PENTEGRA RETIREMENT SERVICES ENCOURAGING ACTION TO SUPPORT BRIGHTER FUTURE FOR 401(k) PLANS

White Plains, New York, January 23, 2013 -- The so-called "fiscal cliff" may have been avoided for now but there are many significant issues still on the table with potentially serious repercussions for consumers and the government, including the future of the 401(k) as we know it, reports Pentegra Retirement Services.

The federal government is still looking at ways to cut the budget in a meaningful and substantial manner. One of the solutions they are considering is to reduce -- or completely eliminate -- tax deductions for retirement plans.

According to Rich Rausser, Senior Vice President of Client Services at Pentegra, "The net effect on over-50 employees, in particular, could be deeply devastating. But everyone's retirement savings are at risk if 20/20 or other measures taken to reduce the deficit are implemented. The money you put into a 401(k) might be subject to taxation before you invest it in the plan. Future contributions might not grow on a tax-deferred basis. All itemized deductions, including those for retirement plans, could be capped. Even the currently tax-free earnings in a Roth IRA could be taxed."

Tax breaks for 401(k) and similar retirement savings plans add up to $100 billion a year, and reportedly will cost the government an estimated $429 billion from now to 2017. According to the Employee Benefit Research Institute (EBRI), more than 70 percent of workers earning $30,000 to $50,000 participate in their employer's 401(k) plans.

Rausser explains that under current law, employees under the age of 50 can contribute up to $17,500 in their 401(k) plans in 2013, while those aged 50 and older can contribute up to $23,000. Under the terms of a new proposal – a recommendation of the Bipartisan Policy Center's Debt Reduction Task Force known as the "20/20 Plan" – an employee and his employer together would be permitted to contribute up to $20,000 or 20 percent of the employee's salary (whichever is less) to a 401(k) account – an amount that includes the employer's matching funds.

Rausser adds, "The American Society of Pension Professionals & Actuaries (ASPPA) -- a national organization of more than 10,000 retirement plan and benefits professionals that serves as the educator, voice, and advocate for the employer-based retirement system -- is understandably against such actions, just as are we at Pentegra."

"We understand Congress needs to reduce the debt and raise revenue," says ASPPA executive director and CEO Brian Graff, "but raiding the tax incentives for 401(k) plans will put American workers' retirement security at risk. Tens of millions of Americans participate in these retirement plans, and 80% of them earn less than $100,000 per year….This is a battle that American workers simply can't afford to lose."

Rausser agrees, and Pentegra is encouraging the public to go to ASPPA's website http://savemy401k.com, as part of a grassroots campaign that allows visitors to petition their representatives in Congress via an automatically-generated e-mail to voice their concerns and opposition.

About Pentegra
Pentegra Retirement Services is a leading provider of retirement plan solutions to organizations nationwide. Founded by the Federal Home Loan Bank System in 1943, Pentegra offers a full range of retirement programs, including 401(k) plans, Defined Benefit Pension plans, Cash Balance plans, 412(e)(3) Fully Insured Defined Benefit plans, Split Funded Defined Benefit plans, KSOPs, ESOPs, Profit Sharing plans, Age-Weighted plans, New Comparability plans, 457(b) and 457(f) plans, 403(b) plans, 401(a) plans, Section 79 plans, Non-qualified Executive Benefit and Director plans, benefits financing solutions using BOLI and a broad array of TPA services. For more information, go to www.pentegra.com

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