protecting pension plan participants from advi-

sors motivated by personal gain from selling high-fee mutual funds. Some mutual funds provide 12b-1 fees and other revenue sharing arrangements to broker-dealers, providing an incentive for them to sell high-fee financial products to their clients.⁸ Those incentive compensation arrangements would not be permitted under the proposed regulation (Munnell et al. 2013). (See Reish (2013) for an analysis of the issues concerning the proposed regulation.)

Munnell et al. (2013) argue that the proposal is a step in the right direction for protecting 401(k) participants but that a more extensive proposal would require that ERISA’s fiduciary standards apply for those rendering advice concerning rollovers to IRAs. An even more extensive standard would require that advertising encouraging people to roll over their 401(k) plans would need to be structured so that it more clearly indicated for whom that would be a good idea and for whom it would not. Perhaps, such advertising could be designed similarly to the warning statements associated with pharmaceutical advertisements as to the circumstances under which the pharmaceuticals should not be used.

Conclusions

Rollover decisions are particularly important because of the amounts of money often involved, because the decision is not reversible and because rollovers create a contingency event since participants who roll over are potentially put at greater risk due to losing fiduciary protections.

This article examines whether roll-

overs from 401(k) plans to IRAs are a good idea for pension participants. For some participants, they probably would be a good idea—for example, for young participants with small accounts and for participants of any age who are in a 401(k) plan with only high-fee investment options. Most workers, however, probably would be better off keeping their pension money in their 401(k) plan or rolling over that money to the 401(k) plan of a successor employer because of lower fees and greater fiduciary protections.

A major issue in evaluating rollovers is the claim that they are advantageous because participants in IRAs have a greater number of investment options. That argument does not consider the quality of the options. Sponsors of 401(k) plans have a fiduciary duty to screen the options provided, while IRA participants lose that protection.

The article also addresses the question of why the rollovers have occurred, given that they appear to be a bad idea for most participants and that the default is to not roll over. The theory from behavioral economics that pension participants are influenced by inertia would predict that rollovers would not occur. It appears that advertising by mutual fund companies that do not have a fiduciary duty to act in the best interest of the 401(k) participants has influenced 401(k) participants to make rollovers, often against their best interests. In addition, direct advice to clients and potential clients from whom little financial information has been obtained often does not even meet the suitability standard.

This issue has similarities to the pension mis-selling scandal in the U.K., where hundreds of thousands of workers were encouraged by financial services companies to switch their pension arrangements starting in 1988 but ended up receiving lower benefits as a result (The Pensions Advisory Service 2009).

Because many 401(k) participants are being influenced through advice and advertising to roll over their accounts to an IRA, where they pay higher fees and have fewer protections, we conclude that greater regulatory protection is needed. Greater protections are needed both for individualized advice and for general advice. This protection can come through DOL regulations oriented toward information that is directly provided to participants and through FINRA

regulations further regulating IRA advertising and general disclosures. FINRA has taken steps toward regulating advertising, but its regulations are weak because misleading statements are still commonly made. 

Endnotes

1. Different types of IRAs include traditional IRAs, Roth IRAs, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRAs and simplified employee pension (SEP) IRAs. In this article, we refer to them generically as IRAs because the issues we discuss are the same for all of them. Rollovers are not permitted to SIMPLE IRAs except from another SIMPLE IRA (IRS 2011).

2. For accounts of less than \$1,000, the employer can cash out the account. For accounts of \$1,000 to \$5,000, the employer can automatically roll over the amount to an IRA rather than keeping the account open with the employer.

3. Some former employers may allow rollovers from subsequent plans. For example, the Thrift Savings Plan for federal government employees permits this.

4. The Pension Benefit Guaranty Corporation (PBGC) has proposed that workers who terminate at the age of 55 or older with at least ten years of service who elect to receive an immediate annuity be permitted to roll over their 401(k) plan to the defined benefit plan of the same employer (Moore 2014).

5. The fees in the two studies are not directly comparable. The fees in the 401(k) plan study are plan averages, while the mutual fund fees are weighted by assets. Thus, the mutual funds study is overweighted for large accounts, compared with a participant-based statistic, while the plan statistics are overweighted for small plans, compared with a participant-based statistic.

