

Navigating a 401(k) plan



WHAT IS A 401(K) PLAN?

A 401(k) plan is a retirement savings account offered by employers. It allows employees to contribute a portion of their salary to invest in a variety of funds and assets. Employers may also match a portion of the employee's contributions, providing a valuable retirement benefit.

WHO IS INVOLVED IN THE 401(K) PLAN:

Plan Sponsor/Employer:	The employer is the plan sponsor and establishes the 401(k) plan for the benefit of its employees. The employer selects plan options, contributions, and administers the plan's operation.
Third-Party Administrators (TPAs):	Some employers hire TPAs to handle administrative tasks like compliance testing, reporting, and recordkeeping. TPAs help ensure that the plan meets legal requirements.
Employees/Participants:	These are the individuals who work for the employer and are eligible to participate in the 401(k) plan. They contribute a portion of their salary to the plan and make investment choices based on the options provided.
Custodian/Trustee:	A financial institution (such as a bank or brokerage firm) serves as the custodian or trustee of the plan's assets. They hold and safeguard the investments made by participants.
Plan Provider/Recordkeeper:	Some employers engage a plan provider or recordkeeper to manage participant accounts, track contributions, process transactions, and provide statements and online access to plan information.
Investment Manager/Advisor:	Helpful but not required. Employers may offer a range of investment options within the 401(k) plan. Investment managers or advisors help select and manage these options, including mutual funds, stocks, bonds, and other investment vehicles.
Plan Fiduciaries:	These are individuals or entities responsible for managing and overseeing the plan in the best interests of participants. This can include the employer, trustees, and others with decision-making authority like your investment advisors.

ANNUAL FEE COMPARISON

Plan Provider	Company 1	Company 2	Company 3
Record Keeper Fee			
TPA Fee			
Participant Fee			
Advisory Fee (paid by participants)			
Other			
Total			

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OUR PROCESS:

1. **Identify Your Needs:** We start by understanding your business's specific needs and goals for the 401(k) plan. We consider factors like the number of employees, the desired level of employer contributions (if any), and the investment options you want to offer.
2. **Gather Proposals:** We reach out to several 401(k) plan providers or third-party administrators (TPAs) and request detailed proposals. We ask for a breakdown of all fees and expenses associated with the plan.
3. **Understand Fee Structures:** Different providers may have various fee structures. Common fees include:
 - Setup Fees: One-time fees for establishing the plan.
 - Annual Administration Fees: Ongoing charges for plan administration.
 - Asset Management Fees: Fees associated with managing the plan's investments.
 - Custodial Fees: Charges for holding and safeguarding plan assets.
 - Transaction Fees: Costs for specific plan transactions, like loans or distributions.
 - Recordkeeping Fees: Charges for maintaining participant records and providing statements.
 - Compliance and Testing Fees: Fees for regulatory compliance testing and reporting.
 - Consulting or Advisory Fees: Costs for investment advisory services.
 - Per-Participant Fees: Charges based on the number of plan participants.
4. **Compare Total Costs:** We calculate the total cost of each provider over several years. Don't just focus on the initial setup costs; consider ongoing annual expenses over a 3 to 5-year period.
5. **Evaluate Investment Options:** We consider the quality and cost of the investment options offered within the plan. Actively managed funds are evaluated for performance and expenses. Lower-cost index funds and passive investment options can help reduce overall costs.
6. **Assess Service Quality:** Along with costs, we assess the quality of the services provided. We look for a provider that offers robust participant education, user-friendly technology, and responsive customer support.
7. **Review Additional Services:** Some providers may offer additional services, like financial wellness programs or retirement planning tools, which can add value for both you and your employees.
8. **Consider Employee Fees:** Understand any fees that might be passed on to employees, such as account maintenance fees or transaction fees.
9. **Ask About Fee Transparency:** We ensure that the provider is transparent about their fees and can provide a clear explanation of how they are calculated.
10. **Check for Hidden Costs:** We pay attention to any potential hidden costs or revenue-sharing arrangements that could affect the overall expense of the plan.