

# Ameriprise Employees Filed A Suit Over Expensive 401K Plan Fund Choices

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Reuters recently reported the following:

## Analysis: Latest 401(k) lawsuit highlights ongoing fee concerns | Reuters

(Reuters) - While workers can't do much when a stock market sell-off hits their 401(k) balances, they can speak up about poor investment choices and unreasonable plan fees. Now, more are taking those complaints to the courts as they bring lawsuits against employers they believe have allowed poorly-performing and overly-expensive funds into their retirement plans.

"They put people into their products, and they were not vetted and were excessively expensive," Jerome Schlichter, who is representing the Ameriprise employees, told Reuters in an interview. He says the company was "self dealing."

Based on MyPlanIQ's rating, [Ameriprise Financial 401\(k\) Plan](#) has an overall score 19% out 100%. Here are the more detailed analysis:

**Diversification** -- Rated as **average (44%)**  
**Fund Quality** -- Rated as **poor (3%)**  
**Portfolio Building** -- Rated as **below average (12%)**  
**Overall Rating: below average (19%)**

The 401K plan consists of 25 funds. These funds cover only 3 major assets: US Equity, Foreign Equity, Fixed Income.

The actual fund lineups and their ratings:

Asset Class	Ticker	Name	Description	Rating
INTERNATIONAL EQUITY				
Foreign Large Blend	AIZAX	AllianceBernstein International A	AllianceBernstein International	23%
US EQUITY				
LARGE BLEND	ALEIX	RiverSource Disciplined Equity I	RiverSource Disciplined Equity Fund	59%
LARGE GROWTH	VIGIX	Vanguard Growth Index Instl	Wellington Trust Large Cap Growth Portfolio	81%
LARGE VALUE	RSEDX	RiverSource Diversified Equity Income R5	RiverSource Diversified Equity Income Fund	35%
LARGE VALUE	RSEYX	RiverSource Equity Value R5	RiverSource Trust Equity Index Fund III	35%
Mid-Cap Growth	VMGIX	Vanguard Mid-Cap Growth Index Inv	Wellington Trust Mid Cap Growth Portfolio	57%
MID-CAP VALUE	RMCVXR	RiverSource Mid Cap Value R4	RiverSource Mid Cap Value Fund	36%
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Small Growth	ALSRX	Alger SmallCap Growth Institutional I	Alger Small Cap Fund	67%
SMALL VALUE	JASCX	James Small Cap	James Small Cap Fund	77%
US EQUITY	AMP	Ameriprise Financial Inc	Ameriprise Financial, Inc. Common Shares	
FIXED INCOME				
Intermediate Government	VFIUX	Vanguard Interm-Term Treasury Adm	RiverSource Government Income Fund	59%
Intermediate-Term Bond Other	RDBIX	RiverSource Diversified Bond I	RiverSource Diversified Bond Fund	45%
Moderate Allocation	IDMYX	RiverSource Balanced R4	RiverSource Balanced Fund	26%
ROOT	CASH	CASH	Evergreen Money Market Fund	
ROOT	CASH	CASH	RiverSource Trust Money Market Fund I	
ROOT	CASH	CASH	RiverSource Trust Stable Capital Fund I	
Target Date 2000-2010	RSSPX	RiverSource Retirement Plus 2010 Y	RiverSource Retirement Plus 2010	11%
Target Date 2011-2015	RSFNX	RiverSource Retirement Plus 2015 Y	RiverSource Retirement Plus 2015	26%

Asset Class	Ticker	Name	Description	Rating
Target Date 2016-2020	RSNFX	RiverSource Retirement Plus 2020 Y	RiverSource Retirement Plus 2020	11%
Target Date 2021-2025	RSMEX	RiverSource Retirement Plus 2025 Y	RiverSource Retirement Plus 2025	7%
Target Date 2026-2030	RPTYX	RiverSource Retirement Plus 2030 Y	RiverSource Retirement Plus 2030	14%
Target Date 2031-2035	RPOYX	RiverSource Retirement Plus 2035 Y	RiverSource Retirement Plus 2035	22%
Target Date 2036-2040	RPFYX	RiverSource Retirement Plus 2040 Y	RiverSource Retirement Plus 2040	21%
Target Date 2041-2045	RRPYX	RiverSource Retirement Plus 2045 Y	RiverSource Retirement Plus 2045	30%

From the above, one can see that RiverSource funds have very low ratings. These funds are expensive. For example, RiverSource Diversified Bond I (RDBIX) has 0.49% expense ratio, compared with Vanguard Total Bond Market Index Adm (VBTLX).