6. This observation was made in a conversation with a representative of Financial Engines.

7. These websites were accessed in 2012. That language is no longer used, due to a FINRA regulatory action (FINRA 2013a).

8. *12b-1 fees* are annual marketing fees charged by mutual funds. They are a part of their expense ratio and are used to pay ongoing commissions to advisors who have marketed the fund.

References

- Ally Bank. 2014. "Let Your Retirement Savings Start Rolling In. Get a \$250 Bonus."
- Anderson, Nancy. 2013. "7 Reasons Not to Roll Your Orphan 401(k) to an IRA." *Forbes*, January 24. Available at <http://www.forbes.com/sites/financialfinesse/2013/01/24/7-reasons-not-to-roll-your-orphan-401k-to-an-ira/>.
- Aon Hewitt. 2011. "Leakage of Participants' DC Assets: How Loans, Withdrawals, and Cashouts are Eroding Retirement Income." Available at www.aon.com/attachments/thought-leadership/survey_asset_leakage.pdf.
- Barlyn, Suzanne. 2010. "A Fiduciary Duty for IRA Rollovers." *Financial Adviser*. October 5. Available at www.resourceadv.com/blog/dow-jones-fiduciary-duty-4-ira.
- Black, Richard. 2011. "The Latest Word on 401(k) Fee Litigation: Third Circuit Narrows Plaintiffs' Ability to Bring ERISA Breach of Fiduciary Duty Claims." *Littler Publications*. Available at www.littler.com/publication-press/publication/latest-word-401k-fee-litigation-third-circuit-narrows-plaintiffs-ability.
- Blake, David and John A. Turner. 2002. "Lost Pensions and Lost Pensioners." *Benefits Quarterly* 18(3) Third Quarter, pp. 51-64.
- Brown, Jeffrey R., Nellie Liang and Scott J. Weisbenner. 2007. "Individ-

ual Account Investment Options and Portfolio Choice: Behavioral Lessons From 401(k) Plans." *NBER Working Paper* No. 13169, June.

Carosa, Christopher. 2011. "How Many Investment Options Should 401(k) Plan Sponsors Offer?" *Fiduciary News*, October 18. Available at <http://fiduciarynews.com/2011/10/how-many-investment-options-should-401k-plan-sponsors-offer>.

Charles Schwab. 2014. "IRA Rollovers." Available at www.schwab.com/public/schwab/investing/accounts_products/accounts/ira/rollover_ira?src=mxq&sv1=sbA40ScDK&sv2=3071800100&sv3=xpxe4op6q0.

Choi, James J., David Laibson, Brigitte Madrian and Andrew Metrick. 2002. "Defined Contribution Pensions: Plan Rules, Participant Choices, and the Path of Least Resistance." In *Tax Policy and the Economy*, Volume 16, edited by James Poterba, 67-113. Cambridge, MA: MIT Press.

Choi, James J., David Laibson and Brigitte Madrian. 2010. "Why Does the Law of One Price Fail? An Experiment on Index Mutual Funds." *Review of Financial Studies* 23(4): 1405-1432. Available at www.ncbi.nlm.nih.gov/pmc/articles/PMC2872995.

Curtis, Quinn and Ian Ayres. 2012. "Measuring Fiduciary and Investor Losses in 401(k) Plans." July 15. 7th Annual Conference on Empirical Legal Studies. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2107796.

Deloitte Consulting. 2011. "Inside the Structure of the Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the 'All-In' Fee." Study conducted for the Investment Company Institute. November. Available at www.ici.org/pdf/rpt_11_dc_401k_fee_study.pdf.

DrinkerBiddle. 2014. "FINRA's Reminder About Rollovers: News to Many." April 14.

Edelman Financial Services. 2014. "Is there ever a good time to roll a 401(k) into an IRA while you're still with the company, or is that even possible?" *Education*. Available at [www.ricedelman.com/cs/education/article?articleId=1183&titleParam=Question: Is there ever a good time to roll a 401\(k\) into an IRA while you're still with a company, or is that even possible?#.UzbOy5BOXIU](http://www.ricedelman.com/cs/education/article?articleId=1183&titleParam=Question: Is there ever a good time to roll a 401(k) into an IRA while you're still with a company, or is that even possible?#.UzbOy5BOXIU).

Edelman, Ric. 2014. *The Truth About Retirement Plans and IRAs*. Simon and Schuster Paperbacks, New York.

