THE ROSENBAUM LAW FIRM P.C.

THE LAW FIRM REVIEW

A Publication for Plan Sponsors and Retirement Plan Professionals

Why an Employer Should Sponsor A 401(k) Plan.

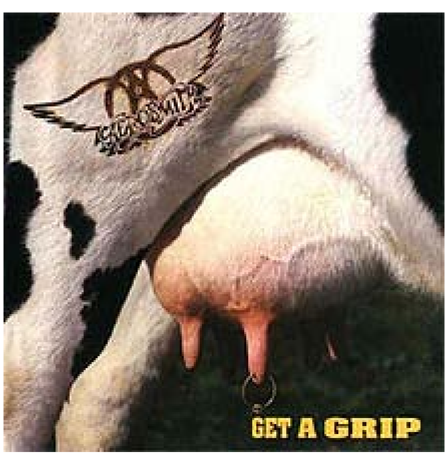
Lots of good reasons.

As an employer, a big reason for setting up a retirement plan is because it's an employee benefit and it can be used to recruit and retain top-level employees. Unlike health insurance, the costs of running a retirement plan don't increase at least 20% annually. As far as what retirement plan you should be setting up, I think the best option out there is the 401(k) plan. I'm sure you've read so many articles on how bad 401(k) plans are, but 401(k) plans are only bad if they are run badly. To steal a line from 16-time World Champion wrestler Ric Flair, as far as 401(k) plans go: "Whether you like it, or you don't like it, learn to love it! It's the best thing going today!" When it comes to retirement plans, the 401(k) plan is your best option and this article will tell you why.

For the article, click here.

It's Time For 401(k) Plan Sponsors To Get A Grip.

Good housekeeping goes a long way.



As an ERISA attorney with a national retirement plan practice, I often feel like a flight attendant giving the safety discussion on a commercial airplane. When I talk about retirement plans and fiduciary liability, I think half the audience of plan sponsors tunes me out. Like the safety discussion on an airplane, those instructions are important to know before something goes wrong. This article is about how plan sponsors need to get a grip and a handle on their 401(k) plan.

To read the article, please click here.

How a 401(k) Plan Sponsor Minimize Their Liability In 8 Easy Steps.

It's not so hard and you can never forget.

Sponsoring and operating a 401(k) plan isn't easy. A plan sponsor can't just set up the plan and forget it. They need to constantly be on the watch because of the liability exposure they have as a plan sponsor. When plan sponsors are told about their duties in operating the plan, they zone out. So here is a breakdown of what plan sponsors need to know in order to curb their potential liability as a 401(k) plan sponsor. They can minimize their liability by just following these 8 easy steps.

To read the article, please click here.

Being a plan sponsor is all about the process.

It's not about a result.

Imagine a diet where it doesn't matter how much weight you lost. Imagine a golf game that wasn't about your score. Imagine about a job and not how much money you make. Being a plan sponsor isn't about a specific result, it's all about a process. So it really isn't about how much money that your participants make in their plan account balance, it's all about how fulfilled your end of the process in running a retirement plan.

The process is about fulfilling your role as a plan fiduciary in a prudent manner. That means hiring good plan providers, reviewing their work, and making sure that participants get enough information to make sound investment decisions. It sounds easier than it is, but it's better to break down what you need to do in a language that you can understand. I don't need to speak ERISAese to justify my fee, I need you to understand that as a plan sponsor that everything you do is about doing your part of the process as a plan fiduciary in a diligent manner, you're not aiming to be the best 401(k) plan on the planet. What your plan participants' rate of return doesn't really mean anything as long as you did your job as a plan sponsor in a prudent manner. That's it, that's all you need to do.

While it sounds easy, the process is like being on a diet, it means being committed to it and taking it day by day. There is no shortcut to being a responsible plan fiduciary. There is no guarantee that you won't get sued, but it will guarantee the likelihood that the case won't go very far.

Ask the TPA about their administrators' training .

You need to know their experience.

If I want to get a new doctor or an attorney, I certainly want to know their background. Same with a financial advisor, I don't want the next Bernie Madoff. When you hire a professional, you want to know their credentials.

So it's often surprising that when a plan sponsor hires a third party administration (TPA), they rarely check the credentials of the plan administrator in charge of their plan. Sure, many plan sponsors learn about the TPA through a referral or research, but they never check the credentials of the individual administrator.

Why bother? Simple, since the bulk of the work is usually done by this administrator; you want to make sure you are being handled by someone with the credentials and experience to do the job right.

I often find that the difference between a good TPA and a bad one is the experience of the administrators they have as well as training. Good TPAs tend to have the most experienced administrators with credentials from ASPAA with training for them to achieve that level. Bad TPAs have administrators with little or no experience, as well as limited training and oversight. I remember moving a law firm from one TPA to another. The administrator at what we call the bad TPA had the administrator butcher a top-heavy test, namely the administrator failed to label partners of the firm and their spouses as key employees. This administrator had 15 years of experience, but clearly with no oversight to check her testing. The good TPA (which was less expensive by 30% because they actually used revenue sharing to reduce administrative expenses) had an administrator who discovered this error upon conversion. This administrator had all the credentials from ASPAA as well as 28 years experience and she once owned her TPA. This TPA had compliance specialists to assist this administrator with the testing, so there clearly was a check and balance to ensure correct results.

The difference between a good and bad administrator isn't years of experience, its training and oversight. Just one thing most plan sponsors don't ask of the TPA and I think they should.

that401ksite.com: 401(k) news and then some 24/7.

That401kSite.com.

that401ksite.com is online with daily updates with retirement plan news, news for plan sponsors, plan providers, and stuff that has absolutely nothing to do with 401(k) plans.

We also have tons of articles for both plan sponsors and plan providers from not only yours truly, but other plan providers from around the country.

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