THE ROSENBAUM LAW FIRM P.C.

THE LAW FIRM REVIEW

A Publication for Plan Sponsors and Retirement Plan Professionals

New Year's Resolutions For 401(k) Plan Sponsors.

Get off on the right foot for 2019.

A New Year's resolution is a tradition in which a person resolves to change and undesired trait or behavior to either improve their life or to accomplish a personal goal. Gym memberships, cleaning supplies, and organizational tools probably have large sale increases in January. The problem with most resolutions is that people quickly give up on them. For plan sponsors, they should have New Year's resolutions to improve their plan because they are fiduciaries by being responsible for the retirement plan assets over their employees. This article is about New Year's resolutions that plan sponsors should make and keep alleviating some of the potential liability they face as plan fiduciaries.

For the article, click [here].

Problems That Plan Sponsors Might Not Even Know About.

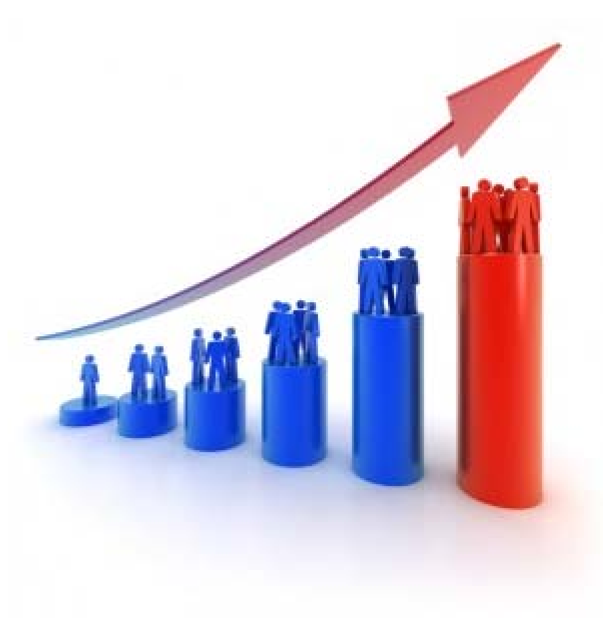
There are times when they have no idea.

I knew a family member who would never go to the doctor for preventative care. She always reasoned that if she went to a doctor, that meant she was sick. That meant that her goal was avoiding the doctor at all costs, it was circular reasoning. It's silly that someone would avoid going to the doctor because many illnesses and diseases don't show symptoms for a while. I've known people who died way too early because they didn't seek out medical attention until it was too late. How many people get the flu because they didn't take the flu shot because they're insistent it gives them the flu? While not on the same level as life or death, plan sponsors act that way about their retirement plan. They only seek guidance and help after the errors have happened because they have a false sense of security about their plan because their current providers tell them it's OK. So this article is about the many hidden problems that plan sponsors may discover about their plans after the errors have gone untreated for quite some time just because they didn't seek the preventative care a plan review would have taken care of.

To read the article, please click here.

A Plan Sponsor Can Increase 401(k) Participation Without Costing Much $$$.

Doesn't have to cost much.

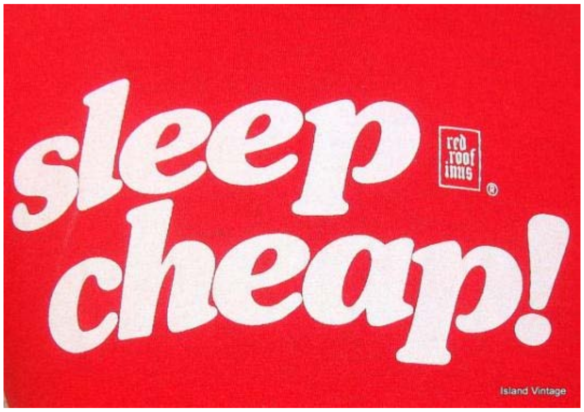


No matter the organization you're involved with, getting increased participation is always a big issue. Increased participation by current or new members is a goal whether it's a trade, religious, or fraternal organization. I was heavily involved in my former Synagogue and increased participation was always a big thing for me as I was in charge of membership related services. Getting more people involved is always a good thing. When it comes to participation in a 401(k) plan, plan sponsors have to a little more than having events that a trade or religious organization may host. Getting participants involved can be difficult, but it doesn't have to be costly. There are quite a few tools out there to increase plan participation that doesn't have to cost plan sponsors much money in terms of contributions and plan expenses.

