

A Guide to Winning Retirement Plan Business



INSTITUTIONAL SALES MATERIAL

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Are you are looking for a way to complement your core investment advisory business? Or perhaps you're new to the financial services industry?

In either case, a major opportunity is on the horizon: the retirement plan marketplace and its vast, continually growing, fee-income-producing pools of wealth.

A key characteristic of this market is provider turnover. Plan sponsors are likely to seek a new provider due to dissatisfaction with one or more aspects of their plans (service is often a key factor).

Federated offers the support, tools and products you need to capture – and keep – your share of the retirement plan market. Our wholesale business model, and heritage as an investment wholesaler, means we are completely dedicated to supporting your efforts. We focus on delivering a wide range of solutions to help you respond to your clients' retirement plan needs. Whether your client is a small start-up firm or a large corporation, Federated is committed to help you meet and exceed your clients' diverse needs with our investment solutions and tools.

This guide is your resource for valuable information, ideas and tools to help you develop your retirement plan business.

10 Steps for Sales Success

This list takes you through the general flow of the sales process and can help you monitor your progress. This guide includes a full range of support for Steps 1–4 and 10. Steps 5–9 are closely managed by you and your support team.

STEP

1

Prospect

- ▶ Determine your target market.
- ▶ Use your current skill set to prospect.
- ▶ Have a routine and follow-up; they are the keys to your success.

STEP

2

Set First Appointment

- ▶ Convince the prospect of your value.
- ▶ Suggest a free plan investment review.

STEP

3

Complete First Appointment

- ▶ Stay in consulting mode during the meeting.
- ▶ Capture all discovery data (see *Discovery Questions on pages 8-9*).
- ▶ Avoid mentioning a specific product.
- ▶ Set next appointment; include all decision makers.

STEP

4

Identify the Concerns and Solutions

- ▶ Analyze discovery data to identify the solution.
- ▶ Know your audience.
- ▶ Prepare presentation that addresses concerns.

STEP

5

Present the Solutions

- ▶ Confirm that all the decision makers will attend your presentation.
- ▶ Present a solution and explain how it answers prospects' concerns.
- ▶ Establish the next steps before ending the meeting.

STEP

6

Supply Additional Information

- ▶ Set up a team conference call to review appointment.
- ▶ Keep managing the relationship; use your Federated resources.
- ▶ Present to additional people at the company if/when asked.

STEP

7

Stay Available

- ▶ Stay active during review.
- ▶ Remember, a “quiet” client does not necessarily mean a lack of progress.
- ▶ To determine urgency of the decision, identify conversion target date.

STEP

8

Follow Up

- ▶ Remind plan sponsor that you are available to answer any questions.
- ▶ Drive decision-making process as much as possible.

STEP

9

Get the News

- ▶ Thank the prospect regardless of outcome.
- ▶ When answer is “yes,” set next appointment.
- ▶ When answer is “no,” seek other opportunities with the same client.

STEP

10

Seal the Deal

- ▶ Monitor conversion process.
- ▶ Begin education process and plan maintenance.
- ▶ Develop strategies for after the plan goes active.

Prospect

Strategies Designed to Help You Prospect Effectively

In this section you'll find ideas about how to get started and tools to use for prospecting and selling plans.

First, it's important to make sure you're focusing on the right target. Here are some popular sources and methods:

- ▶ Review your client list for business owners, human resource personnel and company executives.
- ▶ Become familiar with the sizes and industries of local businesses, starting with 10 you pass by every day on your way to the office, to help you determine your target market.
- ▶ Access FreeERISA.com or databases such as Larkspur or Judy Diamond to search for prospects by zip code to become familiar with your target market's retirement plans.
- ▶ Consider working with 401kExchange to identify prospects and generate leads.
- ▶ Conduct a mail campaign focusing on specific services that will interest plan sponsors. (Remember to make your follow-up calls.)
- ▶ Consider cross-selling opportunities from affiliations, as well as members of business and social organizations.
- ▶ Conduct a brief phone survey on a particular issue (e.g.: QDIA, new safe harbor provisions, fiduciary issues).
- ▶ Consider conducting a seminar on current retirement topics (talk to your Federated wholesaler about available seminar materials).
- ▶ Consider speaking or hosting a booth at Human Resources and Employee Benefit Conferences.
- ▶ Refer to local business publications and manufacturing and high-tech industry directories for lead generators.
- ▶ Contact your Federated representative for additional ideas.



