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ICG TIMELY TOPICS

FROM THE TOP

Over long periods, have out inflation by percentage points. Capital-gains tax rate is low which is good for stock investors. If you add inflation, stock returns should be 8 to 11%. That's not like the last 5 years, but it is better than government bonds.



- Jeremy Siegel, Finance Professor, Wharton School, University of Pennsylvania

Donald R. Stanforth, President

February 5, 2001; Pension & Investments; "Fourth quarter took toll on 401(k) balances" (p. 35)

The average investment return on 401(k) balances for 2000 is expected to be around -4%. While the percentage of overall assets invested in equities increased in 2000, participant contributions into equities dropped 10% since 1998. By the time participants transferred money in December they were still chasing funds that were performing well, mostly fixed income accounts. By the end of December, 76% of new participant contributions were in equities and 73% of all assets tracked were invested in equities.

February 5, 2001; Pension & Investments; "It's buy high, sell low? No wait..." (p. 8)

In 1996 mutual fund investors stayed in a mutual fund an average of 5.5 years. Today investors are only staying in long-term funds an average of 2.9 years. Additionally, redemption rates were 32.1% in 2000 compared to 17.4% in 1996.

January 29, 2001 Vol 5, No 4; Investment News; "Greenspan does his Marilyn imitation" (p.4)

It may not have been George Bush's birthday, but Alan Greenspan gave him a gift when he told the Senate that he backed a tax cut.

January 29, 2001 Vol 5, No. 4; Investment News; "The death of yet another new paradigm" (p.2)

Technology is now one of the many sectors that have fallen over the history of the market. This is a sign that more rationality has returned to the market.

January 29, 2001 Vol 5, No 4; Investment News; "Stock market returns are almost destined to be significantly lower in the next era" (p 12)

Common stocks may remain the customer's choice but the returns will be significantly lower. Trying to beat the market will continue to be a loser's game.

January 22, 2001; Pensions & Investments; "Congress likely to pass pension legislation, but not much else" (pp. 1, 103)

Charles Grassley, R-Iowa, the new Chairman of the Senate Finance Committee has put the pension package at the top of the list. It is expected that the Bush administration would back a hike in the limits.

December 4, 2000, Vol. 4, No. 48; Investment News; "Taxes, fund costs can chew up 87% of an investor's long term return" (p. 12)

\$1000 invested into the S&P 500 in 1950 would be worth \$515,000 today. Once taxes and fees are subtracted the true value drops to \$65,000.

December 11, 2000; Pensions & Investments; "Future murky for one-stop online 401(k) providers" (p. 56)

Almost everyone agrees that the Internet will play a larger role in the retirement industry. Questions remain about viability, funding, and which providers will still be in the game.

January 22, 2001, Vol. 5, No. 3; Investment News; "Buck-passers facing wider pension audits" (pg. 6)

The Department of Labor has ordered audits on 401(k) plans be stepped up after the Kansas City, Missouri office found most of the companies examined had improperly charged employees. Groups representing the companies say that the agency changes rules without going through regulatory processes. Some 401(k) providers are going with flat monthly fees that make it clearer how participants pay.

January 2001, Vol. 15, No. 1; Employee Benefit News; "Improve your 401(k) plan test scores" (pp. 37, 38)

Review alternative methods for running the non-discrimination test. Revise the form of matching contribution. Consider a Safe Harbor contribution formula. Consider automatic enrollments.