

Common 401(k) Problems and How to Fix Them

How to navigate common problems with your 401(k) plan

What we'll cover

1. 401(k) Scorecard
2. Common 401(k) Problems
3. How to fix them

Download your free 401(k) Scorecard



[Preview a sample report](#) ↓

GET YOUR FREE PERSONALIZED 401(K) SCORECARD

Find out how your business's 401(k) stacks up against industry peers by requesting your free personalized 401(k) scorecard.

State

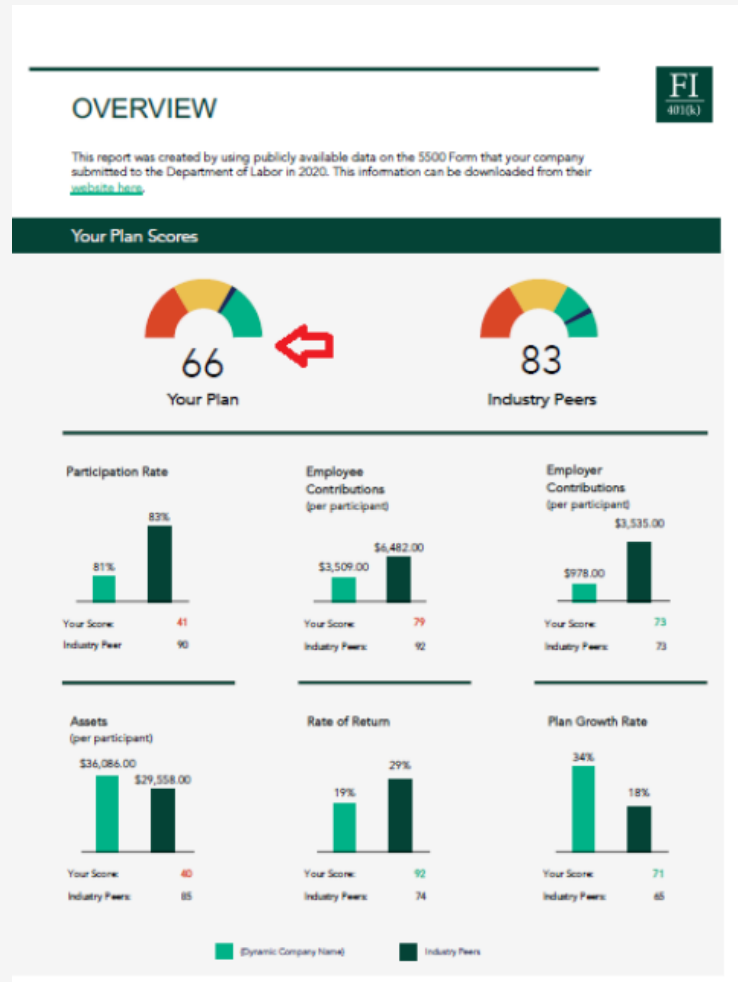


Company Name

[Get my free 401\(k\) scorecard](#)

401(k) Scorecard: How does your plan stack up?

[Download your free personalized 401\(k\) Scorecard](#) to see how your plan compares to industry peers.



Scorecard includes:

1. Your overall plan score
2. Performance on key plan metrics vs industry peers:

- Participation Rate
- Contribution Rate
- Assets per Participant
- Rate of Return

401(k) Plan Checklist

[Download your free 401\(k\) Plan Checklist](#) to review opportunities to improve your plan.


FISHER INVESTMENTS*
401(k) SOLUTIONS

401(k) PLAN CHECKLIST

Is Your 401(k) Plan Maximized?

When was the last time you reviewed your company's 401(k) plan? Making sure your plan is maximized for performance can make a huge difference in plan participants' retirement savings. But how do you know if your plan is maximized?

Use this checklist to identify opportunities to improve your plan.



