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*FOR IMMEDIATE RELEASE*

## **GuidedChoice improves on lifecycle fund concept, announces Managed Accounts EZ**

*New service announced just as target-date funds are proposed as default vehicle for automatic retirement plan enrollment*

*La Jolla, CA, (PR Web) October 26, 2006* -- As the popularity of target-date or lifestyle funds in retirement plans continues to grow, investment firm GuidedChoice has announced a new offering, Managed Accounts EZ, that expands the target-date concept to provide a more effective, individualized solution. The announcement coincides with proposed regulations issued by the Department of Labor on September 27 that will allow target-date funds to be used as a default investment for automatic enrollment in qualified retirement plans.

GuidedChoice's new offering takes the concept of target-date funds and adds two critical factors. First, the service considers assets held outside the retirement plan, such as pensions, that can be provided automatically by the plan sponsor. With a more complete view of the participant's financial situation, GuidedChoice's investment analytics then recommend a specific savings rate to help the participant build adequate savings by the target date. This individual recommendation, rather than an arbitrary percentage, can be implemented as part of automatic enrollment. And like all of GuidedChoice's offerings, the new service works with the existing investment vehicles available in the plan, so no fund changes are required.

"Ideally, an individual participant should select a portfolio most appropriate to him or her, and review it periodically," says Nobel Laureate and GuidedChoice co-founder Dr. Harry Markowitz. "We have interactive software to help him or her do this, taking into account outside assets and alternate savings rates. In fact, however, most participants take the course of least resistance: they accept whatever is the default. Retirement plans that default into Managed Accounts EZ allow us to select a program for the participant which will most likely better serve his or her needs than do the traditional retirement defaults."

"Another important component of our solution addresses a burning issue for today's fiduciaries: excessive plan fees. A number of class action law suits have recently been filed against several large plans (see [Reish Luftman ERISA](#)



[Litigation Bulletin Oct 06](#)) for not monitoring hidden costs like revenue sharing,” Added Sherrie Grabot, CEO and founder, who is currently serving as Chairman of the ERISA Advisory Council. “Managed Accounts EZ will be built using the existing funds in a given plan, not just those offered by one provider, which will serve to control costs and administration burden.”

### **Target-date funds to become default option**

The [new regulations](#) proposed by the Department of Labor offer much-needed relief from liability to fiduciaries who implement automatic enrollment of participants into default accounts. One key provision of the proposed rules concerns exactly what type of investments are considered “qualified default investment alternatives.” Among other requirements, they must be adequately diversified and professionally managed. Management can take one of three forms: an investment product or model portfolio based on the participant’s age or target retirement date, a similar fund based on the overall demographics of the participant population, or an individual “managed account” solution also based on age.

These new rules are the first to address age-based funds of funds (known as target-date funds, lifecycle funds, and by other names) as a default investment, and represent an important legal advance for automatic enrollment. However, the regulations specifically do not require investment decisions to consider any variables other than age, such as risk tolerance or outside assets.

### **A better solution**

“This creates a ‘good, better, best’ situation for the participant,” says Grabot. “Defaulting into a target-date fund is a good solution for reluctant participants. Full managed accounts based on a detailed participant profile are still the best solution, but not one every plan sponsor will choose to offer or every participant will choose to use. Our new service offers a much better ‘in-between’ option, with the same ease of use as automatic investment in a target-date fund, and typically a lower cost.”

“We’ve also designed our solution to address the ‘savings rate trap’. An unrealistic savings rate is the most common and dangerous mistake that we see in retirement plan investing,” continued Ms. Grabot. “The smartest possible asset allocation still can’t give you enough money to retire if you don’t save enough in the first place, and default rates are typically much too low for most participants. We feel Managed Accounts EZ gives plan investors a powerful tool to manage this risk automatically, in a package that’s extremely attractive to plan sponsors.”

The new offering joins GuidedChoice’s flagship GuidedSavings managed-account service and on-line guidance and advisory services as well as the soon-to-be released GuidedSpending, an innovative service that helps plan participants manage savings and spending through retirement.



### **About GuidedChoice**

GuidedChoice is an independent service firm providing investment advice and managed account services to individual retirement plan participants. Their patented business process is based on their team's extensive, real-world experience with investors, retirement plans and investment managers. GuidedChoice advice is based on trusted industry standards of asset allocation, built into the software analytics and delivered through sophisticated automation. Their solution offers one-click implementation to participants and simple, automated integration to plans and plan sponsors.

The GuidedChoice team includes leaders and innovators from the financial services, human resources, and technology fields. The team responsible for overseeing the development of the advisory software and investment solutions is led by [Harry Markowitz](#), the Nobel laureate who developed Modern Portfolio Theory. Dr. Markowitz has over forty years of experience working with financial theory, developing optimization software, and managing assets, and is actively involved in the day-to-day refinement of the GuidedChoice analytical software. GuidedChoice is headquartered in La Jolla, CA, with sales and communications offices in San Jose, CA.

For more information about GuidedChoice, visit: [www.guidedchoice.com](http://www.guidedchoice.com)

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