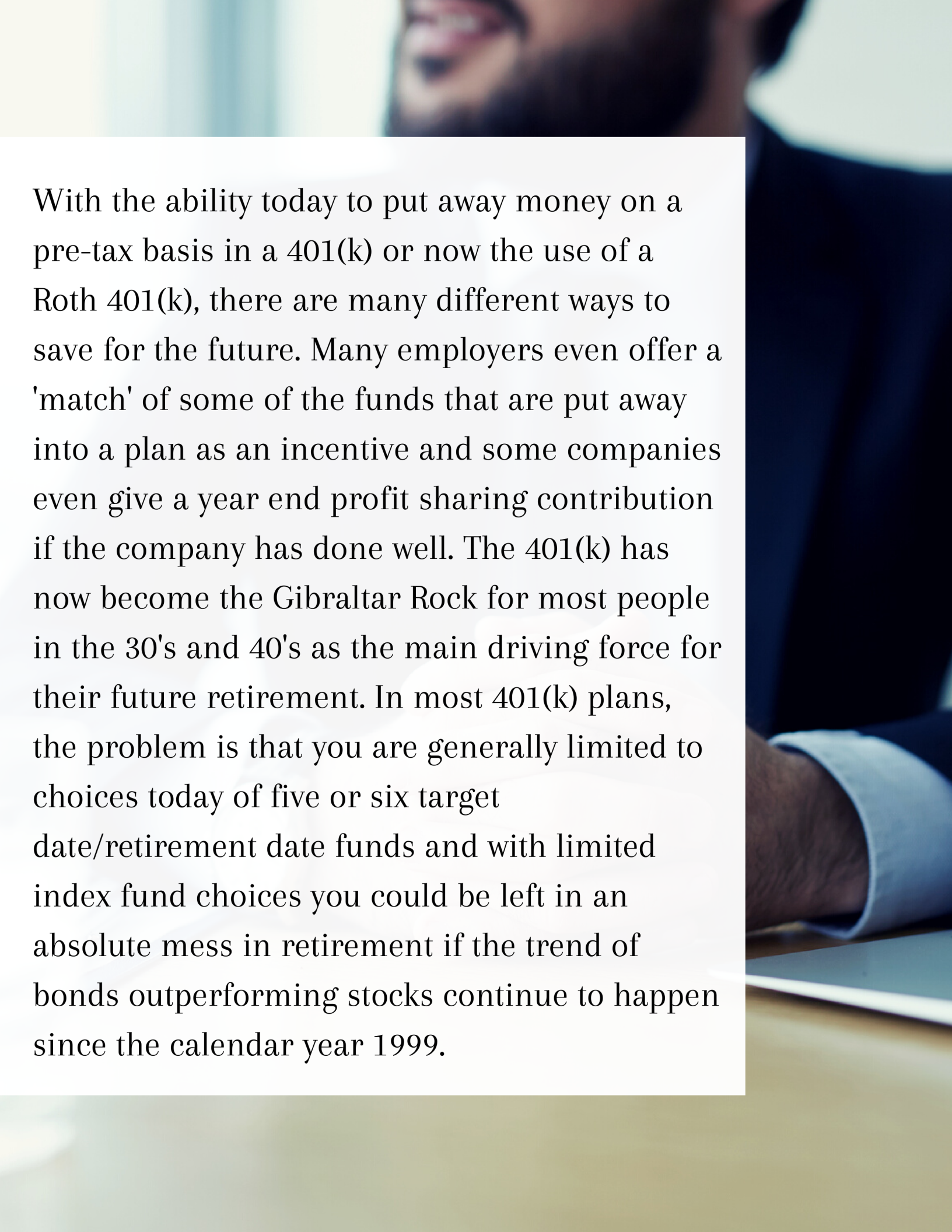
