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**Tuesday, March 27, 2012**

# What Does 408(b)(2) Mean For Model Portfolios?

The July 1 effective date of 408(b)(2) is rapidly approaching, and a collective trust provider is warning advisors about one extra source of disclosure headaches: model portfolios. **Hand Benefits & Trust** chief **David Hand** teamed up with ERISA legal eagle **Marcia Wagner** to release a white paper about what the new fee disclosure regulations mean for five different types of customized plan investment structures [download the pdf].

"Especially if you're going to be a QDIA [qualified default investment alternative ... those things have to comply with all these regulations," Hand told *The 401kWire*, noting that advisors may have to disclose hard dollar costs from the models to participants on a quarterly basis. "These advisors are basically at a crossroads. They've either got to take these crossroads and spend a lot of time and money to get them into compliance, or convert to another structure."

"The cost and confusion of calculating the 'hard dollar cost each quarter for each participant will be a big problem," Hand added.

Hand Benefits & Trust, a **BPAS** company, serves as trustee for about 23 different firms' collective funds, some from retirement plan advisors and others from investment managers. Hand sees the advent of 408(b)(2) as a strong incentive for advisors with model portfolios to switch to collective trust structures.

"When you have a collective trust, you already have all the reporting," Hand said. "By the time we get through with it, you can't tell the difference between a collective fund and a mutual fund."

**Printed from: http://www.I-Wires.com/story.asp?s=39576**