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# What to expect from your 401(k) advisor

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# Agenda

- Relationship expectations
- Retirement plan strategy development
- Plan design consulting
- Plan performance reporting
- Vendor evaluation assistance
- Fiduciary education
- Employee communication coordination
- Value-adds

# Expectations should be set

The advisor should:

- Define the relationship
- Establish clear and reasonable expectations
- Quarterback the retirement plan “team”
- Set the plan up for success



# Who comprises the plan “team”?

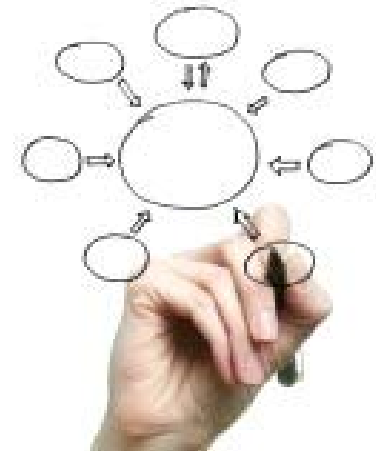
- Employer/plan sponsor
- ERISA attorney
- Plan administrator
- Third party administrator
- Trustee/custodian
- Investment manager
- Insurance company/mutual fund partner
- Financial advisor
- Accountant



# Development of a retirement plan strategy

Work together to develop an overall retirement plan strategy

- Specific goals are critical
- Include goals for the plan sponsor and participants
- Assign roles and responsibilities to the plan's team members



# Overall retirement plan strategy

- Plan design
- Investment performance
- Increased plan participation
- Cost saving strategies
- Efficient and effective administration
- Fiduciary education and liability protection tools
- Plan sponsor and participant education

# Plan design consulting

An advisor may provide information and insights on:

- Matching contribution formulas
- Safe harbor 401(k) plans
- Permitted disparity/social security integration
- Cross-tested/new comparability allocations
- Qualification and eligibility issues
- M&A situations



# Plan design considerations

- Who will benefit under the plan?
- How much can the owner contribute for his/her own retirement?
- What is the organization's cost objectives?



**Not all Plans Are  
Created Equally**

# Designing an investment policy statement (IPS)

- Plan sponsors should consider adopting an IPS
- The IPS should be in writing to reduce misunderstandings
- It becomes part of the plan document so **MUST** be followed
- Helps to minimize fiduciary liability

# Ongoing plan performance reports

An advisor should

- Discuss whether funds still reflect the objectives in IPS
- Review the plan funds for style drift
- Offer fund performance information at least annually, if not quarterly



# Ongoing investment reviews

An advisor should

- Provide quarterly plan performance reports
- Discuss investments utilized by the plan
- Compare these to benchmarks
- Identify investment option alternatives for consideration that meet objective criteria in the IPS, if requested

# Benchmarking assistance

- An advisor should provide
  - Benchmarking reports
  - Investment performance
  - Service provider fee comparisons



# Ongoing plan reviews

- The advisor may schedule an annual plan review with the plan sponsor
- The discussion could include what is working and what is not with respect to
  - Participation levels
  - Deferral percentages
  - Participant loans
  - Non-discrimination testing
  - Enrollment
  - Communication strategies

# Plan review - automatic enrollment



91%\* participation rate  
among new employees  
who are automatically  
enrolled in a plan

\* Automatic enrollment: the power of default, Vanguard Research (Jan. 2015)

# Plan review - automatic escalation

- Force participants to take affirmative action to opt out of increases
- Increases should maximize employer matching contribution





# Plan review - participant loans



- Average participant loan is 12% of the account balance
- 18% of all eligible participants have an outstanding loan

# Vendor evaluation

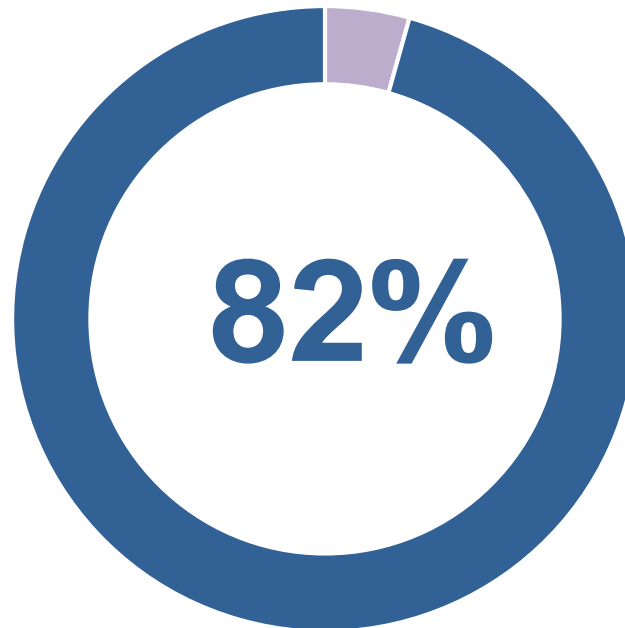
The advisor may provide

- Perspective on services and costs of plan recordkeepers, trustees or custodians
- Vendor comparisons and guidance as to what services are critical or simply a value-add
- RFPs, RFIs



