

**MarketWatch Book Review of Investment Book Co-Authored By Jason R. Doss  
The Retirement Challenge: Will You Sink or Sink or Swim?**

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Conventional advice may derail your retirement plans

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BOSTON (MarketWatch) -- You can either sink or you can swim. When it comes to retirement, those are pretty much your only options, according to Frank Armstrong, author of "The Retirement Challenge."

Since sinking isn't the best alternative, you might as well swim. Armstrong and Jason Doss have penned a book that's different from most other retirement-focused books, in large part because of their desire to challenge conventional wisdom.

Consider some of their swimming lessons:

Re-think maximum contributions

Conventional wisdom says you should contribute the maximum possible to your 401(k) plan. But if "retirement plans are about the creation and protection of wealth with the end goal to provide a secure and bountiful lifetime income after retirement," then fully funding your 401(k) may not be your best bet, Armstrong said in an interview.

Indeed, some retirement-plan offerings are great and some are awful. But the quality of the plan is not something the average participant can control. In particular, they can't control the investment choices or the associated expenses.

That means retirement savers have to examine closely the investment options and the fees before deciding whether to use their 401(k) or some other type of account.

Total expenses

If the total costs of all of the various parts of the 401(k) plan -- fund fees, administration costs, commissions, investment advisory fees, mortality and expense charges, custody fees, and account charges -- exceed 1.5% of the assets under management in the plan per year, "the employer might rightfully wonder if assets are being squandered," Armstrong

wrote in his book. You can compare how different fees affect your nest egg at the book's companion Web site.

Of note, Senators Tom Harkin, D-Iowa, and Herb Kohl, D-Wis., reintroduced legislation in February, the Harkin/Kohl Defined Contribution Fee Disclosure Act of 2009, that would require 401(k) plan providers to clearly disclose all of the fees they charge. But Armstrong doesn't think such disclosure would benefit 401(k) plan participants unless it includes all expenses, including revenue sharing, pay-to-play costs and 12(b)1 fees.

#### Fund choices

Many plans offer dozens of investment options, but often they're not the right ones, Armstrong said. "Ideally, each fund represents an asset class, and is low-cost, low-turnover, and widely diversified," he wrote. Index funds, he said, are the ideal solution for each asset class. To his way of thinking, mutual funds, separate accounts, co-mingled trusts and other pooled funds add to the total cost of the 401(k). In addition, he said there should be no commissions, 12(b)1 fees or back-end surrender charges.

Also, he said participants should have choices that let them diversify the stock portion of their portfolio globally and control the risk-return character with a high-quality, short-term bond fund. What's more, he said a "really good" plan might include a real estate fund, small and value funds in both foreign and domestic markets, and a commodities future fund.

Balanced accounts and lifecycle and target-date funds might look like the ideal, quick-fix solutions to the problem most people face when building a retirement portfolio. They aren't, Armstrong said. They are "a poor substitute for a complete optimized, asset allocation plan," he said.

#### More unconventional advice

##### Consider the IRA

Ultimately, Armstrong doesn't think plan participants should contribute to a 401(k) without some critical thinking. "If the plan is expensive and you don't have good choices, you might consider investing in an IRA," he said. "You can control the fees and the fund choices in an IRA."

In Armstrong's view the IRA is the Rodney Dangerfield of retirement plans: It doesn't get any respect. But consider the other benefits besides being able to control costs and fund choices: There's no waiting or elimination period; it's completely portable; it's not associated with your employer; you're always 100% vested; you can always tap into your IRA; and you have lots of estate planning options.

That's not to say there aren't drawbacks with IRAs, but in many cases, the IRA (Roth and traditional) -- not to mention a tax-efficient taxable account -- could be a better bet than

the 401(k). That's especially so, he said, if the value of the deduction is offset by the costs of the 401(k) plan.

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