Employers Dump 401(k)s Into IRAs

Ex-employees are leaving behind orphan 401(k) accounts with abandon, and employers are dumping the funds into forced Individual Retirement Accounts with conservative default investments and high fees, where they whittle down to nothing, according to a new Government Accountability Office Report, 401(K) Plans: Greater Protections Needed for Forced Transfers and Inactive Accounts.

Forbes reports that , at one IRA provider the GAO studied, an unclaimed $1,000 account would be reduced to zero in just 9 years (to blame: a $50 one-time account set-up fee, a $50 annual fee, and a $65 annual address search fee, combined with an 0.11 percent investment return).

Read the story.