# Impact of fee litigation and fee disclosure?

**Plans that renegotiated their fees since 2013**



# Compliance assistance

- Is the plan document up to date?
- Have all participants received SPDs or SMMs?
- Have contributions been timely remitted?
- Have required annual notices been timely sent?
  - Participant fee disclosure
  - 404(c) notices
  - QDIA notices
  - Safe harbor notices

COMPLIANCE

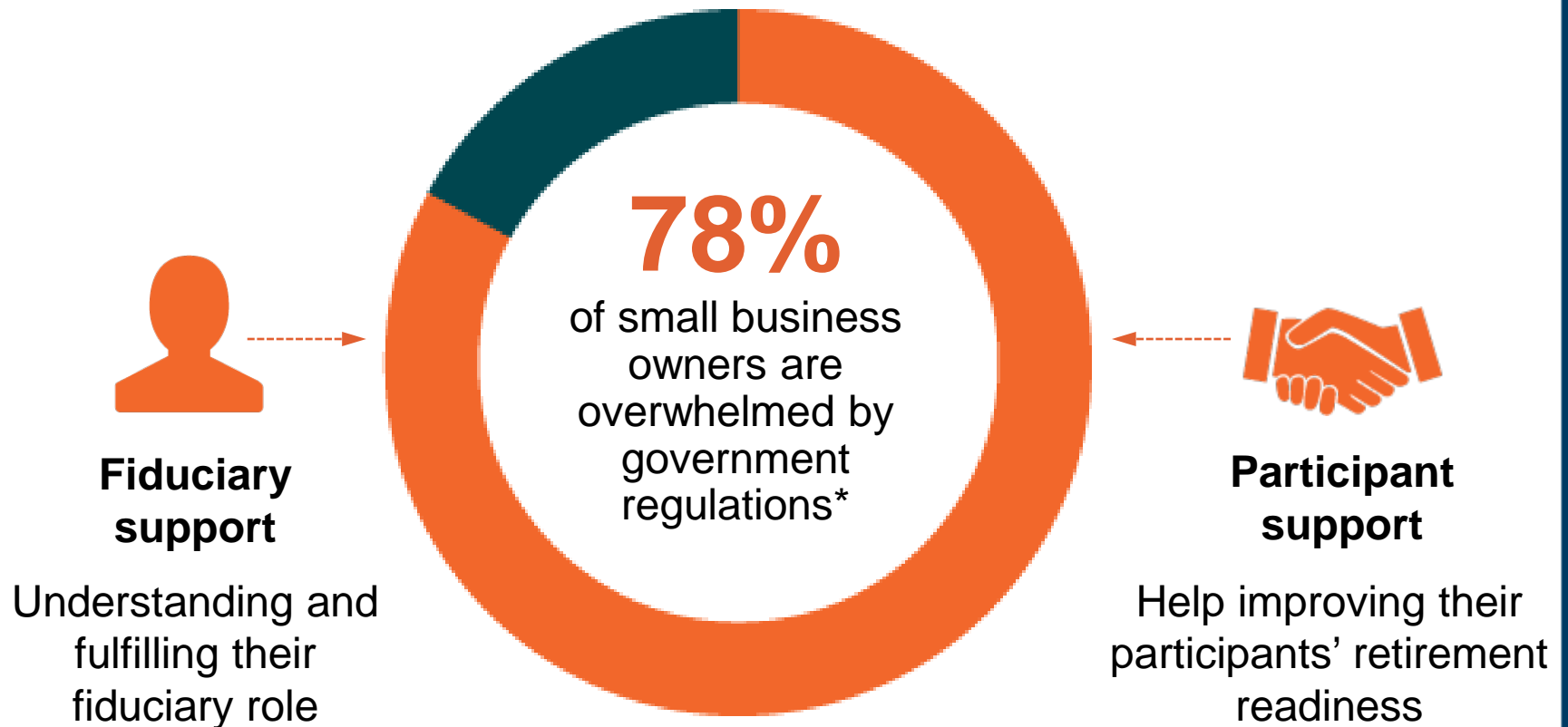


# Fiduciary education

- Who is a fiduciary?
- What duties can be delegated?
- Consequences of violations?



