

“Making Investment Choices as Simple as Possible, but Not Simpler”: A Comment

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Jonathan Smith

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Abstract

This material comments on “Making Investment Choices as Simple as Possible, but Not Simpler”.

In the pages of the *Financial Analysts Journal* this year and, in particular, in the article by Zvi Bodie and Jonathan Treussard (May/June 2007), practitioners and academics are showing apprehension about the probable gap between retirement needs and retirement funding. My firm is a registered investment adviser, and this trend concerns me greatly.

Growing numbers of business owners are demonstrating what I call “displacement of responsibility.” The owners of service corporations, medical practices, manufacturing companies, and industrial companies are less and less willing to embrace responsibility for their employees’ retirements. Years ago, owners took investing (and planning) for their employees’ retirements seriously, but in the post-dot-com world, these managers want to insulate themselves from unhappy employees. Third-party administrators, Certified Public Accountants, and brokerage houses sense this fear; they’ve stepped in and stepped up to the plate with an array of products and services.

Formerly, firms delegated investment authority for their defined-benefit pension plans to a professional investment adviser, but today, they’re unbundling their retirement plans from the company’s responsibility, switching to defined-contribution plans, and, in a homogenized financial services world, telling their employees, “We’re moving to Fidelity.” What they may not tell their employees is, “You’re on your own.” What concerns me most is how this great shift in retirement wealth will affect retirees 5, 10, or 20 years from now.

I’d like to know what Messrs. Bodie and Treussard, the authors of other *FAJ* pension and savings articles, and other readers think about this issue. And we would all like to know whether CFA Institute has any resources that might help us help others.

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