Fisher Investments®

401(k) Solutions

The 401(k) Plan Manager's Guide to Behavioral Finance and Investment Evaluation

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When you have to make a big purchase, like a new car, you have to juggle many factors while evaluating your options: How do you know what kind of car is right for you? What's your budget, and how do you make the most of it? And can you trust the car salesman at your local dealership, or is it better to shop around online yourself?

For employers managing a 401(k) plan, many of these same considerations must be made when evaluating mutual funds and deciding upon a plan's fund lineup (the mutual funds available to employees to invest in within the plan). But trade out a car's engine specifications or color choices for complicated mutual fund fact sheets about standard deviations and Sharpe ratios, and the whole process can quickly become overwhelming. When faced with such information overload, the human brain relies upon a number of "cognitive biases," to make decisions. Some of these can be helpful in day-to-day life, but in the world of finance, any shortcut means important information goes unseen.

When it comes to mutual fund evaluation, there are five biases that make it difficult for employers and advisers alike to get a complete picture of each option, or to compare mutual funds in a logical manner. What are these biases? What role do they play in an employer's decision making process? How can employers and their advisers get around the biases to find the best mutual funds for their retirement plans? Learn about how you can anticipate and overcome these cognitive biases to make strong decisions for the good of your plan—and your employees.

People fail to see their own lack of skill in a certain area—and that extends to the people they trust.

The Dunning-Kruger Effect*is a cognitive bias in which inexperienced people mistakenly think they are more skilled at something than they truly are. Imagine learning to swim for the first time. When you first begin to tread water and stay afloat without the help of a lifejacket, it's an exhilarating feeling. That feeling might make someone feel like they could swim anywhere, but that doesn't mean they're ready to go free-diving in the ocean. It takes more experience and practice than a new swimmer might comprehend to get from the basics to expert-level technique, so it makes sense that they might overestimate their own skill in the water. In other words, they don't know what they don't know about swimming, so it's difficult to rate their own level of skill.

Sometimes, this effect is at play when an employer decides to evaluate mutual funds themselves, but very often, business owners are fully capable of appreciating their own lack of experience when it comes to investment analysis. This is why business owners generally hire advisers to help with this task. But even when the Dunning-Kruger Effect doesn't impact an employer's view of their own abilities, it can shade their perception of their advisers' qualifications. In these cases, employers aren't necessarily misreading their own investment analysis skills; they're misreading their ability to select a skilled adviser. After all, these professionals are biased too, and require their own regimented evaluation criteria to help them understand their own biases. The ability to judge an adviser's qualifications is in and of itself a skill that can be influenced by the Dunning-Kruger Effect. This is another example of the importance of objective measures when evaluating the performance of your adviser.

*Kruger, J., & Dunning, D. (1999). Unskilled and unaware of it: How difficulties in recognizing ones own incompetence lead to inflated self-assessments. Journal of Personality and Social Psychology, 77(6), 1121-1134. doi:10.1037//0022-3514.77.6.1121

Ask your adviser about the following to get a clear sense of their qualifications to perform investment analysis:

- **Expertise:** First and foremost, has your adviser spent much of their professional career evaluating investments like mutual funds? Ask how long your adviser has performed investment analysis, and how many 401(k) clients they've served.
- **Data:** Do they have access to sufficient data to evaluate a wide variety of mutual fund options? Most 401(k) providers use investment platforms with upwards of 15,000 funds available, with complete documentation on each fund. Your adviser should have access to a similar volume of funds.
- **Analytical Tools:** Of course, these large investment platforms contain far too much information for any one person to be able to parse efficiently. Ask if your adviser uses any analytical tools to help them focus on important details and better compare mutual funds. There are many available, and an experienced investment professional should be familiar with and use at least two. We'll talk about two of these later on in this paper.
- **Process and Documentation:** When your adviser begins researching mutual funds to include in your retirement plan, will they be starting from scratch, or using a documented process for every investment analysis? A proven process is a sign of experience, and can give you confidence that your adviser understands exactly what this job entails.

In a global study of investors, 87% of respondents claimed to have an average or above-average level of investing knowledge, but only 37% were able to actually explain what investment management entails.

Remember, the Dunning-Kruger effect can impact anyone, including your adviser. In a global study of investors, 87% of respondents claimed to have an average or above-average level of investing knowledge, but only 37% were able to actually explain what investment management entails.* By understanding your adviser's qualifications and process, you're working to get around Dunning-Kruger's effect on you—and also on your adviser. This will help you proceed with confidence in your chosen professional help.

* Robbins, C. (2016, September 22). Around The World, Investors Seem To Think They Know It All. Retrieved September 13, 2017, from http://www.fa-mag.com/news/around-the-world--investors-seem-to-think-they-know-it-all-29122.html

People focus too strongly on one factor when making a decision, ignoring other important pieces of information.

