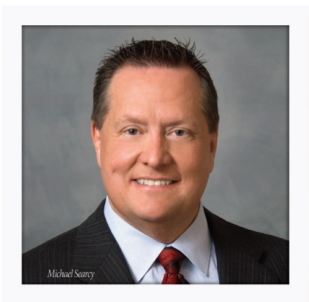


Is Your 401(k) Plan Broken?

By Michael J. Searcy and Jessica A. Maldonado



RECENTLY, I WAS IN A SOCIAL SETTING WHERE I WAS ASKED WHAT I DO FOR A LIVING.

Desiring to keep my answer short, I said, “I fix 401(k) plans.” Interestingly, I was then asked how someone would know when a plan is broken, and that’s when it hit me! Most plan sponsors really don’t know when their plan is broken. With that in mind, the purpose of this article is to help plan sponsors by giving them a guide. Not so much a guide on how to fix the problems, but more importantly, on how to find out if your plan is broken and how to recognize if you have problems.

Here are some questions to consider as a plan sponsor:

Are you making proper investment choices available to participants?

Start by developing a risk checklist for plan participants. Each participant will make different choices based upon their investment needs and the investment selections you make available to them. Poor investment options can set them up for failure. If the plan sponsor is not properly managing the plan, not selecting appropriate investment choices for participants use or not putting the best interests of participants ahead of their own, they are not meeting their responsibilities.

Do you have a benchmark for investments, fees and services?

The full spectrum of plan performance and investments, total costs for management and services provided by your third party vendor are all areas to check against industry benchmarks.

Do you suffer from excessive fees?

Excessive fees can eat away at a 401(k) plan. The Employee Retirement Income Security Act states that you must account for all fees paid by the plan. This includes performing due diligence on all aspects of the administration of your plan and a review of the service provided for fees paid.

Are you addressing the eight key issues required of a successful plan?

1. Documenting Plan Goals and Objectives
2. Developing a Statement of Investment Policy
3. Monitoring Plan Assets
4. Documenting Fiduciary Standards of Care
5. Selecting and Monitoring Service Providers
6. Understanding Plan Expenses
7. Understanding Participant Communication Guidelines
8. Staying Informed of Changes That Affect Your Plan

Many plan sponsors are exhausted with the complexity of their 401(k) plans. They may be meeting the minimum legal standards, especially if they have delegated this responsibility to a third-party administrator (TPA); but, they may not be meeting the published fiduciary standards. So, ask yourself this question: “Is my plan broken?” If you’re not sure, maybe it’s time for a check-up!



The published fiduciary standards along with a self-assessment questionnaire are available at www.fi360.com.

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