Prospecting Letter

A simple, efficient way to begin your initial prospecting efforts

You can begin your mail campaign by sending this letter to your top 10–15 prospect companies in your area. If you uncovered any pertinent information from the prospecting databases, include it in the letter to show you are informed and already bringing value to the prospect.

Five days after the mailing, follow-up with a personal phone call to each of them. Send the letter to subsequent prospects on your list when you have time to follow up.

(Your Organization's Letterhead)

Date

Name
Title
Firm Name
Address
City, State Zip Code

Sample Prospecting Letter

Dear [Name]:

A retirement plan is a critical benefit that can help your company attract and retain quality employees. But, in working with companies like yours, I have found that many plan sponsors and participants are not completely satisfied with one or more aspects of their plans. For example:

Does your investment menu enable your plan participants to properly diversify their assets for retirement?

Are enough employees participating? Do they understand your plan's features?

Do you understand all the plan and investment fees that your company and its employees are paying?

Are you getting the most value for your money?

If you answer "no" to any of these questions, I invite you to call me at [number] for a no-obligation consultation.

As your local financial representative, I have extensive experience in delivering retirement plan solutions to local companies like yours. As an objective third party, I can analyze your plan's features and performance to help uncover and assess potential fiduciary concerns, investment menu performance and overall effectiveness. If a change of providers or investment selection is the right solution, I can recommend an expertly managed, easy-to-administer plan or investment map over option — all backed by a very high level of personal service.

I look forward to meeting with you and helping you convey the importance of this significant benefit to your employees.

For more complete information, including prospectuses for the mutual funds available, please call me at _____ . You should consider the fund's investment objectives, risks, charges, and expenses carefully, before you invest. Information about these and other important subjects is in the fund's prospectus which you should read carefully before investing.

Sincerely,

Investment Professional's Name
Credentials/Title
Firm Name

Set First Appointment

Talking Points Guide

Use this talking points guide when making your follow-up phone calls or cold calling. As always, personalize your client communication with any specific plan information you may have discovered.

*Hello, Mr./Mrs. _____.
I'm _____,
a representative with _____ and I specialize in retirement plans,
an employee benefit that is critical to every American's financial health.*

Follow-up to Letter

Last week, I sent you a letter about retirement programs and service designed specifically for companies like yours. I'm calling to answer any questions you may have about it...and to schedule a time when we can discuss your plan needs in detail. Would this Thursday at 3 be good...or next Tuesday morning at 10?

Cold Call

I'm contacting businesses in this area to let them know about retirement plan options designed specifically for companies of your size. I'm sure you know how important this benefit can be to offer your employees.

I'd like to schedule a meeting at your convenience to discuss all of your options in detail. Would this Thursday at 3 be good...or next Tuesday morning at 10?





Overcoming Objections

We already have a retirement plan.

I'm glad to hear that. It's a sure sign you already know how valuable a retirement plan is to your employees...and to keeping your company competitive.

Of course, if your company is like so many that I work with, you regularly review the performance of your existing plan, the investments and the service that you and your participants are receiving. This could be a good time to evaluate your present plan. For instance, what is the rate of participation for your plan? Are you satisfied with the participant's asset diversification and the level of service your current provider offers?

What would be convenient for you to discuss these questions? Would this Thursday at 3 be good...or next Tuesday morning at 10?

We're happy with our retirement plan. Making a change isn't a topic we have discussed.

That's understandable. Yet many of the companies I work with review their plan each year to see if it's still performing the way it did in the past and to uncover any fiduciary issues. Could I contact you around the time you review your plan to tell you about the investment plans and services I can offer your company? And, it could be a good way to compare your present plan with another.

Why don't you just send me some more information? If it looks like something we could use, I'll give you a call.

I'd be glad to. I have an excellent brochure that gives you a good introduction to the services and investments available, and the other features and benefits available for your company. Since I'll be in your area later this week, I'd like to drop it off personally. Would this Thursday at 3 be convenient for you? Or even next week... let's say Tuesday morning at 10, perhaps?

Congratulations!

Your prospect wants to meet with you to discuss your product options and services. Use the concerns and discovery questions in Step 3 as a guide for your meeting to provide the appropriate solution to your plan sponsor.

