

The UGLY TRUTH

About Managing Your Company's 401(k):

3 Costly Threats & 2 Untapped Opportunities



Your company's 401(k) is a lot like a kitchen you last remodeled 10 years ago. You live in it every day, so you don't realize that it's now out of date. But, when you step back from the day-to-day and get a fresh perspective, you realize it needs a lot of work.

Most companies set up a 401(k) and never revisit it. But, if you were to step back and take a hard look at it, you'd realize there are some ugly truths as well as valuable opportunities you could be overlooking.

What you might not see right now are the hidden risks that could come up in an audit. Like electrical that's no longer "up to current building code" or the compromises your contractor made last time.

This guide is designed to help you find costly problems, identify hidden risks, and open you and your employees up to some valuable opportunities in your retirement plan.

Questions you and your team might be asking include:

- *What is the value being provided for your all-in investment in this plan?*
- *Are you receiving the service you expect from the plan adviser?*
- *Do you have any potential compliance issues that haven't been addressed?*
- *Are the employees educated on how to use it?*
- *When was the last time you reviewed the plan or spoke to your plan adviser?*

If these struck a nerve, keep reading...



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THREAT #1:

HIGH COSTS

Because you're invested in the human capital of the company, you want to arrange a valuable benefit for all who work there. But are you paying too much for your company's plan? In addition to the cost to administer it, there may be other hidden fees that aren't immediately apparent. When you add up all of the plan's expenses, are you (and your employees) receiving the value you expected?

Questions to ask about your company's 401(k) plan costs:

- *Do you know all of the fees associated with the plan?*
- *Are you aware of the investment fees on the plan options?*
- *Have you benchmarked these costs with other companies in your industry?*
- *Does your plan adviser discuss your plan's fees with you on a regular basis?*



THREAT #2:

COMPLIANCE

As you're aware, 401(k) plans are subject to tighter rules and regulations than some other corporate benefits under the 1974 ERISA Act of the Department of Labor (DOL).¹ A major responsibility of the 401(k) plan is to ensure that it doesn't disproportionately reward highly compensated employees. As a result, the plan must either go through annual nondiscrimination tests or employ a safe harbor provision.

It also needs a fiduciary that makes plan decisions, which might be the investment manager, plan sponsor, third-party administrator (TPA), or financial institution.

Not only does the DOL have enforcement powers over the plan, the IRS may impose penalties if those administering the plan abuse their interest in it.² The laws for retirement plans can change rapidly, and your 401(k) plan must still follow them.

The cost of noncompliance with all the rules and regulations can be extremely expensive, not to mention damaging to the company's reputation. Your TPA handles all the administrative tasks, but your company is responsible for ensuring the TPA is doing its job properly.

Questions to ask about your company's 401(k) plan compliance:

- *Are you being transparent in communication with employees?*
- *Is your TPA proactively staying in touch with you concerning your plan?*
- *What were the results of your last nondiscrimination tests?*
- *Are you at risk for compliance problems with the DOL or the IRS (or other agency)?*
- *Does your plan adviser keep you up to date with any regulatory changes or proposals being discussed?*



THREAT #3:

EMPLOYEE PERCEPTION

Retirement plan benefits are key to your efforts to attract and retain talented employees. Is your current plan doing its job?

It's unlikely that an employee will leave just because they don't like the investment options or the cost they bear to enroll in the plan. However, a benefit that employees don't feel is truly beneficial won't help you retain or attract top talent.

There are financial institutions and TPAs that can provide a value-packed program that is attractive both to your bottom line and to your potential and current employees. There's no reason to maintain a plan with suboptimal offerings when better options are available.

A retirement plan that offers the perks that good employees want plus a strong incentive to contribute will help you keep the talent you hire. A worthwhile retirement benefit shows your workers that they're valued.

