For Immediate Release

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The Final Nail In The Pension Coffin? What The New "Pension Protection" Act *Really* Means For Your Future.

If you think the law Congress just passed shores up your Golden Years, think again. Retirement plan expert Jim Lange says that, despite its name, the only 'protection' workers have is a fierce determination to provide for their own futures.

Hoboken, NJ (August 2006)—America faces a pension crisis of epic proportions. Some 30,000 "defined benefit plans" are underfunded to the tune of $450 billion. And most financial experts believe the law Congress just passed—the Pension Protection Act of 2006—is at best a band-aid on the problem. Indeed, many of them feel the new law, which requires most pension plans to become fully funded over a seven-year period, is the legislative equivalent of "destroying the village in order to save it." When cash-strapped companies are forced to comply, they will almost certainly abandon or freeze their existing plans.

According to CPA and attorney Jim Lange, the law sounds an ear-splitting clarion call to the 44 million Americans covered by traditional pension plans. *Warning, warning!* the alarm bell is shrieking. *You're on your own!*

"Here's the bottom line," says Lange, author of *Retire Secure! Pay Taxes Later: The Key to Making Your Money Last as Long as You Do* (Wiley, 2006, ISBN: 0-470-04354-7, $24.95). "You, and only you, are responsible for funding your retirement. You can no longer depend on your employer and it's hardly worth mentioning that Social Security isn't going to get you very far. As corporate icons like GM, Verizon, IBM, Sears, Lockheed Martin, Motorola, Circuit City and Hewlett Packard declare pension freezes, Americans need to reevaluate their retirement plans."

The new law is designed to protect not only workers, but also the Pension Benefit Guarantee Corporation (PBGC), the pension provider of last resort that has to step in when companies renege on their promises. The PBGC is ultimately funded by—who

else?—the U.S. taxpayers. If enough companies fail to fund their pensions, the potential bailout could make the savings and loans bailout look like chump change.

The new law is enormous: almost 1,000 pages that cover 100 tax revisions. The average tax-paying American is probably wondering, *After cutting through the obscure points and mountains of legalese, how will the Pension Protection Act of 2006 impact* me? Lange offers a few insights:

• **Employees must make the huge psychological shift away from "someone will take care of me" to "I must take care of myself."** "As more employers decide to terminate their defined benefit plans, employees who had been participants in the plan will be at risk for losing their pensions (worst case scenario), or reduced pensions (best case scenario). **(NOTE TO EDITOR: See Sidebar).**

New employees would be required to participate in defined contribution plans—which transfer greater responsibility to the employee to save for retirement and assume all of the investment risk. And if there is no employer matching for the defined contribution plan, the total responsibility of saving for retirement falls on the employee.

"Not only does this force the issue of saving for retirement on the employee—and at a time when statistics show that the American public is *not* saving adequately—it pulls the psychological rug out from under people who have traditionally relied on the good governance and discipline of the company they work for," notes Lange.

• **Employees must save as much as possible for their retirement years, starting right now.** With the shift from *defined benefits plans* to *defined contribution plans* employees must learn that it is critical to fund their Roth 401(k)s (if available) 401(k)s, Roth IRAs or traditional IRAs (if eligible) and other retirement plans that are available to them, to the maximum. "In light of this new law, the need for an aggressively funded retirement plan has never been more apparent," says Lange.

"A second component of the new law is that employers are permitted to educate their employees on their retirement investment options and on the risks/benefits associated with 'being in the market,'" he adds. "Of course, whether that is good news or not depends on the competence of benefits personnel. A word to the wise: make it your business to learn about the importance of asset allocation and the benefits of a well diversified portfolio."

• **Contributing to your retirement plan is now "automatic."** The new law makes it easier for employers to automatically enroll their employees in the company's 401(k) plan. The company would set default contribution limits and the employee would have to "opt out" should he (unwisely) decide to not participate.

“This is one way to address the problem of employees not having something of a safety net for retirement,” says Lange. “It would ensure that some retirement saving occurs—again with the attendant risks/benefits of ‘being in the market’ falling on the employee.”