Complete First Appointment

To prepare for your first appointment, review these insights. They will help you address common issues among plan sponsors and demonstrate the value you bring to the relationship. Often you will find the concerns fall under general categories:

- ▶ Service/Plan Administration
- ▶ Investment Menu
- ▶ Employee Education
- ▶ Fees

Service/Plan Administration

Service and plan administration issues are key reasons for changing providers. Start by asking the plan sponsors about the more typical problems they have encountered.

Let them vent their frustrations and take notes. When you learn about their specific concerns, you'll be able to present a quality solution for all the right reasons.

Common problems:

- ▶ Lack of coordination among the various parties, which could be creating service issues such as accounting and/or payroll errors or late statements
- ▶ Current provider has not been proactive regarding plan design, causing failed compliance tests
- ▶ Recordkeepers may not be as committed to the retirement plan business as they once were and are not updating its technology and systems
- ▶ Recordkeeper is not staffed adequately or may be experiencing high personnel turnover, causing a lack of service continuity

- ▶ Advisor of record provides inadequate level of service or not qualified to service plan

You can help by:

- ▶ Submitting a proposal from a reputable service provider with a quality service model, knowledgeable personnel, and updated systems and technology

Investment Menu

Many plan sponsors are disappointed with one or more aspects of their investment menu, the cornerstone of any retirement plan. Ask them questions to determine where plan assets are currently being invested. Talk to them about the available fund families and the benefits of an investment policy statement to establish the menu's objectives.

Common problems:

- ▶ Sponsor does not understand obligations under ERISA 404(c)
- ▶ Fund performance is not competitive

- ▶ Current line-up of mutual funds is not diversified (*Ask the Plan Sponsor for a list of the plan's investments. Your Federated representative can help you deliver an independent, thorough analysis of a plan's investment menu using a third party screening tool.*)
- ▶ Inadequate employee education
- ▶ An investment policy statement has not been implemented

You can help by:

- ▶ Creating a quality multi-manager fund line-up
- ▶ Providing employee investment education
- ▶ Suggesting they implement an investment policy statement to better comply with 404(c) (*Note: Federated has sample investment policy statements available.*)

In addition, you should ask the sponsor if he/she is satisfied with:

- ▶ The current diversification of plan assets
- ▶ Participation rates
- ▶ Average participant deferral rates



Your Federated wholesaler can also help you put together an education campaign to help overcome these three issues.

Employee Education

While investing for retirement is often the most important financial goal for employees, many lack the knowledge to create a properly diversified portfolio on their own. As a fiduciary, plan sponsors must offer a diversified line-up and call upon an investment professional to provide employee education. As an investment professional, you are in a great position to help these plan sponsors to increase participation and deferral rates, and gain additional individual clients and IRA rollover business.

Things to Consider:

As we've seen in the media, lawsuits have been filed by plan participants because they felt their employers did not fulfill their fiduciary responsibilities. Plan sponsors are now more aware of their fiduciary responsibilities, which means they need the help of an investment professional more than ever. Working in the best

interest of their participants, plan sponsors must offer general investing seminars and other educational tools, which is part of the superior client service you already provide.

Action Items:

Even if the plan sponsor is not ready to change providers, ask if you could present an investment education or retirement planning seminar to employees (both participants and non-participants).

Explain the win/win situation:

- ▶ Their current employees will get on-site education.
- ▶ Their departing employees will get on-site education about their distribution.
- ▶ Ongoing education will help the plan sponsor fulfill fiduciary responsibilities.
- ▶ You have the opportunity to demonstrate the value of your advice.

As you develop this relationship with the plan sponsor, you'll be able to learn more about the plan and, as shortcomings arise, you'll be there to offer a solution.

Note: Federated offers a Fiduciary Kit to help plan sponsors better understand their role as a fiduciary. Please contact your Federated wholesaler to order this comprehensive kit.

Fees

Many plan sponsors have become more sensitive to fees. However, fees are often difficult for the plan sponsor to uncover and understand. They often don't realize that there are administration fees and investment-level fees, or whether the plan is paying for some or all the plan fees. You can help them get a handle on the costs of their plan and learn the ins and outs of the current fees.

You can also help them understand that fees are typically charged based on:

- ▶ Plan asset size, or
- ▶ Number of participants.