Here is the performance between RDBIX and VBTLX:

### Portfolio Performance Comparison (as of 10/13/2011)

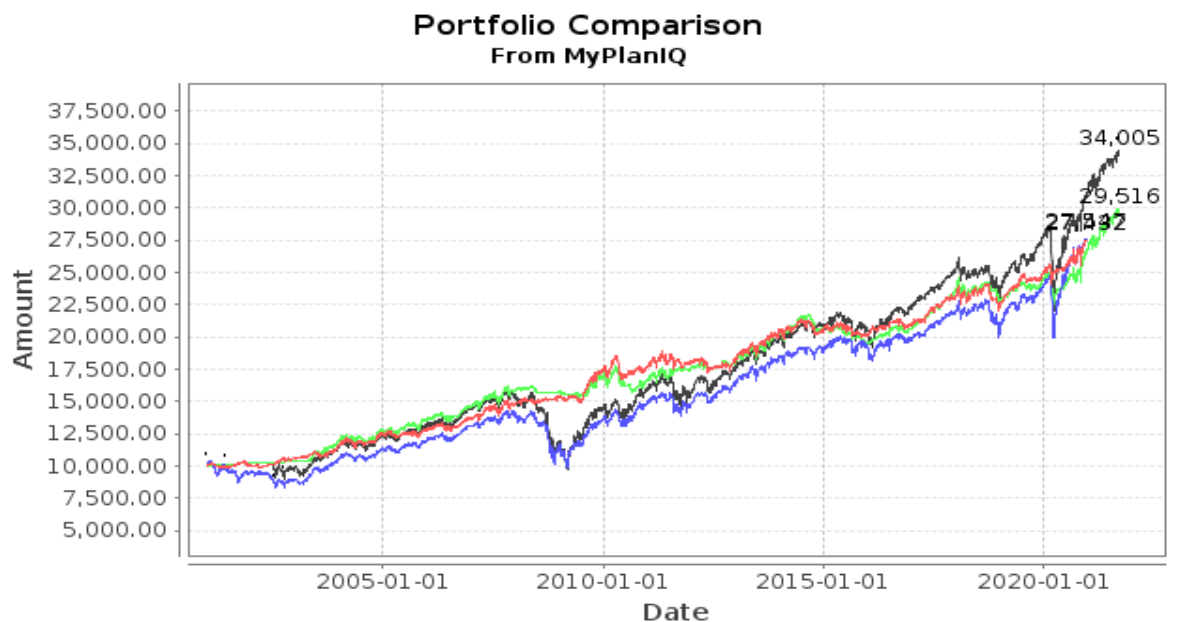
Portfolio/Fund Name	1Yr AR	1Yr Sharpe	3Yr AR	3Yr Sharpe	5Yr AR	5Yr Sharpe
<a href="#">RDBIX</a>	2%	54%	9%	164%	5%	79%
<a href="#">VBTLX</a>	3%	121%	8%	163%	6%	118%

See [RDBIX vs. VBTLX](#) for more detailed comparison.

Interested readers can compare other funds using MyPlanIQ comparison tool.

The following are the model portfolio performance, compared with Simple Is Better (SIB) 3 Core Asset ETF portfolios.

Performance chart (as of Oct 12, 2011)



— Ameriprise Financial 401(k) Plan Tactical Asset Allocation Moderate
— Ameriprise Financial 401(k) Plan Strategic Asset Allocation - Equal We
— Three Core Asset ETFs Tactical Asset Allocation Moderate
— Three Core Asset ETFs Strategic Asset Allocation - Equal Weight Mod

Performance table (as of Oct 12, 2011)

<b>Portfolio Name</b>	<b>1Yr AR</b>	<b>1Yr Sharpe</b>	<b>3Yr AR</b>	<b>3Yr Sharpe</b>	<b>5Yr AR</b>	<b>5Yr Sharpe</b>
<u>Ameriprise Financial 401(k) Plan Tactical Asset Allocation Moderate</u>	-3%	-17%	5%	58%	5%	47%
<u>Ameriprise Financial 401(k) Plan Strategic Asset Allocation Moderate</u>	-1%	-20%	6%	32%	0%	-10%
<u>Three Core Asset ETF Benchmark Tactical Asset Allocation Moderate</u>	7%	96%	4%	41%	4%	41%
<u>Three Core Asset ETF Benchmark Strategic Asset Allocation Moderate</u>	-1%	-20%	7%	33%	2%	2%

So not only the plan provides minimum diversification (only three major asset US stocks, International Stocks and Bonds), it also has many low quality and expensive funds. No wonder the plan participants rebelled.

**Disclosure:** MyPlanIQ does not have any business relationship with the company or companies mentioned in this article. It does not set up their retirement plans. The performance data of portfolios mentioned above are obtained through historical simulation and are hypothetical.