Plan characteristics that impact participant retirement savings:

- Does your plan have above average employee participation rates?**
A lower participation rate can indicate a disconnect between employee needs and plan features or a lack of one-on-one plan advisor support.
- Does your plan have a profit sharing feature?**
Adding a Profit Sharing provision to the 401(k) plan allows the business owner to contribute up to \$64,500 per year, compared to only \$26,000 with a 401(k) plan.
- Does your plan have a higher rate of return vs the industry category average?**
Rate of return pertains to how the money is being invested to deliver the investment performance appropriate for the level of risk. Lower rates of return can indicate a problem with the investments in your fund line up.
- Does your plan have low loans as a % of assets?**
Dipping into a 401(k) plan is generally a bad idea because repayment of the loan costs more than the original contributions. Funds borrowed were contributed to the 401(k) on a pre-tax basis. But participants pay themselves back for the loan with after-tax money.
- Does your plan have above average participant deferral rates?**
A lower deferral rate can indicate a disconnect between employee needs and plan features or a lack of one-on-one plan advisor support.
- Have no corrective distributions been made to HCEs?**
A corrective distribution means that your plan has failed testing, and tax-deferred money that Highly Compensated Employees (HCEs) set aside for retirement has to be returned to them.
- Does your plan have a qualified default investment alternative (QDIA)?**
Offering a QDIA relieves plan sponsors of fiduciary liabilities related to investment losses and it provides plan participants the ability to automatically invest in assets that can lead to future growth.
- Does your plan have a self-directed brokerage account (SDBA) option?**
A self-directed brokerage account (SDBA) is an investment option designed to allow participants to select investments outside of the core retirement offering while staying within the plan and receiving the associated tax benefits.

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1. Poor Plan Health Metrics

Does your plan have lower participation and contribution rates?

Industry Average Plan
Participation Rate:

~60%

Industry Average Plan
Contribution Rate:

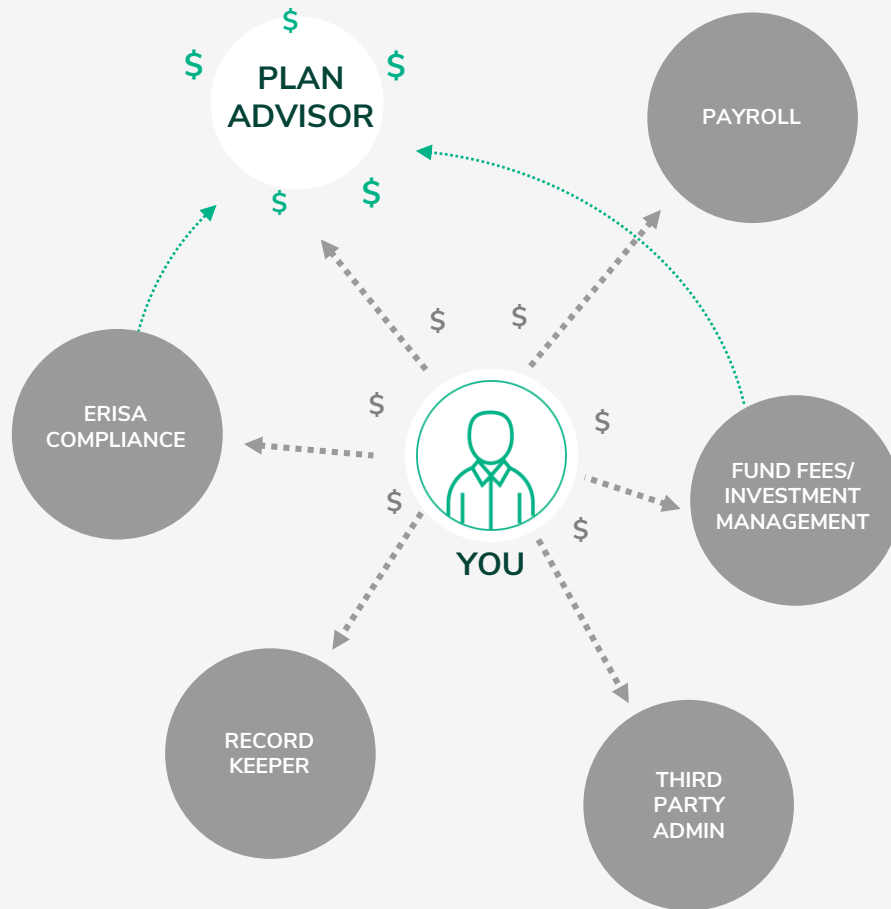
~7.1%

Why This Matters	<ul style="list-style-type: none">• Can prevent high earners from contributing• Prohibits owners from getting their full tax deduction• Employees aren't on track to retire
How to Fix It	<ul style="list-style-type: none">• The right plan design• Proactive employee education provided by a proactive plan advisor

2. Complex Fee Structure

Does your Plan Advisor participate in revenue sharing?

