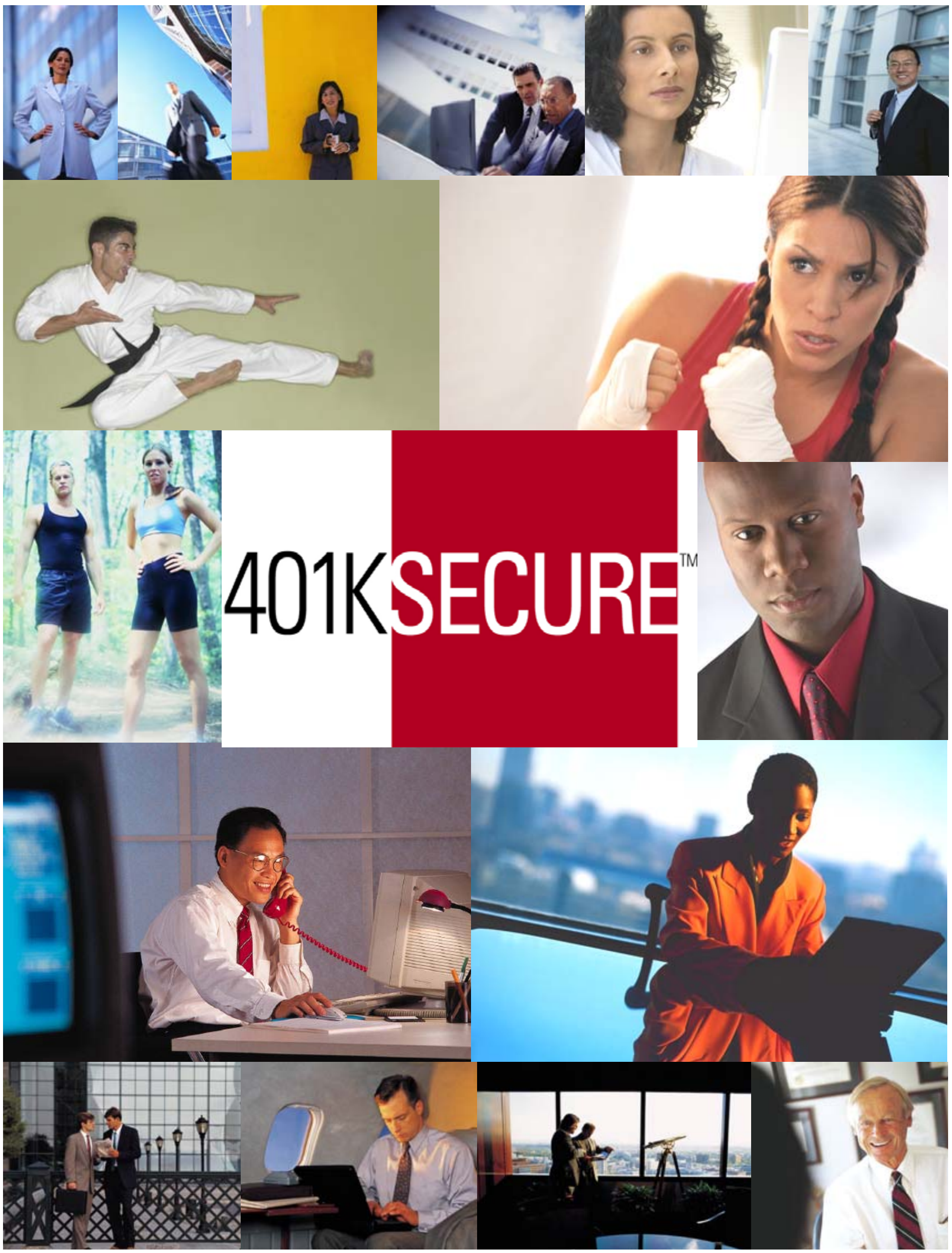
A news journal for clients and friends of Corporate Compensation Plans, Inc.

