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Automatic IRA ‘death knell of private-pension system’: Attorney

[By Lisa Shidler](#)

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Industry leaders are urging advisers to stand united against a measure in Congress that would require businesses without a retirement plan to institute an automatic individual retirement account.

Even though there's a chance a federally mandated IRA plan could boost advisers' assets, industry leaders believe it creates a slippery slope — one that could lead to further government control over retirement accounts. Measures that encourage clients to bolster their retirement assets would be better for the industry than government requirements, leaders said.

“The automatic IRA would be the death knell of the private-pension system,” said Marcia S. Wagner, managing director of The Wagner Law Group. “Politics is very much a blood sport. The pension industry must do what it's never done before and speak in one voice lobbying against this.”

Ms. Wagner and Jerry Bramlett, president and chief executive of NextStep Defined Contribution Inc., spoke in front of a few hundred advisers on Thursday at the Center for Due Diligence conference in Chicago.

“It's just ludicrous,” Mr. Bramlett said. “To mandate it, makes us less competitive. I think it's a really bad thing.”

If enacted as is, the Automatic IRA Act of 2010 would apply first to companies with at least 100 employees and phase in until 2015, when it would cover companies with as few as 10 employees. Employees can deposit up to 5% of their paycheck choosing from three investment options.

Another problem with the automatic IRA: it could actually be an expensive option for participants. Dorann Cafaro, founder of Cafaro Greenleaf, a retirement plan adviser, believes a 401(k) plan would be cheaper for participants than an IRA and also let them save more money.

“The IRA is just not cost effective,” she said. “It's not in the best interest of participants.”