Action Items:

Ask the plan sponsor for the plan's fee schedule so you can determine the current charges. If it is not available, you should gather these three pieces of information:

- ▶ What are the investment options within the plan?
- ▶ Total assets in each investment option?
- ▶ Who is the plan provider?

The more information you can gather the better prepared you'll be to offer the best solution for the company. Use Federated's Vendor Cost Comparison Worksheet (page 12) to help plan sponsors understand **all** the fees — and who's paying them — for their current plan, and help them evaluate vendor costs during the bidding process.

Complete First Appointment

(continued)

Discovery Questions

Use these discovery questions during your first meeting with your 401(k) prospects to uncover their concerns. This information will help you determine the appropriate retirement product and investments that are most suitable for your prospect.

1. **What type of retirement plan(s) do you currently offer?**
 - 401(k)
 - Roth 401(k)
 - Safe harbor 401(k)
 - Profit sharing plan only
 - Money purchase plan
 - 403(b)
 - SIMPLE-IRA
 - SEP-IRA
 - SARSEP
 - Keogh
 - Defined benefit pension plan
 - Other—
2. **How many employees do you have? How many of them participate in the plan?**
3. **Does the plan provide for an employer match and what is the formula?**
4. **Is your plan currently maintained on a daily valuation recordkeeping system?**
5. **Do you, as the plan sponsor, feel you have been appropriately serviced by your current provider?**

Talking points:

 - ▶ An appropriate investment line-up for your employees
 - ▶ Administrative and investment level fees
 - ▶ Your fiduciary responsibility of offering a plan (meeting 404(c) requirements)
 - ▶ An investment policy statement to help monitor suitability of investments and their performance relative to benchmarks
 - ▶ Annual review of plan administration, investments, plan provisions and education program
6. **What features would you like to add or change about your retirement program and why?**
 - ▶ Easier administrative features
 - ▶ Additional or better-performing investment products
 - ▶ Service enhancements for the plan and the participants
 - ▶ Additional technology to help streamline processes
 - ▶ Understand and/or reduce plan fees
7. **Do employees feel they have suitable investment choices? Do they understand investment concepts and risks?**

Talking points:

 - ▶ What are the components of the current education program?
 - ▶ How often does your current provider provide on-site education meetings?
 - ▶ How often would you like to meet with your provider for educational or plan service sessions?
8. **As part of my services, employee education is critical. To accomplish this effectively, it may be necessary for me to meet with each of your employees. Would this be a problem?**

Talking points:

 - ▶ Are all employees of your company in one location?
 - ▶ How many locations do you have?
 - ▶ Do you have employees who work from home or are on the road?
 - ▶ Do you have multiple shifts?



9. Would you be willing to allow me access to your employees during business hours? Is there a suitable space within the company building to conduct group meetings?

10. Does your current plan meet your needs from a plan sponsor and participant perspective?

Talking points:

- ▶ How has your company changed since implementing the plan?
- ▶ How receptive are your employees to the retirement program?

11. What are the most important reasons for having the plan, from an employer and employee perspective?

12. Are administrative costs currently paid by:

- ▶ Employer
- ▶ Employee
- ▶ Combination of both

13. What is the amount of the plan's total assets?

14. What types of assets does your plan hold?

- ▶ Mutual funds
- ▶ Group annuity
- ▶ Company stock
- ▶ GICs (Guaranteed Investment Contracts)
- ▶ Not sure

15. What are the investments that are currently offered?

16. Does your plan have an investment policy statement?

Vendor Comparison Checklist

Use this checklist to help your prospect evaluate their current plan services.

Services:

- Plan implementation and conversion
- Electronic data transfer software
- Data collection software
- Dedicated conversion team
- Prototype documents
- Plan design/compliance services
- Management reports
- Participant services representatives/Local services from a financial advisor

- Trustee services
- Training
- Annual plan review
- 404(c) assistance

Plan Administration and Recordkeeping:

- Daily valuation
- Plan sponsor web site
- Participant web site
- Participant voice response unit

Employee Education & Communication Program:

- Plan announcement to employees
 - Enrollment meeting
 - Investment seminars
 - Pre-retirement seminars
 - Termination meetings
- Employee investment advice
- Participant statements
- Participant newsletter

Investments:

- Multi-manager investments
- Annual investment review
- Investment policy statement

Plan Fees:

- Administrative
- Recordkeeping
- Transactional

Investment Fees:

- Fund management
- Insurance feature
- Sales charges

Identify the Concerns and Solutions

Once you have gathered the discovery data, you should be able to detect the main challenges that are of concern to your plan sponsor prospect. Listed below are some of the more common concerns. As you review the lists, please be aware that many of these “hot buttons” will not pertain to every prospect.