# Fiduciary education



\* Nationwide Small Business Owner Study (August 2016)

# Ongoing legislative and regulatory updates

- New and pending legislation
- Department of Labor action
- IRS action

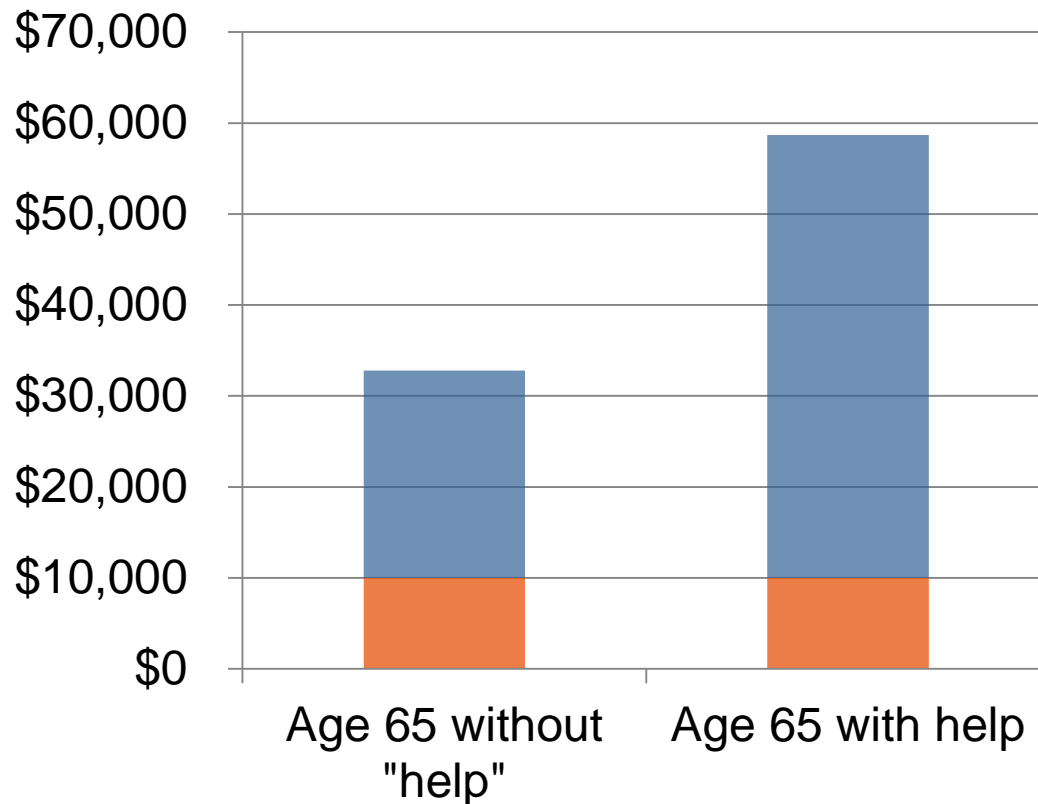


# Employee communications and education management

- The advisor may coordinate enrollment meetings
- Provide ongoing investment education for participants around plan options
  - Plan distribution alternatives
  - Retirement cash flow analysis
  - Retiree investment asset allocation



# Participant education – providing investment “help”



79% more wealth with “Help”

