

**Statement by
Dennis L. Stone
Marshalltown, Iowa**

Senator Grassley, Congressman Fawell & Members of the committee.

My name is Dennis Stone. Thank you for inviting me to this hearing. I reside with my family in Marshalltown which is located in central Iowa. We have lived there since 1968. I am a partner in Western Manufacturing Corp. which has been in business since 1964.

Western Manufacturing Corp. is a metal fabricator and manufactures products that it sells through dealers and factory direct throughout the United States. Exports amount to about 5% of sales. Some of our major products are portable power washers, shop lifts, portable gas containers and louvered tailgates. We have been at the same location for 35 years. We fluctuate between 75 and 80 employees. Our factory employment is about 55 employees.

As a company we believe in our employees saving for retirement and have participated for some time in providing matching funds. For many years Western had a payroll deduction for employees who had an IRA. We began our present 401K program in January 1994. Employees can contribute up to 15% of their gross earnings and Western will match the first 4%. In order for the employee to have the confidence that the money will always be theirs, our plan calls for 100% vesting immediately. Our employees are eligible to sign up on January 1 and July 1 after the first anniversary of their employment.

There are seven different investment accounts in our plan, ranging from low risk money markets to higher risk international funds. Participants can change the percentage they contribute at any time and can also change the funds they invest in at any time. Western pays all administrative costs of the plan, This amounts to approximately \$8,000 annually plus our comptrollers time. Participants receive detailed reports of their individual accounts semi-annually

We currently have 68 employees eligible for our plans and 65 are participating; saving an average of 6% of their wages, Western is matching the first 4% of their contribution. We feel our participation rate is high because of meetings held with employees and spouses prior to the plan taking effect. We feel that it should not be easy for an individual to take money out of a retirement account. The funds should be earmarked for the future and hopefully a comfortable retirement. Therefore our plan only allows removal of funds for extreme financial hardship, unusually high medical bills, purchase of a first home and for payment of tuition. The plan does not allow any borrowing.

Some of our concerns with the 401K and those that may be keeping other small companies from starting a program now are as follows:

The private sector retirement accounts are becoming more common and larger, therefore, perhaps a government advocate responsible for compliance and support might work better than being regulated by the Department of Labor.

The highly compensated limits of \$10,000 in contributions and \$160,000 in earnings eligible should be reviewed and raised for employers. To start and keep retirement programs it must be attractive to them also.

We believe audits should be required on a periodic basis, but not every year. This is very expensive for

small companies and adds tremendously to the cost of the plan, without this cost perhaps more companies would begin a program.

The plans themselves should be simplified for smaller companies. Amendments are very costly and cumbersome, anything that makes a plan more difficult to write and administer is going to prevent small business from starting a program.

Compliance issues need to be simplified. It is difficult to determine if your plan is in compliance through the year; there should be a simplified formula that smaller companies can use.

The penalties for some forms on non-compliance are very stiff. There should be a grace period to bring a plan into compliance with much lower penalties.

As employers, we fully support the fact that we all need to do a better job in educating people to save for the future. This needs to be done by responsible government leaders, in our schools and at our businesses. It is important to point out, however, that as employers we must be very careful to not become a financial advisor instead of an information provider.

I believe to keep small businesses involved with retirement programs, it is essential to look for ways to make it easier for them by cutting red tape, unnecessary reports and expensive audits. Do not make the employer look stupid to the employee by inventing new taxes to take away money we have encouraged them to save; make certain that the agencies, whoever they might be, have the vested interest of the US citizen at head, not just an opportunity to write more regulations. Also, you must make the aging public as confident as possible that the money in any retirement program is theirs and that other than current taxation of money being withdrawn, the only way they will ever lose it is through bad investment.

The current plan of not taxing 401K earnings until withdrawal should absolutely not be changed. Do not tax earnings on an annual basis. Watching their money grow is a strong incentive for people to save. The statistics we read on the small amount of money the majority of our fellow citizens have put away for retirement is disturbing. Please do not allow anyone to change this. As an individual this has always been a concern of mine and many people that I have talked with. We are afraid we are going to be financially responsible for many years, planning for a comfortable retirement only to have it taken away in some manor in future years to cover the expenses of those who did not save.

I would end sharing with you statistics that I have recently become aware. In 1994 a study was done by Public Agenda of 1200 non-retired citizens between the ages of 22 and 61. This study determined along with many other things, that people are skeptical about social security and worry about retirement, but many do nothing about it. At that time nearly 50% of Americans had saved less than \$10,000 for retirement. Only 29% had saved more then \$100,000. Other sources tell me that less than 20% of small business has a qualified retirement plan in place. Hopefully with streamlined regulation and reduced administrative costs, small business could help improve all of these numbers by participating in preparing the public for retirement. Thank you.