Service/ Plan Administration

- ▶ Payroll errors
- ▶ Late statements
- ▶ Untimely plan sponsor reports
- ▶ 800 number runaround
- ▶ “We had to re-file our taxes! Is our plan design wrong?”
- ▶ No local representation

Investment Menu

- ▶ Sub-par investment performance
- ▶ Oversized fund line-up (20 or more)
- ▶ Limited fund line-up (6 or fewer)
- ▶ Single fund family
- ▶ Missing style categories
- ▶ Skewed, unbalanced lineup
- ▶ Lack of participant diversification

Employee education

- ▶ Financial advisor never calls back
- ▶ Plan participants request investment advice from HR
- ▶ Low participation and deferral rates

Fees

- ▶ High recordkeeping costs
- ▶ Fund expense ratios
- ▶ Multiple invoices
- ▶ Current plan is “free”/fee transparency issues
- ▶ Fees not known
- ▶ Employees question investment costs



Fee Components

When analyzing fee issues, be aware of all the components that comprise retirement plan fees, who pays these fees, and the frequency with which they are due.

Fee components may include:

- 1. Take-over or conversion fees – Employer**
 - ▶ One-time expense
- 2. Administrative fees – Employer or Participant**
 - ▶ Annual fees for recordkeeping services
 - ▶ Base fee and/or per employee cost
- 3. Transactional fees – Employer or Participant**
 - ▶ Activity-based charges: loans, distributions
 - ▶ Dollar amount per transaction
- 4. Investment management fees – Participant**
 - ▶ Charge by money manager
 - ▶ Asset-based charge
- 5. Insurance features – Participant**
 - ▶ Mortality and expense risk fee
 - ▶ Asset-based charge
- 6. Sales charge on investments – Participant**
 - ▶ Asset-based charge

Identify the Concerns and Solutions

(continued)

Vendor Cost Comparison Worksheet

Your prospects can use this matrix to obtain a clear comparison of total vendor costs.



Cost Comparison Worksheet

Total participants = _____ Total Assets = \$ _____ Average Account Balance = _____

COST ITEM	VENDOR #1	VENDOR #2	VENDOR #3
Plan Startup Costs (conversion, document, education materials, etc.)			
Total ongoing record keeping fees			
Loans			
Company stock, if applicable			
Frozen GICs			
Annual payrolls			
Distributions			
Other			
Trustee Fees			
Check Issuance			
Wire Transfers			
Securities Processing			
Investment Management Fees By Fund ENTER FUNDS			
Front End Loads (by fund)			
Back End Loads Or CDSC Charges (by fund) and expiration. Does "laddering" policy apply?			
Total "Wrap" Fees			
Total Annuity Fees			
Other Fees That May Apply			
Ongoing Enrollment Booklets			
Additional Services			
Client Requested Reprocessing, Print Job Requests, Additional Compliance Testing (per event), Deconversion, Periodic/Installment Payment Processing, Proxy Labels and Fund Position Reporting, Amending RPSA Adoption Agreement, RPSA Approved Non-Standard Conversion Processing			
Out-of-Pocket Fees*			
Including: overnight courier service, travel, computer access charges, customer specific enhancements			

*Fees will be assessed for out-of-pocket expenses incurred at the specific direction of the client.



5
6
7
8
9

Present the Solution

Supply Additional Information

Stay Available

Follow Up

Get the News

These steps are managed by you and your support team.

Seal the Deal

Plan Conversion and Employee Education

Congratulations! You have sealed the deal and are now ready to prepare for the next steps: plan conversion and employee education. When executed correctly, these two steps will go a long way in establishing the success of the plan going forward. As an advisor, it is important to concentrate on the diverse components of plan conversion. This will include setting up the initial meeting between your client and the plan provider's conversion team, and ensuring that the conversion goes smoothly. Keep in mind, conversion timelines may vary by plan provider.