Fidelity. 2012. "Individual Retirement Accounts—IRA Center." Available at www.fidelity.com/ira/?imm_pid=4&imm_id=00527&imm_eid=e25929773&buf=999999.

Fidelity. 2014. "What to Do With an Old 401(k)." Available at www.fidelity.com/viewpoints/401k-options.

Financial Engines. 2011. "Understanding the Accidental Investor: Baby Boomers on Retirement." Available at http://corp.financialengines.com/employer/Accidental_Investor_April2011.pdf.

Financial Engines. 2014. "Income+." Available at http://corp.financialengines.com/helping_you/managed_service_retirement_income.html.

FINRA. 2013a. "Brokerage and Individual Retirement Account Fees." Regulatory Notice 13-23. Available at www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p304670.pdf.

FINRA. 2013b. "Rollovers to Individual Retirement Accounts: FINRA Reminds Firms of Their Responsibilities Concerning IRA Rollovers." Regulatory Notice 13-45. December 30. Available at www.finra.org/Industry/Regulation/Notices/2013/P418694.

FINRA. 2014. "The IRA Rollover: 10 Tips to Making a Sound Decision." Protect Yourself: Investor Alerts. Available at www.finra.org/Investors/ProtectYourself/InvestorAlerts/RetirementAccounts/P436001?utm_source=MM&utm_medium=email&utm_campaign=Investor_News_022714_FINAL.

Goldreich, David and Hanna Halaburda. 2011. "When Smaller Menus Are Better: Variability in Menu Setting Ability." Harvard Business School Working Paper 11-086. Available at www.hbs.edu/research/pdf/11-086.pdf.

Hiltonsmith, Robert. 2012. "The Retirement Savings Drain: The Hidden & Excessive Costs of 401(k)s." Demos. Available at www.demos.org/sites/default/files/publications/TheRetirementSavingsDrain-Demos_2.pdf.

Internal Revenue Service. 2011. "Rollover Chart." Available at www.irs.gov/pub/irs-tege/rollover_chart.pdf.

Investment Company Institute (ICI). 2006. "Understanding Investor

Preferences for Mutual Fund Information." Available at www.ici.org/pdf/rpt_06_inv_prefs_full.pdf.

Investment Company Institute. 2011. "Hearing on Fiduciary Definition Proposal." Available at www.ici.org/401k/statements/11_dol_fiduciary_tmny.

Investment Company Institute. 2012a. "Trends in the Expenses and Fees of Mutual Funds, 2011." ICI Research Perspective. Available at www.ici.org/pdf/per18-02.pdf.

Investment Company Institute. 2012b. "The U.S. Retirement Market." Second Quarter (September 2012). Available at www.ici.org/info/ret_12_q2_data.xls.

Investment Company Institute. 2014. "Retirement Assets Total \$21.9 Trillion in Third Quarter 2013." Research and statistics.

Investment Company Institute and Deloitte. 2009. "Defined Contribution/401(k) Fee Study." Available at www.ici.org/pdf/rpt_09_dc_401k_fee_study.pdf.

Investment Company Research. 2012. "IRAs in Americans' Retirement Preparedness." March 7. Available at <http://iracontributionlimits2010.com/ira-study-2012.pdf>.

IRABonus. 2014. "IRA Bonus—Individual Retirement Account." Available at www.irabonus.com.

Iyengar, Sheena S. and Mark Lepper. 2000. "When choice is demotivating: Can one desire too much of a good thing?" *Journal of Personality and Social Psychology* 76: 995-1006. Available at <http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2000-16701-012>.

Iyengar, Sheena S., Wei Jiang and Gur Huberman. 2004. "How Much Choice Is Too Much: Contributions to 401(k) Retirement Plans." In Olivia S. Mitchell and Stephen Utkus (eds.), *Pension Design and Structure: New Lessons From Behavioral Finance*. Oxford University Press, pp. 83-95. Available at www.archetype-advisors.com/Images/Archetype/Participation/how%20much%20is%20too%20much.pdf.

Lusardi, Annamaria. 2008. "Household Saving Behavior: The Role of Financial Literacy, Information, and Financial Education Programs." NBER Working Paper No. 13824. Available at www.nber.org/papers/w13824.pdf?new_window=1.