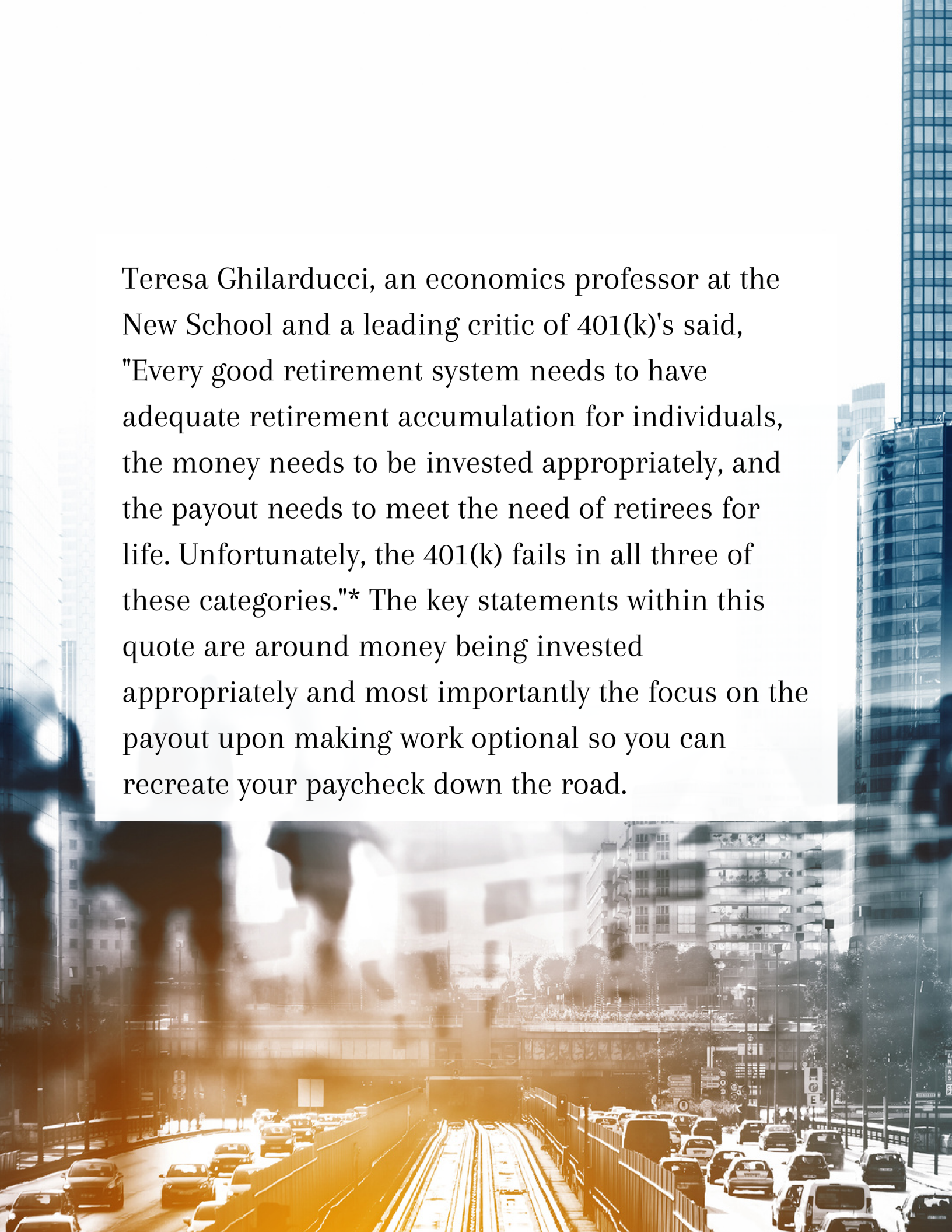