July, 2006

The 401k Plan for Champions



The 401k Plan for Champions

There is a great deal of talk about adding components such as auto enrollment, education modules and lifestyle funds to 401k plans. The objective is to make 401k plans more responsive to the retirement needs of their participants.

These are all valuable additions, but none of them are going to change the fact that a 401k plan is just a savings program.

In fact, the only real promise a 401k savings plan can make is tax deferral. However, along with the advantages of tax deferral come risks and two of them can cause financial calamities:

- The first risk is that employees become disabled and lose their jobs before they retire. If they do their 401k contributions will stop, forcing most to suffer catastrophic losses of their planned retirement accumulations at age 65 – the very time when their disability insurance benefits run out.

- The second risk is that employees outlive their retirement assets after they retire. The many who do will have to depend upon the charity of others – or the government – simply to exist.

Very few employees know how to manage these risks – even fewer have the resources to do so. This means that a great number of American workers will not have a financially secure and rewarding retirement. In short, their 401k plans will have failed to deliver their expectations – and those of their employers.

Certainly this is not the result forward-looking plan sponsors intend to achieve as they pour time and money into 401k plans attempting to make them into viable retirement programs.

To do so – to convert your 401k savings plan into a real retirement plan – requires the elimination of both the disability risk and the longevity risk.

How much can be lost when a plan participant is disabled?

Totally disabled at age:	Loss of Retirement Assets at age 65(1)		
	$6,000 annual contribution	$16,000 annual contribution	$70,000 annual contribution(2)
30	$1,116,613	$2,977,634	$13,027,150
40	$ 473,726	$1,263,271	$ 5,526,809
50	$ 175,946	$ 469,189	$ 2,092,700

(1) At 8% interest.
(2) Includes contributions to NQDC plans.

Retirement Security is all about guarantees

Guarantees remove risk. Here are two that all plan sponsors should be making to their employees:

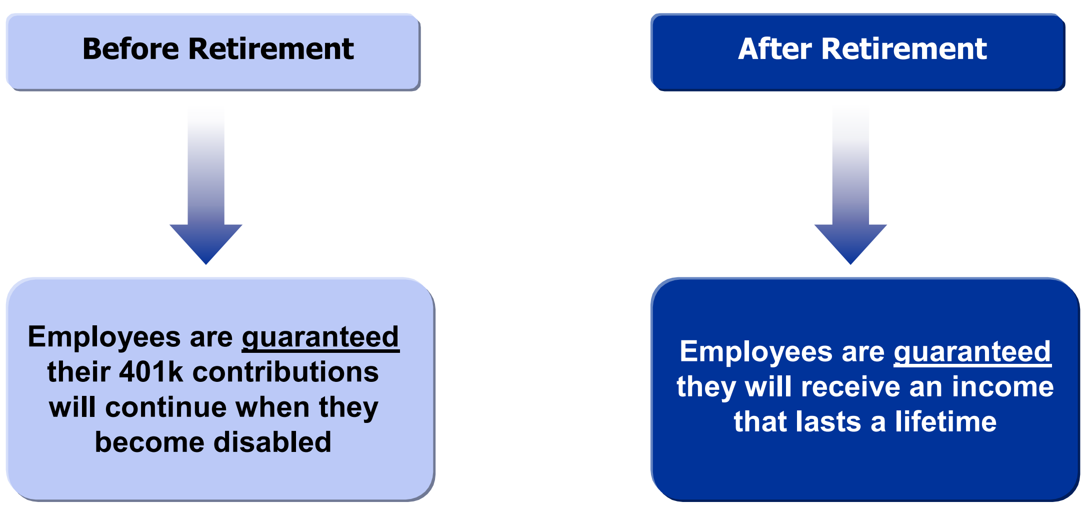
- **If you become disabled and can't work our 401k plan guarantees that your 401k contributions will continue until you reach age 65. As a result, your retirement assets will grow just as if you were working.**

  This guarantee is provided by 401kSecure – Corporate Compensation Plans' patent protected disability insurance plan that is owned by the 401k plan as an investment and continues 401k contributions directly into employees' 401k accounts when they become disabled.