Lusardi, Annamaria and Olivia S. Mitchell. 2006. "Financial Literacy and Planning: Implications for Retirement Wellbeing." Available at www.dartmouth.edu/~alusardi/Papers/FinancialLiteracy.pdf.

MacGillivray, Steve J. and Eric F. Gladbach. 2007. "401(k) Excessive Fee Litigation." *In-House Defense Quarterly*. EdwardsWildman, Fall. Available at www.edwardswildman.com/files/News/268c8966-020d-4da5-83bd-0c491102dc9f/Presentation/NewsAttachment/c09a5801-0a41-4e63-89b9-0d71b13f1d75/401K%20Excessive%20Fee%20Litigation.pdf.

Madrian, Brigitte C. and Dennis Shea. 2001. "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior." *Quarterly Journal of Economics*, 116 (4): 1149-1187.

Manganaro, John. 2014a. "An Inside Perspective on Rollover Rulemaking." *Planadviser*, March 26. Available at www.planadviser.com/An_Inside_Perspective_on_Rollover_Rulemaking.aspx.

Manganaro, John. 2014b. "Optimizing Your Practice to Capture Rollovers." *Planadviser*, March 28. Available at www.planadviser.com/Optimizing_Your_Practice_to_Capture_Rollovers.aspx.

McKinsey & Company. 2011. "Capturing IRA Rollovers: The Net New Money Opportunity for Wealth Managers." July.

Moore, Rebecca. 2014. "Proposed Protections for DC to DB Rollovers." *Planadviser*, April 11. Available at www.planadviser.com/Proposed_Protections_for_DC_to_DB_Rollovers.aspx.

Morgenson, Gretchen. 2014. "A Lone Ranger of the 401(k)s." *New York Times*, Business, p. 1, March 30.

Muller, Leslie A. and John A. Turner. 2013. "The Persistence of Employee 401(k) Contributions Over a Major Stock Market Cycle: The Limited Power of Inertia." *Benefits Quarterly* 29(3), Third Quarter, pp. 51-65.

Munnell, Alicia H. and James G. Lee. 2004. "Changing 401(k) Defaults on Cashing Out: Another Step in the Right Direction." Center for Retirement Research at Boston College, *Just the Facts* No. 12. Available at <http://crr.bc.edu/briefs/changing-401k-defaults-on-cashing-out-another-step-in-the-right-direction>.

Munnell, Alicia H., Anthony Webb and Francis M. Vittagliano. 2013. "The Economic Implications of the Department of Labor's 2010 Proposals for Broker-Dealers." *Journal of Retirement* 1(1): 38-54.

Nationwide. 2014. "IRA Rollovers: Put Your Money Back Into Your Hands." Available at www.nationwide.com/ira-rollovers.jsp.

The Pensions Advisory Service. 2009. "Pension Mis-selling." Available at www.pensionsadvisoryservice.org.uk/dealing-with-complaints/pension-mis-selling.

Reish, Fred. 2013. "Pursuing Rollovers in an Evolving Regulatory Landscape." Pershing. Available at www.napa-net.org/Portals/1/PDFs/Partners/Pursuing-Rollovers-in-an-Evolving-Regulatory-Landscape.pdf.

Scottrade. 2014. "Take Control of Your Retirement Savings." Available at www.scottrade.com/LP/ira-rollover/?refnum=IRA14PDS&camID=

IRA2014_search&sctr=24742|Rollover+IRAs|ira+and+rollover||1_b&visId=8a8ae4cd36a7142d0136bd24dd0d0821&gclid=CIO1vODgk0CFcx9Ogod31IAgw&jsf=35b20100-15c9-4212-b68e-1ac354bcfe5e:33186.

Sialm, Clemens, Laura Starks and Hanjiang Zhang. 2014. "Defined Contribution Pension Plans: Sticky or Discerning Money?." NBER Working Paper No. 19569.

Simon, Emma. 2012. "A £20bn pension mis-selling scandal?" *The Telegraph*, March 4. Available at www.telegraph.co.uk/finance/personalfinance/pensions/9120476/A-20bn-pension-mis-selling-scandal.html.

T. Rowe Price. 2009. "The ABCs of ETFs." *Insights*. Volume 1, No. 238. October 30. <http://individual.troweprice.com/staticFiles/Retail/Shared/PDFs/Insights/TheABCsOfETFs.pdf>.

