

Contact:

Jillian Perkins
Tel. 503.239.0475
jperkins@am-a.com

Arnerich Massena Publishes White Paper on the Paternalization of Participant-Directed Plans

Why are plan sponsors choosing a more paternalistic structure for their retirement plans?

PORTLAND, Ore., March 28, 2014—Arnerich Massena, an independent investment advisory firm specializing in retirement plan advisory services and forward-thinking investment strategies, has published its latest white paper, *The Paternalization of Participant-Directed Plans*.

The white paper examines research of participant investment behavior that suggests that poor investment choices may be a significant factor in retirement savings shortfalls. One solution to this problem is the “paternalization” of retirement plans, whereby plans are structured in such a way that participants don’t have to make investment selections unless they choose to.

While most experts agree that the defined contribution system is well-designed with the proper incentives and structure in place to help Americans achieve a secure retirement, retirement plan participants are finding themselves overwhelmed by the investment decision-making required of them and failing to achieve their retirement goals. A number of studies show that participants struggle to develop an appropriate asset allocation, often fail to rebalance frequently enough, and make emotional decisions that try to time the market, all of which can negatively impact their investment results.

“Paternalization is about benevolent guidance, not about dictating or eliminating choices,” says Scott Dunbar, Arnerich Massena’s managing director of retirement plan services. “Participants seem to be not only accepting a ‘do-it-for-me’ paternalistic approach, but embracing it. We want to help plan sponsors better understand how to improve participants’ long-term investment outcomes, and paternalization is a step along this path.”

The paper discusses a number of paternalistic investment solutions, outlining different options available to plan sponsors to help guide participants to appropriate investment choices. Some of the solutions detailed include target-date funds, risk-based funds, and managed accounts.

The Paternalization of Participant-Directed Plans was authored by Scott Dunbar, Jacob O’Shaughnessy, and Jillian Perkins. A downloadable version of the white paper is available at: <http://www.am-a.com/about/research.htm>.

About Arnerich Massena

Founded in 1991, Arnerich Massena is a Portland-based independent investment advisory firm servicing corporations, institutions, state and local governments, charitable organizations, trusts and estates, corporate pension and profit sharing plans, and private clients. More information is available at www.arnericmassena.com.