Providers who revenue share create a complicated system with many conflicts of interest.



Why this matters:

Sponsor can't tell if fees are reasonable if they don't understand who gets paid and how much.

How to fix it:

- Use providers who don't revenue share or have conflicts of interest
- Benchmark your plan
- Change to a fee only plan advisor

3. Employees Go to HR or Recordkeeper for Plan Help

Do your employees go to HR or the Recordkeeper for help?



Employees

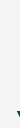


HR

Recordkeeper



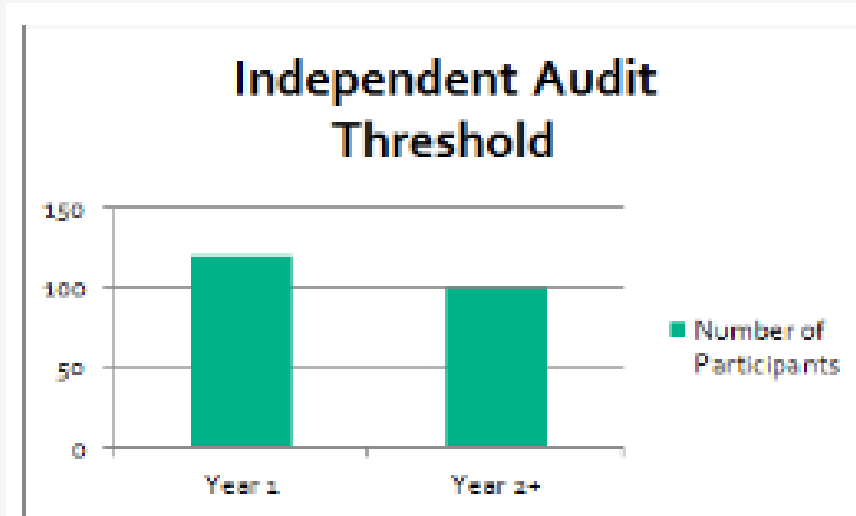
Employees



Plan Advisor

Why This Matters	<ul style="list-style-type: none">• Takes up HR time• RK often isn't equipped to help with many employee questions• You may already be paying for this
How to Fix It	<ul style="list-style-type: none">• Single point-of-contact plan advisor• Proactive plan advisor to help employees

4. Former Employees with a Plan Balance



Does your plan have many former employees with a balance?

Once a plan has 120 or more participants, ERISA requires independent audits annually.

This requirement remains in effect as long as the plan has 100 or more participants in subsequent years.

Why This Matters

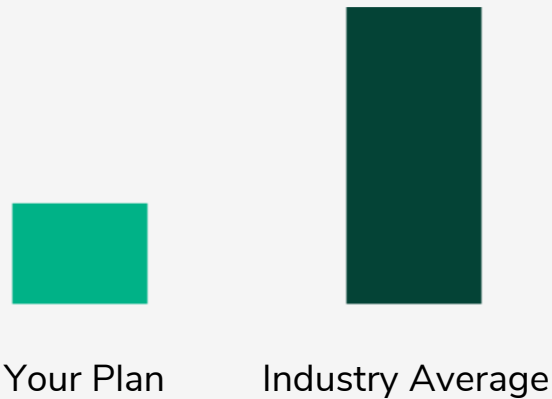
- Can cause unnecessary audit (~\$10k/yr)
- Admin burden to the plan
- Must pay TPA and RK cost

How to Fix It

- Plan Advisor to help manage former employees with a balance

5. Lower rate of return

Rate of Return



Does your plan have a lower rate of return vs the industry average?

Rate of return pertains to how the money is being invested to deliver the investment performance appropriate for the level of risk.

Lower rates of return can indicate a problem with the investments in your fund lineup.

Why This Matters	<ul style="list-style-type: none">• Lower investment performance can have a huge impact on retirement savings
How to Fix It	<ul style="list-style-type: none">• Request an investment analysis from Fisher to identify opportunities to improve your fund lineup

Questions?

Contact us with your questions at
info401k@fisher401k.com