T. Rowe Price. 2014. "Rollover IRA." Available at <http://individual.troweprice.com/public/Retail/Retirement/Rollover-IRA?adcode=7211&PlatformGUID=1A92657B4579474A9F01E68BCBEC064>.

Turner, John A. and Sophie M. Korczyk. 2004. "Pension Participant Knowledge About Plan Fees." *AARP Data Digest 105*, November. Available at http://assets.aarp.org/rgcenter/post-import/dd105_fees.pdf.

Turner, John A. and David D. McCarthy. 2000. "Pension Education: Does It Help? Does It Matter?" *Benefits Quarterly* 16(1), First Quarter: 64-72.

Turner, John A. and David D. McCarthy. 2013. "Longevity Insurance Annuities in 401(k) Plans and IRAs." *Benefits Quarterly* 29(1), First Quarter: 58-62.

USAA. 2012. "What to Do With Your Thrift Savings Plan."

U.S. Department of Labor, Employee Benefits Security Administration. 2012. "Final Rule to Improve Transparency of Fees and Expenses to Workers in 401(k)-Type Retirement Plans." February. Available at www.dol.gov/ebsa/newsroom/fsparticipantfeerule.html.

U.S. Department of Labor, Employee Benefits Security Administration. 2013. "Private Pension Plan Bulletin: Abstract of 2011 Form 5500 Annual Reports." Available at www.dol.gov/ebsa/pdf/2011pensionplanbulletin.pdf.

U.S. Department of Labor, Employee Benefits Security Administration. 2014. "U.S. Labor Department Proposes That Service Providers Give Employers a Guide for 401(k) Fee Disclosures." March 11. Available at www.dol.gov/opa/media/press/ebsa/EBSA20140361.htm.

U.S. Department of Treasury and Internal Revenue Service. 2014. "Treasury and IRS Issue Guidance Facilitating Tax-Free Rollovers to Employer-Sponsored Retirement Plans." Available at www.treasury.gov/press-center/press-releases/Pages/jl2345.aspx.

U.S. Government Accountability Office (GAO). 2011a. "401(k) Plans: Certain Investment Options and Practices That May Restrict Withdrawals Not Widely Understood." GAO-11-291. Available at www.gao.gov/new.items/d11291.pdf.

U.S. Government Accountability Office (GAO). 2011b. "401(k) Plans: Improved Regulation Could Better Protect Participants From Conflicts of Interest." GAO-11-119 January 28. Available at www.gao.gov/new.items/d11119.pdf.

U.S. Government Accountability Office (GAO). 2013. "401(k) Plans: Labor and IRS Could Improve the Rollover Process for Participants." GAO-13-30. Available at www.gao.gov/assets/660/652881.pdf.

Vanguard. 2014. "See if a 401(k) rollover is right for you." Available at <https://investor.vanguard.com/what-we-offer/401k-rollovers/401k-403b-to-ira-rollover-benefits?WT.srch=1>.

AUTHORS

John A. Turner, Ph.D., is director of the Pension Policy Center in Washington, D.C., where he provides consulting and research on pension policy. He has published 12 books on pension policy; two have been translated into Japanese and two are required reading for Society of Actuaries examinations. He has published more than 100 articles. Turner has advised on pension policy in Tajikistan, Tanzania, Albania, Macedonia, Indonesia and other countries. He has a Ph.D. degree in economics from the University of Chicago.



Bruce W. Klein, Ph.D., is a senior research associate at the Pension Policy Center in Washington, D.C. He formerly was an adjunct professor at the George Washington University and a senior research associate at the College of William and Mary after serving as an economist at the Bureau of Labor Statistics. Klein holds a master's degree in economics from the University of California, Santa Barbara, and Ph.D. degree in economics from the George Washington University.



International Society of Certified Employee Benefit Specialists

Reprinted from the Fourth Quarter 2014 issue of *BENEFITS QUARTERLY*, published by the International Society of Certified Employee Benefit Specialists. With the exception of official Society announcements, the opinions given in articles are those of the authors. The International Society of Certified Employee Benefit Specialists disclaims responsibility for views expressed and statements made in articles published. No further transmission or electronic distribution of this material is permitted without permission. Subscription information can be found at iscebs.org.

©2014 International Society of Certified Employee Benefit Specialists