A photograph of an elderly couple walking away from the camera on a paved path in a park. The man is wearing a brown sweater and a cap, and the woman is wearing a teal jacket and using a cane. The path is flanked by green grass and autumn-colored trees. The sky is a clear, deep blue. Two white diagonal lines are overlaid on the image: one in the top right corner and one in the bottom left corner.

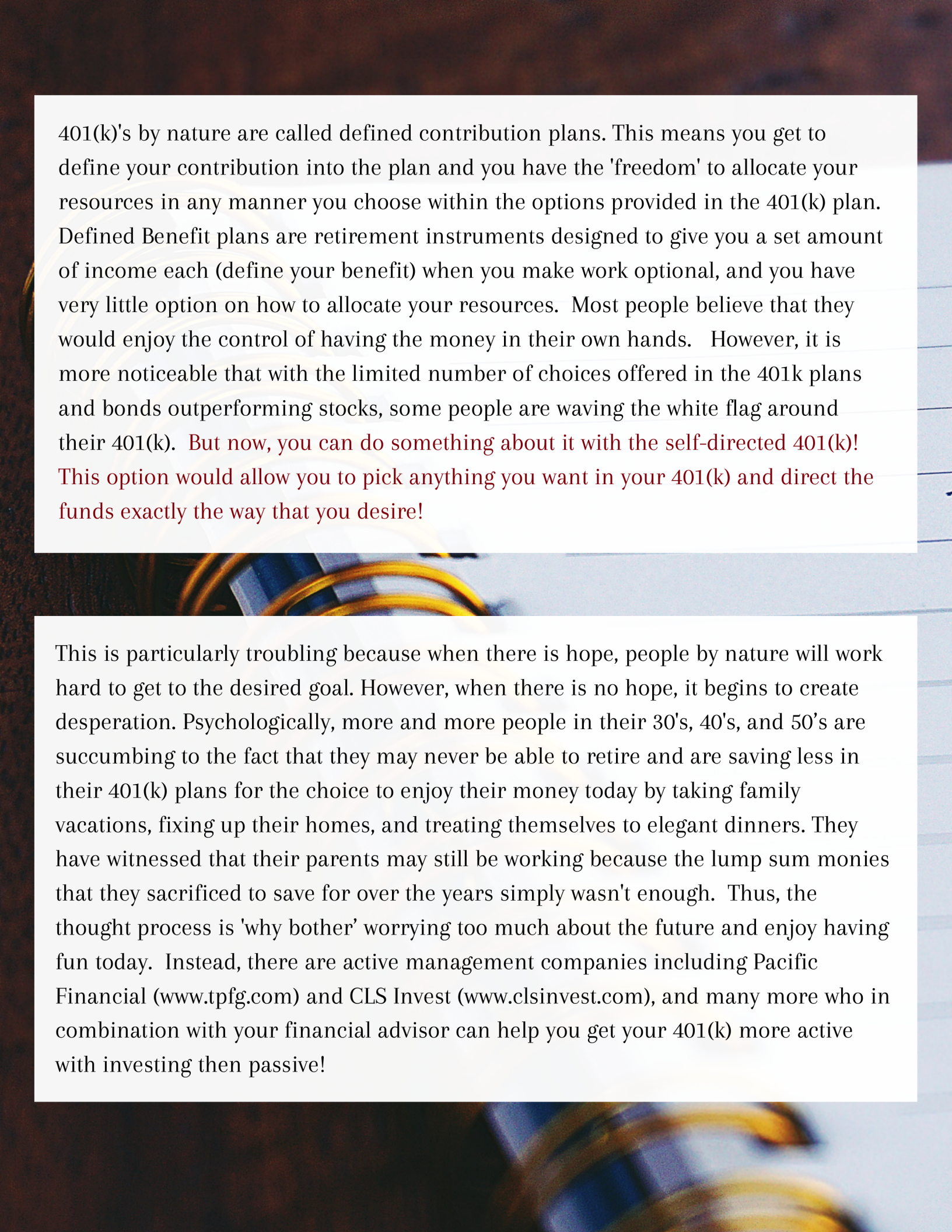
You Should Get To Know The Self Directed Brokerage 401(k)