Your second focus at this time will be preparing for the enrollment meetings and education campaign. Distributing all of the necessary information to your client's employees about their retirement plan is a very important aspect of 404(c) regulations. Many of the components in the following sample communication and education program are required to meet these guidelines, and are also designed to help you maximize participation and deferral rates in the plan.

A successful rollout will help to optimize the plan's enrollment and will translate into a satisfied plan sponsor. With that in mind, the following are general guidelines to help you organize your employee education program.



Phase 1: Set-Up

- ▶ Conduct initial conference call with plan sponsor and conversion team
- ▶ Review plan demographics of existing participants, including:
 - Participation and deferral rates
 - Assets
 - Diversification
- ▶ Review demographics of employee base and develop appropriate communications and education program strategy
- ▶ Create/order communications and education materials
 - Enrollment booklets
 - Posters and participant flyers
 - Emails and announcement letters

Phase 2: Enrollment Phase

- ▶ Mail plan announcement memo
- ▶ Send out a broadcast e-mail to all company employees about the new plan
- ▶ Mail flyers about plan benefits
- ▶ Include an article in company newsletter about the new plan
- ▶ Hang posters containing enrollment meeting information in visible locations
- ▶ Mail blackout notification letter
- ▶ Hold enrollment meetings
 - Distribute enrollment booklets and summary of plan fees memo
 - Make fund prospectuses available
- ▶ Direct participants to use voice response unit or website to make fund selections
 - Required prospectuses are mailed to participants' homes by provider

Phase 3: Service Becomes Effective

- ▶ Inform participants that implementation is complete and there are no restrictions on account changes

Ongoing: After Plan Goes Active

- ▶ Hold enrollment/education meetings regularly
- ▶ Distribute quarterly participant account statements/newsletters that meet ERISA requirements
- ▶ Distribute quarterly fund performance
- ▶ Use statement stuffers, flyers and/or emails to periodically remind employees:
 - About the benefits of saving for retirement
 - To increase deferrals
 - To review investment allocation
- ▶ Hold pre-retirement meetings
- ▶ Offer individual rollover counseling for exiting employees
- ▶ Conduct seminars on investment topics
- ▶ Target mail campaigns to specific demographic groups
 - Example: target younger employees if participation within this group is low
- ▶ Survey employees regarding fund selection, plan design and features and communication

Retirement Plan Terms

ADP/ACP test

The Actual Deferral Percentage (ADP) test and Actual Contribution Percentage (ACP) test are annual tests of a 401(k) plan required by the IRS to ensure that salary deferrals and matching contributions made by or for highly compensated employees are within IRS limits of disparity when compared to deferrals and matching contributions made by or for non-highly compensated employees. If the ratio is too favorable to the highly compensated employees, the employer must either contribute more for the lower paid people or refund some of the excess contributions to those in the highly paid group.

Bundled Services

All investment, trustee and administrative services are provided by a single company or partnership program.

Defined Contribution (DC) Plan

A type of retirement plan defined by the amount that employees and employers contribute. In a defined contribution plan, each participant maintains a separate account balance. The value of the benefits that the employee receives depends on a number of factors: the amounts contributed to the plan; the assets selected; and the investment return of the funds selected. Some of the leading types of defined contribution plans are 401(k), money purchase and profit-sharing plans.

Defined Benefit (DB) Plan

A type of retirement plan that provides a guaranteed monthly benefit at retirement.

Employee Retirement Income Security Act (ERISA)

Passed by Congress in 1974, ERISA is the comprehensive employee benefits legislation that provides the rules with respect to employee benefit plans. It was passed to protect retirement plan participants from misuse of their pension funds by their employers and insure that participants' rights are protected.

Fiduciary

Within a retirement plan, a fiduciary is a person or entity that sets the plan's policy, practices and procedures; one who controls the plan's assets, or provides investment advice to the plan.

Forfeitures

Money not vested within a retirement plan that is left by participants who terminate employment prior to achieving 100% vesting in employer contributions. Generally, forfeitures can be reallocated among all remaining participants in the plan, or they can be used to offset future employer contributions.