To read this article, please click here.

Picking a TPA just on price is one of the biggest mistakes you can make.

It's the worst mistake you can make with your retirement plan.



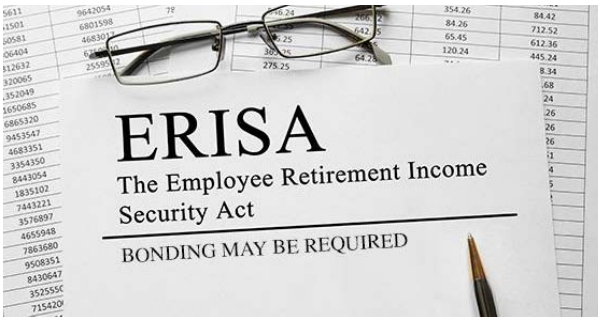
Many years ago, I started the idea of creating a law firm that intended to be the Wal-Mart of legal service where I would do wills for $100 and tax returns for $150. The business miserably failed because the fact is that most people wouldn't pick a lawyer just on price.

Yet, many 401(k) plan sponsors pick the third party administrator (TPA) that is the cheapest and that is the only reason why. Selecting plan providers has to be a prudent process and picking a TPA just because they're the cheapest is like picking a financial advisor just because they're your cousin. A process for selecting plan providers has to be prudent, rational, and fair. There are so many factors to consider when hiring a TPA such as technology, competence, plan design expertise, cost, and service that just picking a TPA based on cost is irrational. There are a lot of good TPAs that don't charge much, but they offer a competent level of service. Yet, there are those that are no frills when it comes to cost and service.

There is nothing wrong with picking a TPA that is cheap, it's just like with high-cost providers, the costs have to be reasonable for the services provided. There has to be something else out there for hiring a TPA other than they're cheap. Otherwise, you may have violated your fiduciary duty when things go south with this TPA, especially when that level of service causes a lot of administrative headaches.

Review that ERISA bond, because it might not be one.

It may just be a crime policy instead.



All ERISA plans need an ERISA bond that protects the plan from thefts of plan assets by plan fiduciaries.

ERISA requires that every fiduciary of an employee benefit plan and every person who handles plan assets be bonded.

A plan official must be bonded for at least 10% of the amount of funds he or she handles. In most instances, the maximum bond amount that can be required under ERISA with respect to any one-plan official is $500,000 per plan. However, higher limits can be purchased. The maximum required bond amount is $1,000,000 for plan officials of plans that hold employer securities.
The problem here is that having a bond is a question on Form 5500 and if a plan sponsor doesn't have one and acknowledges it, they are likely to get contacted by the Department of Labor for an audit. The other problem is that there are too many plans out there who think they have an ERISA bond but don't have one.

An insurance policy that protects the plan sponsor from theft isn't an ERISA bond, it's a theft policy. An ERISA bond has to reference plan fiduciaries and ERISA plans. So a plan sponsor needs to review their bond to make sure it is an ERISA bond and if it's not, they should get one.

Join me in St. Pete for a unique plan sponsor event, $35 for 401(k) info and an event you won't forget.

Friday, March 8, St. Petersburg, Florida, Tropicana Field.

This March, I will hosr the first That 401(k) Plan Sponsor Forum, which is geared towards plan sponsors. It will be similar to That 401(k) Conference, which is my event for 401(k) financial advisors. For $35, you get 4 hours of content to help you as a plan sponsor, lunch, and a meet and greet with a former baseball great (TBA).

As a plan provider, it's a great event to sponsor and interact with plan sponsors by either speaking through a presenting sponsorship or as a supporting sponsor.

Registration information can be found here.

Sponorship information for both St. Pete events can be found here.

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