401K 'FORCED' RETIREMENT ACCOUNTS WORKERS MAY UNENROLL, BUT MOST OPT TO SAVE FOR THE FUTURE

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Never got around to enrolling in your company's 401(k) plan?

Sit back, relax.

Scared stiff that millions of Americans are not saving enough for retirement, the

federal government has come up with a way to battle that inertia.

Under a new bill signed into law just last month, companies will automatically enroll employees in retirement programs by the end of next year. As part of the package, employees will get access to advice from financial planners.

The genesis for all this change is part of the Pension Protection Act of 2006, the result of years of debate over how to shore up the federal pension insurance system. The bill's title suggests a focus on pension retirement plans. But it will have much wider implications for users of defined

contribution plans, like 401(k)s, which are the dominant type of retirement vehicle offered by most employers.

The 1974 Employee Retirement Income Security Act set standards for company retirement plans based on the belief that employees would make good decisions regarding their retirement if they were properly educated, informed and given reasonable choices.

"This belief has proved to be untrue," according to a report on the new law released in

August by financial research firm Dalbar, Inc. It points to low contribution levels and poor investment choices as evidence of the failure of the current system.

Most financial planners say that was to be expected. "Before, they were telling consumers to put money away, but if you have no experience in the markets, you're going to the guy next to your cubbyhole and asking him what he's invested in," said Robert Goldsmith, a financial planner and trainer in Simi Valley. He said most Americans save 1 percent of their income. Even worse, they don't start saving until too late in life.

With the Pension Act, the government is saying, retirement savings is up to you, he said.

"From the workers' point of view, they're going to see a very different 401(k) in a few years," said David Wray, president of the Profit Sharing/401(k) Council of America.

Under the new rules, employees will be automatically enrolled in 401(k) programs as of December 2007. Workers will be able to opt out if they choose, but financial planners don't expect to see many people do that, because people tend to stick with retirement contributions.

Financial planners hope the auto-enrollment option will bring participation up significantly. "Right now, 67 percent of people who have the ability to participate are not at any level," said Bolton.

Sometimes, it's the daunting task of having to decide where contributions should go that keeps people from enrolling in these programs.

"They could be living hand to mouth, and they can't afford to put that money somewhere and let it sit," said Francis Kredit, president of the Financial Planning Association's San Gabriel Valley chapter. "They've bought a house and are trying to pay a mortgage and you have gas prices."

Percy Bolton says that's the wrong way to think about a 401(k) plan. "It's not a retirement plan; it's a future goals plan. If you want to buy a house or become disabled, you can take money out from it," he said. "If you paint it that way, you can talk people into it."

Sometime in the next year, many employees will begin hearing about on-site investment presentations, one-on-one appointments with investment advisers, or online financial advice sessions, which will be paid for by employers as part of the plan administration.

The best companies have already adopted some of these practices in anticipation of the new legislation, said Bolton.

Amgen Inc., based in Thousand Oaks, introduced auto-enrollment about a year ago, said Chip Bell, vice president of compensation benefits and human resources operations.

"We had good participation before, but the people who weren't participating were the ones who needed it the most," said Bell.

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