401(k) Plan

A defined contribution plan which takes its name from, and is covered by, Section 401(k) of the Internal Revenue Code. Section 401(k) allows employees the option of deferring a portion of their salary and contributing it, on a pre-tax basis, to a qualified plan. 401(k) plans can offer: employee deferrals only or employee deferrals plus employer contributions. In addition, they can offer other types of employee contributions such as after-tax amounts. Employer contributions to 401(k) plans can incorporate profit-sharing contributions as well as matching formulas based on employee contribution amounts. Deductible contributions are limited to an amount that is indexed for inflation annually.

404(c)

The Section of the Employee Retirement Income Security Act of 1974 that allows employers to significantly shift responsibility for selecting qualified plan investments directly to plan participants and beneficiaries. Meeting the requirements of 404(c) can reduce employers' liability for the performance of the investments selected by participants.

Hardship Withdrawal

An optional 401(k) plan feature which may allow participants to withdraw salary deferral contributions and some employer contributions from their accounts in the event of an immediate and heavy financial need. However, only an amount necessary to meet such a financial need may be withdrawn.

Highly Compensated Employee

An employee category used in compliance testing. It is determined by employee compensation, or 5% ownership of the employer. The compensation amount is indexed annually.

Key Employee

Generally, any employee who, at any time during the determination period, is a top 5% owner, a 1% owner with annual compensation greater than a specified indexed amount, or an officer of the company and earned more than the indexed limit.

Money Purchase Plan

A defined contribution retirement plan to which an employer must contribute a stated percentage of all participants' compensation each year. The percentage may be up to 25% of each employee's eligible pay, up to the maximum dollar amount, indexed annually. The percentage must be stated in the plan document.

Participant Loan

An optional plan feature which allows participants to borrow funds from their accounts without incurring tax liability, as long as they repay their account. Loans must meet strict rules governing the amount and repayment terms.

Plan Administrator

Responsible for the administration of an employer-sponsored retirement plan, the plan administrator is usually the employer.

Plan Document

ERISA requires that plans "be established and maintained pursuant to a written plan document." Essentially, a plan document contains the official, detailed guidelines for the plan's operation, such as participation requirements, vesting, payment options, loan options, etc. A Summary Plan Document, as its name implies, is a summary of the key features of a plan.

Plan Sponsor

An employer who sponsors a retirement plan and is responsible for operating the plan according to the plan document, the trust agreement, and ERISA.

Profit Sharing Plan

A defined contribution retirement plan to which the employer makes a discretionary contribution each year. Each participant generally receives the same percent of their eligible compensation. The contribution may not exceed 25% of the total eligible payroll or exceed the annually indexed maximum.

Recordkeeper

Provides recordkeeping services to a retirement plan. Among the services are maintaining participant account; processing transactions; preparing statements; performing selected compliance tests, and preparing Form 3300 used to apply for an Employee Benefit Plan determination letter. The determination letter, issued by the office of a district director of the IRS, states whether or not the plan meets the qualification requirements under the Internal Revenue Code.

Rollover Contribution

A plan may be designed to allow participants to contribute—or rollover a distribution from a qualified plan with their previous employer.

Top-Heavy

A plan is considered "top-heavy" when the present value of accrued benefits for key employees is more than 60% of the present value of accrued benefits for all employees. A top-heavy plan must provide minimum contributions to non-key employees as well as accelerated vesting rates.

Trustee

Holds legal title to retirement plan assets for the benefit of plan participants and facilitates the flow of information between the plan sponsor and the investment provider.

Trust Agreement

Details the methods of receipt, investment and disbursement of funds under a retirement plan. The trust agreement may be a separate agreement or may be included in the plan document.

Vesting

An employee's right to employer contributed assets within his or her account in the employer sponsored retirement plan which is based upon a specified schedule.

Federated Programs to Help Build Your Retirement Business

Best Practices that Reveal What Works for Building Retirement Business

We've spoken with top investment advisors around the country, and distilled their experiences into a range of practical, business-building strategies—from creating rewarding alliances and generating referrals to prospecting. Based on a discussion with you, we'll respond with one or more strategies that fit your situation.

An Intensive Review of Trends that Impact Your Retirement Business

Market volatility has dramatically altered the retirement plan landscape. Delivered by your Federated retirement representative, this presentation gives you the perspective you need to succeed in the new retirement marketplace.

