

## AUTOPILOT

Autopilot 401(k)s are a great idea.

As there is no such thing, yet, as a standard Autopilot 401k, employers decide the rules they want their plan to include.

The best plans, in my opinion, include the following:

- Every new qualified employee is automatically enrolled and contributions escalate automatically each year until they reach the maximum allowed by the IRS. Employees can make changes or Opt Out.
- Employers decide where the monies will be invested. Employees can decline or change these default choices.
- Portfolios are automatically rebalanced. This focuses on two things. The first brings the portfolio back to the original allocations and the second increases the fixed income portion as the employee gets closer to retirement.

As Autopilots are relatively new, every Autopilot program should be closely examined to be sure that:

- The plan does not violate any state laws about paycheck deductions that have not been approved in advance by employees.
- The plan does not violate any recent changes in ERISA. (At the present time most legal advisors are fine with Autopilots.)
- The default choices do not expose the company to legal action based on the plan being too aggressive or too conservative. Currently it is believed that the documentation of reasons for default choices and a monitoring system minimizes liability.

The 2008 meltdown of securities markets has made everyone more cautious. An examination of the latest rulings by the US Department of Labor is important.