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How Plan Providers Get It Right



The major reason that I started my practice is that every position I ever had as an ERISA attorney was with a third-party administration (TPA) firm or law firm that was poorly managed and just didn't understand how to properly run a business. I met a few former colleagues from a TPA I worked at Syosset that eventually closed up and we would laugh and retell stories about the craziness of the people running it. However, there are so many retirement plan providers that do get it and do simple things that are amazing, that let them stand out among the competition. These are the things that these providers get right.

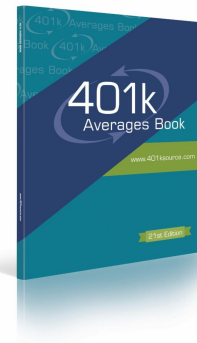
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401(k) Averages Show More Fee Compression

Since 2012 with fee disclosure regulations, we have seen 401(k) fee compression and the latest 401(k) Averages Book shows that it's continuing.

Among the key findings in the newest edition of the 401(k) Averages Book:

- Large 401(k) plan fees: Fees for larger plans with an average range of 1,000 participants and \$50 million in assets declined from 0.90% to 0.88% in 2021. It was 0.95% in 2017.
- Small 401(k) plan fees: Fees for plans with an average range of 100 participants and \$5 million in assets declined from 1.20% to 1.19%. In 2017, it was 1.25%. Note the huge difference in fees as compared to larger plans.



Selling Betamax in a VHS World



A plan provider once asked me if I had written a full-blown article on why trustee directed 401(k) plans are better than participant-directed plans. I haven't even if I believed in it (which I do), but it's not going to get many eyeballs because everyone has been programmed over the last 20 plus years to offer participant-directed plans.

Trustee directed plans are better than participant-directed plans for a variety of reasons and the number one reason is that trustees are better equipped to make investment decisions than participants, almost all of the time. While trustee directed plans are better, it reminds me of how Betamax was a better VCR than VHS. It didn't

matter because the public dictated that VHS was the better format for a variety of reasons (multiple manufacturers made VHS while only Sony made Beta and Betamax tape was only 60 minutes originally). To be successful in this business, you need to understand what the client wants. Don't think multiple employer plans if the public wants pooled employer plans or vice versa. You need to be flexible to make it and stubbornness doesn't help anyone.

DOL issues caution on private equity investments

The Department of Labor (DOL) has cautioned plan fiduciaries about private equity investments as components of investment options, such as target-date or balanced funds.

The statement however doesn't withdraw DOL's 2020 guidance detailing factors plan fiduciaries to consider when evaluating a professionally managed asset allocation fund with a private equity component as a potential investment option.



The original 2020 information letter concluded that plan fiduciaries wouldn't necessarily violate their ERISA duties by selecting an investment option with a private equity component after objectively considering the factors identified by DOL. Since then, the DOL grew concerned that plan fiduciaries could expose participants to "unwarranted risks" by misinterpreting the information letter as support for using private equity investments with investment options.

The DOL has further explained that the original letter was intended primarily for defined contribution plan fiduciaries that also oversee defined benefit plans and already have experience evaluating private equity investments for those plans.

We're all shaped by our experiences, but we need to overcome



I'm terrible with compliments. It's probably because as a kid, I didn't get many and I was always wary that any comment I'd make would get a negative comment back. Somehow saying how I was getting better at Intellivision Auto Racing would get some potshot about my schoolwork.

As people, we are all a work in progress, and we are all shaped by our experiences, both good and bad.

What we can't afford is to allow those negative experiences to bind us and hurt us in developing relationships with plan providers and clients. We can't blame our past and live it, we need to do better in the present and future.



Miami is in 2 weeks.

On Friday, June 24, 2022, we will have a live event at loanDepot Park in Miami.

The sign up page for registration is [here](#).

We will have game tickets that night as the Miami Marlins take on the New York Mets.

For information on sponsorship, which starts as little as \$500, please click [here](#).



Seattle registration for September is open.

Seattle has been booked for September 9th. The event will emanate from T-Mobile Park, home of the Seattle Mariners.

For 401(k) advisors, it's the most fun for just \$100. Meet and greet with a mariners great, lunch, stadium tour, and 5 hours of content from great 401(k) plan providers.

Sign up for the event can be found [here](#).

We will have game tickets that night as the Seattle Mariners take on the Atlanta Braves.

For information on sponsorship, which starts as little as \$500, please click [here](#).

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