• **Here’s the good news: it just got a lot easier to save for retirement.** On the plus side of the equation, the new law **makes permanent** incredible income tax saving vehicles that will allow taxpayers to make larger IRA, Roth IRA Roth 401(k) and other retirement plan contributions. Prior to the law’s signing, some of the contribution limits and other provisions were due to expire in 2010. Since these laws are now permanent, taxpayers can confidently make retirement and estate planning decisions to secure their future and their family’s future.

a. Higher Roth IRA or IRA contributions of $4,000 per year, $5,000 in 2008 and higher amounts adjusted for inflation thereafter
b. Higher elective deferral amounts to 401(k) and 403(b) plans of $15,000
c. Catch-up contributions for workers 50 and older of $1,000 for IRAs and $5,000 for 401(k) and 403(b) plans
d. Faster 3 or 6 year vesting schedules on employer matching contributions
e. Roth 401(k) and 403(b) plans are also now permanent
f. For lower income taxpayers, the Saver’s Credit, which would have expired at the end of 2006 has also been made permanent.

“Even though most people probably didn’t even realize some of these laws were set to expire, their benefits package has likely been affected by the uncertainty,” points out Lange. “For instance, many companies have never put the Roth 401(k) and 403(b) plans on their menu of options since they didn’t know if they’d have to pull them off again in a few years. Now employers have an incentive to offer them.”

Even if you’re one of the countless small business employees (or self-employed individuals) who never had a pension to lose, Lange says you would do well to buy into the overarching “self-reliance” theme embodied in the new law.

“You *must* take decisive action to shore up your retirement savings,” he urges. “Sit down with a qualified retirement planning expert and plot out a reasonable, long-term strategy that depends for the most part on your own ability to maximize your retirement assets. If you fail to take the responsibility for your retirement security onto your own shoulders, you are seriously endangering your ‘golden years.’ The tide is turning toward self-reliance, and those who don’t go with it will be swept away.”

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About the Author:

James Lange, CPA/Attorney, is a nationally recognized IRA, 401(k), and retirement plan distribution expert. With over 27 years of experience, Jim offers unbeatable recommendations when he tackles the number one fear facing most retirees: running out of money. Jim has also developed "Lange's Cascading Beneficiary Plan™," which is widely regarded as the "gold standard" of estate planning for IRA and retirement plan owners.

Jim's recommendations have appeared 24 times in *The Wall Street Journal*. Jane Bryant Quinn introduced the country to Jim's mantra, "Pay taxes later," in *Newsweek*. Jim has been quoted in or written articles for *The New York Times, Journal of Retirement Planning, Financial Planning, The Tax Adviser (AICPA),* and other top financial, legal, and tax journals.

Jim has a CPA practice, a law practice, and is a registered investment advisor. Jim's practices have 1,568 clients. Jim has presented 148 workshops for taxpayers and financial professionals throughout the country. He is also one of the country's most informed voices on Roth IRAs. In 1998, Jim wrote the definitive article on Roth IRA conversions for *The Tax Adviser*, the peer-reviewed journal of the American Institute of Certified Public Accountants. That article is one of the few articles where the pros and cons of a Roth IRA conversion are analyzed in excruciating detail *and* his analysis was reviewed by the toughest peer reviewers in the country. Jim's website, www.rothira-advisor.com, is consistently in the top 10 sites when you Google "Roth IRA."

Not one to miss an opportunity to keep his loyal readers and clients up-to-date on matters of importance, Jim also maintains four Web sites. His flagship site is www.paytaxeslater.com. His sites now have over 32,374,000 hits. He also sends out an email newsletter to 10,000 opt-in subscribers.

Jim lives in Pittsburgh, in the home he grew up in, with his wife, Cindy, and their daughter, Erica. When Jim is not devising new strategies for retirees to save taxes and accumulate wealth (which is most of the time), he enjoys bicycling, skiing, traveling with his family, and playing chess and bridge with his friends and online.

Visit www.retiresecure.com or call 412-521-8007 for more information.

About the Book:

Retire Secure! Pay Taxes Later: The Key to Making Your Money Last as Long as You Do (Wiley, 2006, ISBN: 0-470-04354-7, $24.95) is available at bookstores nationwide and from all major online booksellers.

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