- Growth
- Initial investment

“help” = target date funds, managed accounts, and online advice

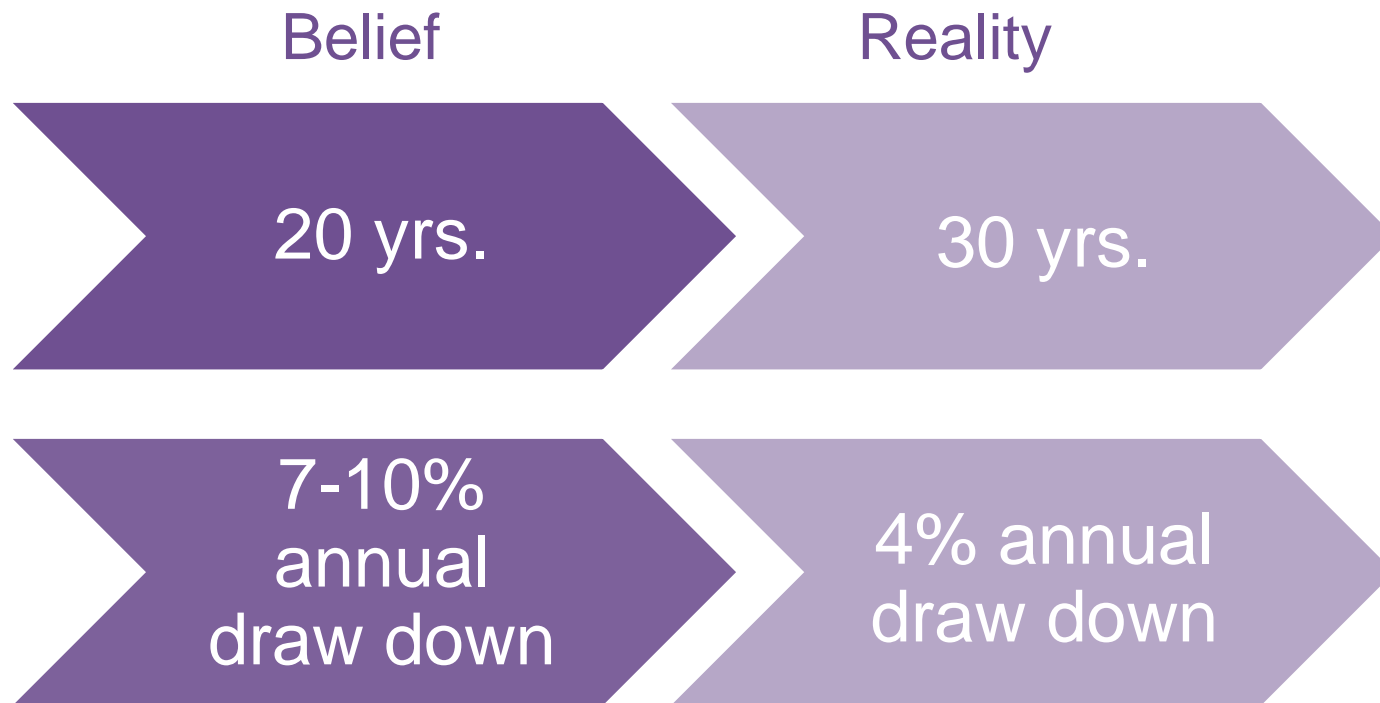
# Participant investment education - retirement income concerns

Approximately 10,000  
baby boomers are now  
retiring every day\*

\* Social Security Administration

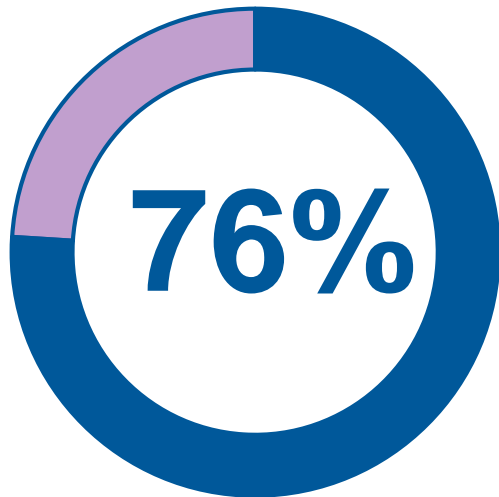
# Participant education - retirement income concerns

Participants lack knowledge of life expectancy and sustainable withdrawal rates

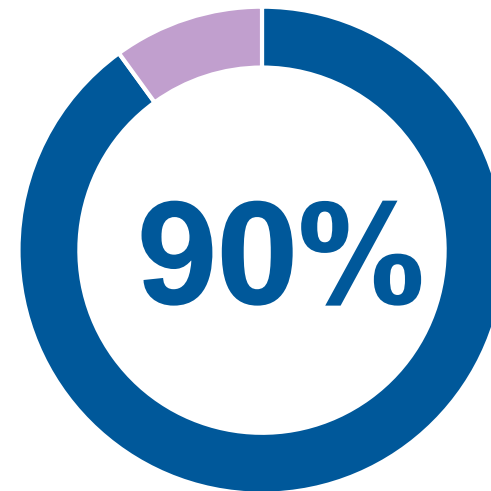


# Value-added information – ex. responsible investing

Investors who want  
competitive returns while  
promoting positive  
social outcomes



Millennial investors who  
want competitive returns  
while promoting positive  
social outcomes



# Bottom line - your go-to retirement plan resource

The advisor should

- Serve as the primary contact
- Trouble shoot
- Coordinate plan actors



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