With the ability today to put away money on a pre-tax basis in a 401(k) or now the use of a Roth 401(k), there are many different ways to save for the future. Many employers even offer a 'match' of some of the funds that are put away into a plan as an incentive and some companies even give a year end profit sharing contribution if the company has done well. The 401(k) has now become the Gibraltar Rock for most people in the 30's and 40's as the main driving force for their future retirement. In most 401(k) plans, the problem is that you are generally limited to choices today of five or six target date/retirement date funds and with limited index fund choices you could be left in an absolute mess in retirement if the trend of bonds outperforming stocks continue to happen since the calendar year 1999.



Teresa Ghilarducci, an economics professor at the New School and a leading critic of 401(k)'s said, "Every good retirement system needs to have adequate retirement accumulation for individuals, the money needs to be invested appropriately, and the payout needs to meet the need of retirees for life. Unfortunately, the 401(k) fails in all three of these categories."* The key statements within this quote are around money being invested appropriately and most importantly the focus on the payout upon making work optional so you can recreate your paycheck down the road.

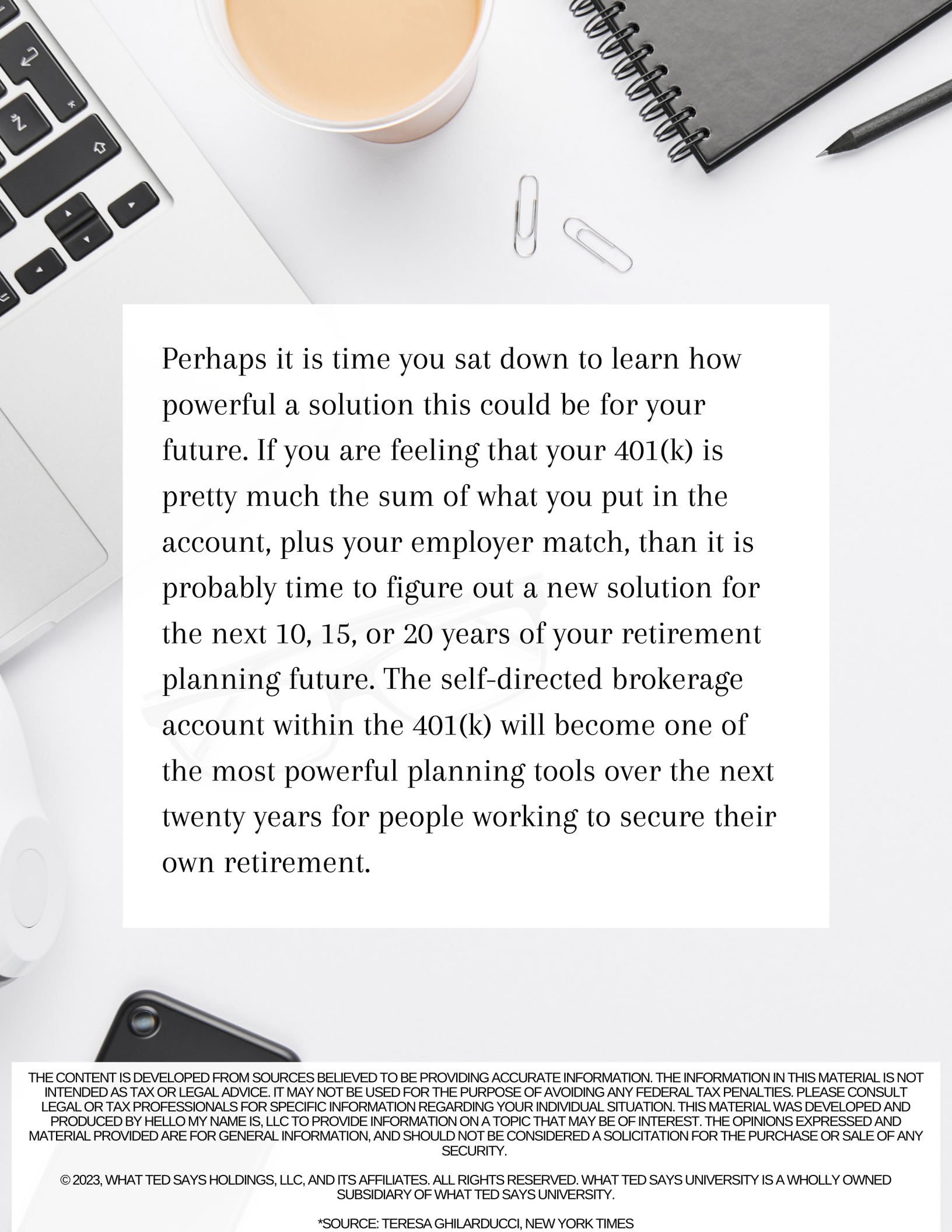


401(k)'s by nature are called defined contribution plans. This means you get to define your contribution into the plan and you have the 'freedom' to allocate your resources in any manner you choose within the options provided in the 401(k) plan. Defined Benefit plans are retirement instruments designed to give you a set amount of income each (define your benefit) when you make work optional, and you have very little option on how to allocate your resources. Most people believe that they would enjoy the control of having the money in their own hands. However, it is more noticeable that with the limited number of choices offered in the 401k plans and bonds outperforming stocks, some people are waving the white flag around their 401(k). But now, you can do something about it with the self-directed 401(k)! This option would allow you to pick anything you want in your 401(k) and direct the funds exactly the way that you desire!