Questions to ask about your company's 401(k) plan satisfaction:

- *What percentage of your employees take advantage of their 401(k) benefit?*
- *Does your staff have a good experience when dealing with the investment company and/or TPA?*
- *Do you provide a matching contribution, and how does that compare to other companies in your industry?*
- *Does your plan adviser provide employee advice or additional services, and, if so, what is the cost?*



OPPORTUNITY #1:

BETTER VALUE FOR YOUR 401(k) BENEFIT

Just as a high-quality remodel can increase the value of your home, a 401(k) plan can also provide your company with advantages over others when done right. One important factor is finding a plan that offers a range of investment options at competitive fees.

With a solid menu of investments, your firm can demonstrate its compliance with standards as well as its dedication to your employees.

The investments need to be suitable for anyone in your organization, whether they're young and starting at entry level, middle-aged, or near retirement. That usually requires a range of options without expensive fees that drive up the costs of investing. If the menu provided by your current 401(k) plan contains too many high-cost options, you may be doing a disservice to your employees.

Questions to ask about your company's 401(k) plan investments:

- *What are the employee costs to invest in the plan?*
- *What types of investment strategies are offered?*
- *Who can your employees ask for help when choosing investments?*
- *Does your plan adviser regularly guide your staff on how they can best take advantage of the plan?*



OPPORTUNITY #2:

EXCELLENT SERVICE & SIMPLICITY

While the plans themselves can be quite complex, having a financial adviser on your plan can assist you in maximizing this employee benefit. The adviser can act as a bridge between your company, employees, and third parties such as the TPA your firm uses.

When your employees receive 401(k) education and advice, more of them will avail themselves of the benefit. This assists in nondiscrimination compliance testing so that the plan isn't tilted toward executives or other highly compensated employees.³

Finding someone who has experience in various types of plans as well as with the rules and regulations gives you additional oversight, especially when it comes to compliance.

An adviser can analyze your costs and help you benchmark different aspects of the plan with those of other companies your size and in your field. They stay up-to-date on possible changes that are coming and communicate those to you and your employees.

Questions to ask about your company's 401(k) plan adviser:

- *Does your adviser contact you regularly regarding updates in the industry?*
- *Do you have a set schedule for reviewing your plan with the adviser?*
- *How often do you hear from your adviser?*
- *Does your adviser understand compliance issues and spot other issues that may be on the horizon?*



TAP INTO THE OPPORTUNITIES INSIDE YOUR COMPANY'S 401(k) & MITIGATE POTENTIAL THREATS

You're granting a valuable benefit to everyone in your company by providing them with a 401(k) retirement plan. To stay competitive, you also want to ensure your employees use the plan and have a positive perception of it.

Now's the time to peel back the wallpaper on your plan to see what kind of shape the structure is in.

Maximizing employee retention and attraction, offering supportive services to help them reach their financial goals, and working to reduce overall plan costs are critical to getting the most out of your investment.

Compliance issues can also be costly if your "contractors" in the forms of TPA, adviser, and investment firm aren't properly doing their jobs.

Having an authority on 401(k) plans review yours can help satisfy your compliance needs.

Would you like to consult with a retirement plan professional on whether you're really getting the proper value for your investment in terms of time and money? Contact us to get a second opinion on your 401(k) today.

We can help you determine whether you're paying too much for the service you're receiving, and if there's a better way to educate your employees and promote the use of the plan.

Right now, you're ahead of the competition because you're thinking about the value of your 401(k) and determining if you're maximizing the benefit for both your company and your employees. You're in a good position to explore your plan more closely, even down to the studs.

It all starts with the next step, which is to book your call with us to get a second opinion on your 401(k) with no cost or obligation. Schedule now by sending an email or giving us a call so we can move forward with your plan analysis.

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Sources:

- 1 <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/faqs/retirement-plans-and-erisa-for-workers.pdf>
- 2 [https://help.zenefits.com/401\(k\)/Managing_a_Company_401\(k\)_and_Risk_and_Compliance/](https://help.zenefits.com/401(k)/Managing_a_Company_401(k)_and_Risk_and_Compliance/)
- 3 <https://hrdailyadviser.blr.com/2018/08/02/getting-employees-sign-401k/>

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