Guidance on Your Role as a Fiduciary from a Recognized Name in the Industry

To help you understand the complexities and implications of doing business as fiduciaries, we offer a comprehensive set of white paper and informational guides. This valuable series, developed under the direction of Eugene Maloney, Federated Vice President and a leading authority on fiduciary law, reflects the collective analyses of experts from across the country (including Professor John Langbein of Yale Law School and Professor Robert Sitkoff of Harvard Law School). This resource also reflects Mr. Maloney's deep, unique history of providing guidance on fiduciary issues, including serving as an advocate and authority on fiduciary law and ERISA-related management of employee benefit plans. The series includes:

- ▶ Broker-Dealers as Fiduciaries under ERISA
 - ▶ Addressing Fiduciary Issues Raised by Separate Accounts, Unified Managed Accounts & Other Forms of Delegated Investment Authority
 - ▶ Brokers as Fiduciaries—A New Ethical Construct
 - ▶ The Pension Protection Act of 2006 and the Provision of Investment Advice to 401(k) Plans and IRAs-Proposed
 - ▶ Money Market Mutual Funds in a Low or Zero Rate Environment: Considerations Under the ERISA
- ▶ Fiduciary Toolkit: A Comprehensive Introduction to the Uniform Prudent Investor Act (UPIA)
 - ▶ A New Paradigm for Federal Regulation of Financial Intermediaries
 - ▶ ERISA and the Role of the Fiduciary

The Technology Tool to Help You Deliver a Complete Plan Investment Analysis

Through our alliance with fi360—a leader in providing investment-related fiduciary education, practice management, and support—we're making available technology to help you deliver an independent, thorough analysis of a plan's investment menu. Multiple data universes give you the flexibility to compare funds and search for best-in-class investment options. The analysis includes the fi360 Fiduciary Score,[™] a clear, plan-sponsor-friendly process that uses numerous investment screens to assign each investment option a score relative to its peer group and a suggested course of action. A Snapshot allows you to evaluate funds side by side based on their fiduciary score and various performance factors. A Due Diligence Report compares funds according to their overall Fiduciary Score and whether or not they meet each of the 11 individual factors that make up the score.

A Plan Sponsor Guide to Fiduciary Responsibility

Provides clear, easy-to-understand explanations of the relationship between the fiduciary and the participant-directed plan, plus additional tools that can be customized to the plan: Sample Investment Policy Statement, Helpful Plan 404(c) Checklists, and Vendor Cost Comparison Worksheets.

Defined Contribution Plans and the Role of the Fiduciary

This comprehensive resource manual can help you deliver a higher level of guidance to your plan sponsor clients and enhance your role as a trusted consultant. A companion brochure, A Plan Sponsor's Guide to Fiduciary Responsibility, guides your plan sponsor clients through the complex and often confusing fiduciary issues. In addition, we make available a Retirement Plan Maintenance kit that helps you market fiduciary expertise through a sample investment policy statement, prospecting material and PowerPoint presentation.

Federated's Rollover Account Management Program (RAMP)

This guide includes strategies you can use to help leverage the highly lucrative rollover market. It also includes a list of common—as well as costly—rollover mistakes that you can help your clients avoid and answers to frequently asked questions. For more information about RAMP, contact your Federated Representative.

To start increasing your competitiveness in the defined contribution plan business today, contact a Federated representative at **1-888-400-7842**.



About Federated Investors, Inc.



- ▶ *Founded in 1955*
- ▶ *Entered the retirement business by managing retirement assets for institutions in 1974*
- ▶ *One of the top managers of DC assets**
- ▶ *One of the largest managers of trust assets*
- ▶ *A leader in fiduciary issues for our clients*
- ▶ *Offers a comprehensive line of equity, fixed income and money market funds, as well as separately managed accounts[†], all designed to help investors pursue their financial goals.*

**Pensions & Investments, 2008*

[†] Separately managed accounts are made available through Federated Investment Counseling and MDT Advisors, both registered investment advisors.

Institutional Sales Material. Not to be shown to the public. Federated Securities Corp., is the Distributor of the Federated Funds.

Mutual funds are subject to risks and fluctuate in value.



Federated

WORLD-CLASS INVESTMENT MANAGER[®]

Federated Investors, Inc.
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, PA 15222-3779

Contact us at **FederatedInvestors.com**
or call 1-800-341-7400.

G30933-01 (6/09)

Federated Securities Corp., Distributor

Federated is a registered mark of Federated Investors, Inc. 2009 ©Federated Investors, Inc.