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Retirement services.



Why is the Association sponsoring a 401(k) plan?

The Association has considered sponsoring a 401(k) plan for its members for some time. Because members operate smaller companies, many are unable to offer a retirement program for their business that is attractive. Many members have used IRA's or SEP plans to accomplish their retirement plan goals. While helpful, these arrangements are often costly and don't necessarily provide access to professional investment management services.

The WFDA has contracted with Citi Institutional Consulting (a division of Citigroup, the largest financial services firm in the world) to help assemble a retirement plan that is world class. As you may be aware, Citi Institutional Consulting is currently responsible for managing the Wisconsin Funeral Trust.

Citi Institutional Consulting will be constructing an investment fund menu that features best in class mutual funds (including target date retirement funds). Citi Institutional Consulting has reviewed over 20 providers of retirement plan administrative services and selected the provider that offered the best features at the lowest cost.

It is the Associations intent to provide member businesses with the best retirement plan option available and to use the clout of member businesses to negotiate the lowest possible fees.

When can I join the plan?

We are targeting an implementation date of October 1, 2008.

What are some of the plans features?

1. Maximize an owners contributions to the plan.

In order to ensure that the owners of our member businesses are able to contribute the maximum amount possible to fund their retirements, the plan will be designed as an automatic enrollment plan with a 3% safe harbor contribution requirement. What that means is that owners will be able to make the maximum 401(k) contribution into their account each year (\$15,500 in 2008 if under age 50, \$20,500 if age 50 or older) and receive the maximum in total contributions (\$46,000 in 2008 including employer contributions).

2. Minimize administration

The safe harbor plan design permits the plan to avoid various nondiscrimination testing requirements (ADP and top-heavy) while allowing owners to maximize their contributions. New employees would be automatically enrolled (via paperless enrollment). In order to be given a free pass on these non-discrimination testing requirements, it will be necessary for each employer to make at least a 3% contribution each year to each eligible employee that participates in the plan.

3. Maximum flexibility for participants.

The plan will offer participants the opportunity to invest in a number of diverse investment options (15 to 18 funds including target date options). Participants may change their investment allocations each business day (at no cost) and may contribute anywhere from 1% to 50% of their income to the plan. In addition, plan participants will be able to access hardship withdrawals, age 59 1/2 withdrawals and participant loans.

The plan will feature 24/7 internet and voice response system access to participant accounts. During normal business hours, participants will be able to phone a call center for help with administrative questions and talk to a Citi Institutional Consulting advisor for help with their investment allocations.

In addition, employers will be able to decide whether to make profit sharing and/or matching contributions and also have a choice as to the amount.

Will this new retirement plan be better than an IRA for me as an owner?

Yes, for the following reasons:

1. Greater contributions.

For 2008, you may only contribute up to \$5,000 (\$6,000 if age 50 or older) to an IRA for your retirement. The new retirement plan will allow you to receive up to \$46,000 in 2008 in total contributions.

2. Contribution deductibility

Depending upon whether your spouse participates in a retirement plan or not, there may be income limits that apply to the deductibility of IRA contributions. There are no income limitations that apply to the deductibility of your contributions to the new retirement plan.

3. Access to professional investment management.

Citi Institutional Consulting will be choosing a fund line-up for the new plan that maximizes investor returns while minimizing cost. On a quarterly basis, Citi Institutional Consulting will monitor fund performance, making adjustments to the fund line-up as appropriate. Citi Institutional Consulting will target a fund line-up that produces returns

in the upper quartile (better than 75% of competing funds) while offering funds that have expenses that are among the lowest in their asset classes. You may contact an advisor from Citi Institutional Consulting if you have questions about the investments in your account in the plan.

4. Lower fees.

Because of the larger amount of assets, as the new plan grows it will be able to invest in mutual fund share classes (institutional) that have much lower fees than the mutual funds that could be accessed via an IRA. In addition, because of the Associations bargaining power, administrative fees will be much lower than in an IRA.

Will this new retirement plan be better than a SEP for me as an owner?

Yes, for the following reasons:

1. Access to professional investment management.

Citi Institutional Consulting will be choosing a fund line-up for the new plan that maximizes investor return while minimizing cost. On a quarterly basis, Citi Institutional Consulting will monitor fund performance, making adjustments to the fund line-up as appropriate. Citi Institutional Consulting will target a fund line-up that produces returns in the upper quartile (better than 75% of competing funds) while offering funds that have expenses that are among the lowest in their asset class. You may contact an advisor from Citi Institutional Consulting if you have questions about the investments in your account in the plan.

2. Lower fees.

Because of the larger amount of assets, as the new plan grows it will be able to invest in mutual fund share classes (institutional) that have much lower fees than the mutual funds that could be accessed via a SEP arrangement. In addition, because of the Associations bargaining power, administrative fees will be much lower than in a SEP.

3. More of a retirement plan feel.

In a SEP arrangement your contributions as an owner flow directly into a personal IRA account for your participants. Employees don't really feel like they have a retirement plan as much as they do a personal IRA account. The new plan will allow you to impart a little bit more of a corporate feel to your retirement plan and allow you to talk about it as a benefit that you provide to employees (rather than as a contribution that you make to their IRA account).

What do I need to do to start participating in the new plan?

We will be sending you a mailing during the summer that will contain instructions and forms for you to complete in order to begin participating in the plan. In general, you will need to complete the following steps:

1. Complete the plan administrator's application form.
2. Wire transfer existing balances from any retirement plan (including a SEP, 401(k) or IRA) into the new plan.