- **After you retire our 401k plan can guarantee that you will receive a check each and every month for the rest of your life. As a result, you can enjoy your retirement years knowing you will never be without income.**

  This guarantee is provided by annuities that are underwritten by insurance carriers. Plan participants can purchase them with plan assets at retirement or as a pre-retirement investment option.

Pre-retirement disability protection and post-retirement income protection are two of the essential features of defined benefit pension programs. Adding them to your 401k plan replaces savings risk with retirement certainty.



Now here is the really good news: employers who want to be 401k champions can add disability and longevity protection to their 401k plans at little or no cost to themselves – certainly an offer that no socially responsible plan sponsor should turn down.

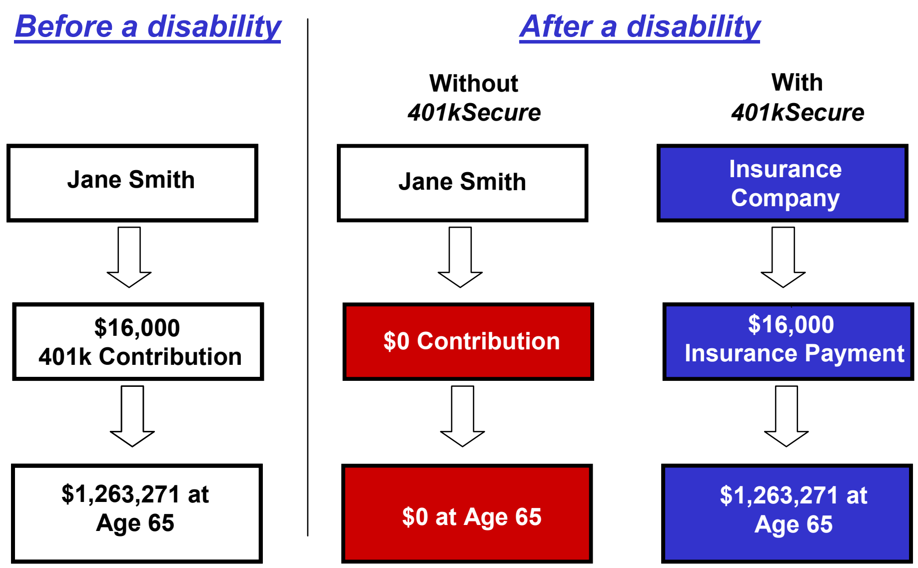
"As 401k plans become the primary provider of retirement benefits and as ERISA further develops … we believe the focus of fiduciary responsibility will shift to whether an appropriate level of benefits is being provided by the plans."

From the Fiduciary Duty to Administer a Successful Plan; Ameriprise by Fred Reish & Bruce Ashton

How 401kSecure eliminates the disability risk

401kSecure is a special disability insurance policy that is owned by a 401k plan and insures a participant's 401k and profit sharing contributions. In the event of a disability it pays the benefit directly into the disabled employee's 401k account.

For example, Jane Smith is contributing $16,000 a year into her 401k plan and she expects it will accumulate to $1,263,271 over 25 years – assuming an 8% investment return. However, if she becomes disabled her contributions will stop and her $1,263,271 will be lost. *401kSecure* will solve that problem by continuing her $16,000 contribution so her retirement assets will accumulate and grow just as if she were working.



How annuities eliminate the longevity risk

An annuity option enables employees to take some – or all – of their 401k assets and buy an annuity from an insurance company. In return, the insurance company will guarantee to pay them a monthly income as long as they live when they retire.

Therefore the annuity provides the essential security that retirees will receive a check each and every month for the rest of their lives.