THE ROSENBAUM LAW FIRM P.C.

THE LAW FIRM REVIEW

A Publication for Plan Sponsors and Retirement Plan Professionals

401(k) Plan Sponsors Maybe Cutting Their Nose To Spite Their Face.

It's an absolute mistake.

I once worked for a man who was the type of person who wouldn't have minded to have lost $5 to save $3. I was at a Synagogue where the fundraising chairperson would only always organize events at the very last minute and never wondered why we never netted as much needed funds as we should have. I once worked at a law firm where the marketing department was busy working on articles written by the firm's administrator that would draw no business. So needless to say, I don't like when people cut their nose to spite their face or people who just don't see the bigger picture. So this article is about how employers can avoid cutting their nose to spite their face when it comes to retirement plans.

For the article, click here.

Dear 401(k) Plan Sponsor, These Are Things You Might Not Be Aware Of .

You need to know..

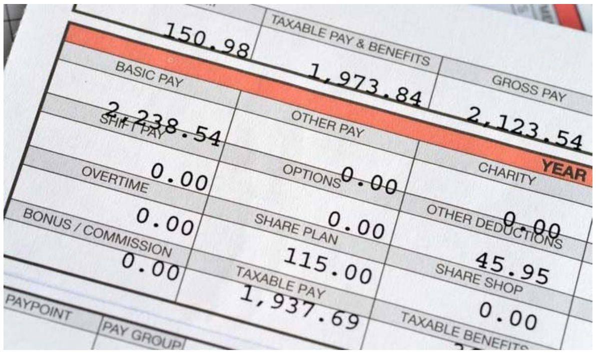
Being a 401(k) plan sponsor is an incredible responsibility and the problem is that you may not even know it. Unlike other benefits, you have a greater responsibility in running your 401(k) plan. No one in government is going to come after you because you forgot to buy the K-Cups at Costco. Yet, there are mistakes running your 401(k) plan that may get you in a lot of trouble. There are also facets of 401(k) plan that maybe counter intuitive to what you think they should be. So this article is about spelling out some issues that you might not be aware of.

To read the article, please click here.

Having A Payroll Provider As Your 401(k) TPA

Is An Awful Idea.

My annual diatribe.



I've been an ERISA attorney for over 20 years and the one opinion I've had for that long is that having a payroll provider to serve as a 401(k) third-party administrator (TPA) is an absolutely bad idea. I say this as an ERISA attorney who derives a lot of business to fixing compliance plans for 401(k) plans that just fired one of the two largest payroll providers as their TPA.

To read this article, please click [here](#).

Don't buy what you don't need.

Otherwise, you're wasting money.

For many years, my wife didn't want to join Costco because she thought that overshopping was genetic on my side when she remembers my parent's Costco. My wife was concerned I would buy stuff we didn't need. Long story short, we re-joined and I don't buy stuff we don't need.

As a plan sponsor, there are retirement plan providers who will sell you stuff that you don't need. There are a lot of great services out there that might not be even a good fit because you're already doing that. For example, if you have a great handle on your plan, you may not need an ERISA 3(16) or ERISA 3(38) fiduciary. These are great services, but they do cost money and are a waste if they're not needed.

For every service or bell and whistle that a retirement plan provider is trying to sell you, it's important to understand what they're proposed to give you, what the costs are, and most importantly, is it really necessary? Often times, you'll find out that it isn't. Don't buy for your plan what you don't need.

Fiduciary Liability Insurance and Plan Reviews are worth it .

In the long run, it certainly is.

The warranty in the electronics business is gravy for the retailers who sell it. You'll be surprised how many people pay $20 to get a warranty on a $100 Blu-Ray player. When Best Buy was going national, they advertised how they wouldn't sell warranties and then realized that they couldn't turn down all that free money.

A warranty is like insurance, so you should only insure those things that have a high-cost replacement. You insure your health, your life, your house, your car, and some appliances worth insuring.

This isn't another diatribe about the fiduciary warranty that insurance companies gave away for free even though their main business is insuring risk for a fee.

This about plan sponsors who don't insure their risk by buying fiduciary liability insurance or buying a plan service that could review their plan expenses and/or their plan document/administration.

Fiduciary liability insurance helps protect plan sponsors who find themselves also appearing as defendants in a plan lawsuit filed by an aggrieved plan participant in a town near you. I had clients sued in a class action lawsuit where the insurance company paid $900,000 for a $1 million legal fee (there was a $100,000 deductible) and this plan sponsor won their case.

So many plan sponsors don't want to pay for a plan review that can help them identify plan issues they wouldn't ordinarily find unless they were converting to a new provider. I have a plan review called the Retirement Plan Tune-Up for $750 and I can probably count on one hand how many I do a year. When I talk to plan sponsors and advisors, they seem interested but they treat a plan review like a trip to the dentist: something that they will avoid until it's too late.

Spending some shekels on a fiduciary liability policy and a plan review is certainly well worth it to avoid greater harm later.

Check out That 401(k) Site.

The place for 401(k) news plus more.

Please check out that401ksite.com, the website for 401(k) news, tips, and information beyond 401(k) plans.

That site has the latest 401(k) news, self help topics for 401(k) plan providers and plan sponsors, as well as articles on pop culture and business history.

It's also the place to be for information on all things That 401(k) Conference and That 401(k) National Conference.

To quote Frank Costanza from Seinfeld, "it's the place to be."

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