This is particularly troubling because when there is hope, people by nature will work hard to get to the desired goal. However, when there is no hope, it begins to create desperation. Psychologically, more and more people in their 30's, 40's, and 50's are succumbing to the fact that they may never be able to retire and are saving less in their 401(k) plans for the choice to enjoy their money today by taking family vacations, fixing up their homes, and treating themselves to elegant dinners. They have witnessed that their parents may still be working because the lump sum monies that they sacrificed to save for over the years simply wasn't enough. Thus, the thought process is 'why bother' worrying too much about the future and enjoy having fun today. Instead, there are active management companies including Pacific Financial (www.tpfg.com) and CLS Invest (www.clsinvest.com), and many more who in combination with your financial advisor can help you get your 401(k) more active with investing then passive!



If you spend time talking to people who are retired now in their late 60's or 70's, the happiest people tend to be the ones who have a pension. The people who worked hard for a company for many years and are now getting a guaranteed paycheck in the mail each month during retirement. They don't worry about the stock market. They don't worry about the bond market. They simply worry most about their health and how to enjoy the next day ahead of them. Those that are retired and managing a lump sum of 1 million dollars or more tend to be much more restless day to day, and many of those retirees check the balances of their brokerage accounts and IRA's day to day. When they notice a decline in those accounts, it actually makes them even more nervous to spend their money because they worry about running out of money. Having these lump sums actually work very negatively psychologically because they worry more about going broke than they do enjoying the fruits of their labor.

A top-down view of a workspace. In the top left, a portion of a silver laptop keyboard is visible. To its right is a white cup filled with orange-colored coffee. Further right is a black spiral-bound notebook and a black pencil. Below the notebook are two silver paper clips. The background is a light gray surface.

Perhaps it is time you sat down to learn how powerful a solution this could be for your future. If you are feeling that your 401(k) is pretty much the sum of what you put in the account, plus your employer match, than it is probably time to figure out a new solution for the next 10, 15, or 20 years of your retirement planning future. The self-directed brokerage account within the 401(k) will become one of the most powerful planning tools over the next twenty years for people working to secure their own retirement.

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*SOURCE: TERESA GHILARDUCCI, NEW YORK TIMES