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CONTACT INFORMATION:

Phil Fragasso
617-312-6574
pfragasso@I-Pension.com

401(k) Apathy Cuts Dangerously Deep

Survey Finds that Many Americans Don't Read Their 401(k) Statements or Don't Understand What They're Reading

NEWTON, MA, February 2 – Following the economic meltdown of 2008, many 401(k) participants are taking the ostrich approach to investing. In a just-completed survey of middle-income investors conducted by I-Pension LLC, 27% of respondents admitted to not even opening their fourth-quarter statements. And of the respondents who did open and read their statements, almost a third spent less than one minute reviewing the results and 72% spent less than 3 minutes.

Just as tellingly, one-third of 401(k) investors had no idea what percentage of their account was invested in U.S. stocks, foreign stocks, or fixed income.

Of those respondents who professed knowledge of their asset allocation percentages, 64% stated that their fixed income holdings represented 0-25% of their portfolio – suggesting an extremely aggressive approach to the market despite the huge losses of 2008.

The scariest finding of all was that 55% of respondents never rebalanced or changed their investment options in 2008 – despite the fact that rebalancing is a key component of any successful investing strategy.

82% of respondents indicated that they made their 401(k) investment decisions on their own; while the exact same percentage said they would be likely to request assistance if their employer provided access to investment advice.

“These results point out that a lot of work still has to be done to help 401(k) participants maximize this incredibly valuable workplace benefit,” says Jane Mancini, CEO of I-Pension. “The markets were down dramatically in 2008, but well-diversified portfolios were still the best choice for most investors.”

“Most employers and 401(k) platforms provide participants with printed and online educational materials and leave it at that,” explains Phil Fragasso, President of I-Pension. “It’s akin to teaching people to read simply by giving them access to a library. It hasn’t worked in the past and there is nothing to suggest it will work better in the future.”

“If there’s one positive that has come out of the horrible economic news of the past year, it’s the realization that middle-income workers need serious and intensive help managing their investment portfolios,” says Mancini. “Working together, plan sponsors, 401(k) providers, and investment advisors need to deliver a more hands-on solution in an easy and affordable package.”

Located in Newton, Mass., I-Pension LLC is a registered investment advisor focused on providing affordable and comprehensive investment management and financial planning services. I-Pension's founding partners; Jane Mancini (CEO) and Phil Fragasso (President) together have fifty years of senior-level experience within the financial services industry. Employers and individuals interested in learning more about the services provided by I-Pension should visit us at www.I-Pension.com or call 1-888-633-4736.

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