Is Your 401(k) Plan Maximized?

When was the last time you reviewed your company's 401(k) plan? Making sure your plan is maximized for performance can make a huge difference in plan participants' retirement savings. But how do you know if your plan is maximized?

Use this checklist to identify opportunities to improve your plan.

Plan characteristics that impact **participant retirement savings**:

- ☐ **Does your plan have above average employee participation rates?**
  A lower participation rate can indicate a disconnect between employee needs and plan features or a lack of one-on-one plan advisor support.

- ☐ **Does your plan have a profit sharing feature?**
  Adding a Profit Sharing provision to the 401(k) plan allows the business owner to contribute up to $64,500 per year, compared to only $26,000 with a 401(k) plan.

- ☐ **Does your plan have a higher rate of return vs the industry category average?**
  Rate of return pertains to how the money is being invested to deliver the investment performance appropriate for the level of risk. Lower rates of return can indicate a problem with the investments in your fund line up.

- ☐ **Does your plan have low loans as a % of assets?**
  Dipping into a 401(k) plan is generally a bad idea because repayment of the loan costs more than the original contributions. Funds borrowed were contributed to the 401(k) on a pre-tax basis. But participants pay themselves back for the loan with after-tax money.

- ☐ **Does your plan have above average participant deferral rates?**
  A lower deferral rate can indicate a disconnect between employee needs and plan features or a lack of one-on-one plan advisor support.

- ☐ **Have no corrective distributions been made to HCEs?**
  A corrective distribution means that your plan has failed testing, and tax-deferred money that Highly Compensated Employees (HCEs) set aside for retirement has to be returned to them.

- ☐ **Does your plan have a qualified default investment alternative (QDIA)?**
  Offering a QDIA relieves plan sponsors of fiduciary liabilities related to investment losses and it provides plan participants the ability to automatically invest in assets that can lead to future growth.

- ☐ **Does your plan have a self-directed brokerage account (SDBA) option?**
  A self-directed brokerage account (SDBA) is an investment option designed to allow participants to select investments outside of the core retirement offering while staying within the plan and receiving the associated tax benefits.

Plan characteristics that impact **risk**:

- ☐ **Does your plan have a low number of prior employees?**
  A plan with a high number of prior employees increases plan costs, increases employer fiduciary liabilities and increases the likelihood of an annual audit if a plan has more than 100 participants.

- ☐ **Is your plan 404(c) compliant?**
  Section 404(c) of the Employee Retirement Income Security Act (ERISA) provides a safe harbor for plan fiduciaries related to the investment actions of participants when followed in its entirety.

- ☐ **Does your plan have fully participant directed accounts?**
  The U.S. Department of Labor has established rules about plans that permit participants to direct their own investments. The law excuses plan sponsors from the fiduciary responsibility for the consequences of participants' investment decisions if participants exercise independent control in making their investment choices.

Plan characteristics that impact **plan cost effectiveness:**

- ☐ **If your plan has a profit sharing feature, is it cost efficient?**
  The type of Profit Sharing Plan a company chooses has a significant impact on costs. It is important to compare the different types of profit sharing to help determine which might be the most cost effective for your business.

- ☐ **Do your service providers commit in writing that they do not participate in revenue sharing?**
  Unfortunately, many providers participate in revenue sharing, which makes 401(k) costs all the more confusing and complex — not to mention expensive. Many service providers pad their profits using these tactics, which really only benefit them—not you. Fisher can help you determine if your providers are revenue sharing by conducting a free fee analysis.

- ☐ **Are your plan fees reasonable for services provided?**
  A plan sponsor is legally obligated to ensure plan fees are reasonable for the services provided. Benchmarking plan fees and services is a common way to determine if your fees are reasonable.