



Spring Cleaning for Employers

Is it time to sweep out that cumbersome and expensive retirement plan?

By Michael Searcy and Jessica Maldonado

Over 30 Million Americans do not have access to a quality retirement plan. Another 40 Million have plans that are mediocre or worse. Since most people will not be able to afford retirement living on Social Security benefits and personal savings alone, this translates to nearly half of Americans having little hope in retiring with dignity. Sweeping the problem under a rug certainly won't solve the long-term dilemmas we're facing. Perhaps it's time to clean up this mess!

Small companies often find offering a retirement plan for their employees a costly proposition. First of all, traditional plans offered through insurance companies and mutual fund companies are expensive for small employers and their participants. Second, running a quality plan is typically burdensome for an already overwhelmed small business owner and their staff. Add to that the complexities of rules and regulations, the fiduciary obligations, and the administrative burden, and many small companies opt not to offer a retirement plan.

For companies offering a 401(k) or 403(b) plan, many decision makers are opting out of running their own retirement plans. Instead, they are choosing to join a plan that is run by retirement plan professionals who aren't associated with conventional retirement platforms provided by insurance companies or mutual funds. Employers can enjoy all of the benefits of a professionally run retirement plan without all of the headaches of a traditional plan. Robust features like automatic enrollment and an optional Cash Balance plan can help employers encourage and create an even greater retirement benefit for their employees. Under certain Multiple Employer Plan models, there are no more responsibilities for hiring and monitoring recordkeepers, third party administrators and money managers, there's no need to keep up-to-date with regulatory changes, and there's no more tax filing or annual reporting to do.

So, why isn't this solution widely publicized? Let's take a look. The third party administrator would not have a place in such a plan because there is no need for valuations and filing of the Form 5500. Because the named fiduciary on

the plan selects the Recordkeeper, there is no reason for another Recordkeeper to make this information available. An ERISA attorney would have less opportunity to provide service if there is no fiduciary liability or responsibility other than making sure the census data is correct and the plan contributions are submitted in a timely fashion. A financial advisor or stock broker will likely not have an incentive to propose the use of such a plan because the plan runs efficiently and lean, paying substantially less revenue to the advisor than in a traditional plan. It stands to reason that few people have an interest in telling employers about this alternative. It's simple, easy to understand, and affordable, cutting out layers of expenses and administrative complexity.

For employers without a retirement plan, now is a wonderful time to consider offering such a benefit. With a Multiple Employer Plan it is easier and more cost efficient to do so because you are able to leverage the size of the plan to make it affordable.

Maybe it's time to consider a retirement plan makeover. Most employers pull together plan documents, census data, and other information for the previous plan year at least once per year. If you have not taken a good look at how the plan is running, perhaps it's time to do so. Consider expenses (direct and indirect), administrative costs in terms of time and effort as well as hard dollars paid, participation rates and whether or not participants are saving enough to be able to retire with dignity someday. If your plan isn't working how you intended or if you're simply looking for a way to enhance your retirement plan offering, you may find that the Multiple Employer Plan concept will work better for you, not only in dollar savings, but also allowing you to organize, de-clutter and simplify your life. ☺

Michael Searcy and Jessica Maldonado are Accredited Investment Fiduciary Analyst® designees with Searcy Financial Services, Inc., an Independent SEC Registered Investment Advisor, ERISA 3(38) investment manager and fiduciary to retirement plans, including the Multiple Employer Plan described in this article. For more information call (913) 814.3800 or visit SearcyFinancial.com.