When an individual has too much information to process when comparing two or more options, they tend to focus on one aspect as a mental shortcut. In psychology, this is called **The Focusing Effect**,* and it's something we all do fairly often. In the world of investing, it's pretty common for people to evaluate funds by focusing on just one aspect of it, like the last one, three, or five years of performance, and using that information alone as an indicator of future performance.

Here's the problem with this method: S&P Dow Jones Indices† shows that not only is this not a good way to evaluate funds, it's actually a very bad way to do it.

Don't Choose Funds Solely Based on Past Performance

How long does a fund stay in the top quartile of all funds based on performance alone?

		Percentage Remaining in Top Quartile			
Mutual Fund Category	**Count Top Quartile Funds** (As of Sept. 2012)	**September 2013**	**September 2014**	**September 2015**	**September 2016**
All Domestic Funds	660	40.61%	3.48%	0.30%	0.00%
Large-Cap Funds	246	33.33%	10.57%	0.81%	0.81%
Mid-Cap Funds	95	43.16%	16.84%	3.16%	0.00%
Small-Cap Funds	151	39.07%	9.93%	1.32%	0.00%
Multi-Cap Funds	168	29.76%	7.74%	0.00%	0.00%

Source: S&P Dow Jones Indices; Does Past Performance Matter? The Persistence Scorecard; December 2016

DON'T CHOOSE FUNDS SOLELY BASED ON PAST PERFORMANCE. There is plenty of data to indicate that past performance alone cannot predict the future performance of a mutual fund. According to S&P, out of the 660 domestic equity funds that were in the top quartile as of September 2012, only 3.5% managed to stay in the top quartile two years later, less than 1% remained after three years, and 0% by the end of year four. This dynamic largely plays out regardless of the size classification (e.g. Large-Cap Funds, Mid-Cap Funds, etc.) of the mutual funds. †

* Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., & Stone, A. A. (2006, June 30). Would You Be Happier If You Were Richer? A Focusing Illusion. Retrieved September 13, 2017, from http://science.sciencemag.org/content/312/5782/1908

† Soe, A. M., CFA, & Poirier, R. (2016). Https://us.spindices.com/documents/spiva/persistence-scorecard-december-2016.pdf. S&P Dow Jones Indices. Retrieved September 13, 2017, from https://us.spindices.com/documents/spiva/persistence-scorecard-december-2016.pdf

This evidence suggests that it's far better to take a more holistic approach when evaluating mutual funds, so that the Focusing Effect doesn't cause you or your adviser to make a choice based on unreliable data. The Center for Financial Planning and Investments evaluated the FI360 Fiduciary Score,® a system for evaluating funds put together by a third-party analytical tool, and determined that funds which were selected based on factors such as cost and quality in addition to past performance tended to have better performance one, three, and even five years into the future.*

There's nothing wrong with looking at past performance, or even cost, when evaluating a mutual fund. But when one of those qualities is the only thing you and your adviser wind up discussing, it means the Focusing Effect is acting like blinders keeping you from seeing the whole landscape. Think about the many factors that might make a mutual fund right for your fund lineup, and you'll have a much more accurate perspective.

* Phillips, G., Ph. D. (Ed.). (2017). Analysis of fi360 Fiduciary Score®: "Red is STOP, Green is GO". Center for Financial Planning & Investment. Retrieved September 13, 2017, from http://www.fi360.com/uploads/CFPI-Final_Report2017.pdf

People compare sedans to sports cars, then complain about performance.

The metrics you or your adviser use to make one choice for your fund lineup might be very different from the metrics you use to make another choice. The way information is presented to you can have a lot to do with you how you compare options and make decisions. This is referred to as **The Framing Effect,*** and it's something that often motivates people to compare two things in ways that may not be helpful.

For example, let's say you and your adviser are reviewing two different mutual funds to decide which one to include in your 401(k)'s fund lineup. One is a "stock fund," driven by the stock market, while another is a "bond fund," which is driven by investments in debt (such as mortgages or a CD). Here's the problem: These two funds represent completely different types of investments, and should be expected to behave differently and serve different purposes within an investment portfolio. Comparing these funds would be a little like test driving a sports car, then a sedan, and complaining that the sedan doesn't have the same horsepower as the sports car.

Within a mutual fund lineup in a 401(k), there are typically a variety of fund types with different investing styles. Most lineups are made of several **equity funds**, with some **fixed income funds** and **target date funds,** for a total of more than 20 fund options in a lineup.

Each fund plays a different role in the lineup. One fund may have a higher risk and return while another has a lower risk and return, and both may be completely appropriate to include. In fact, it's important that a lineup be diverse, made up of these different types of funds that behave differently. When you or your adviser compare mutual funds in order to build that lineup, it's important to compare options within each of those groups to each other, and not to other types of funds in order to not frame the performance incorrectly.

* Sher, S., & McKenzie, C. (n.d.). Framing Effects. Retrieved September 13, 2017, from http://psy2.ucsd.edu/~mckenzie/SHERMCKENZIEFRAMINGEFFECTSFINAL1.pdf

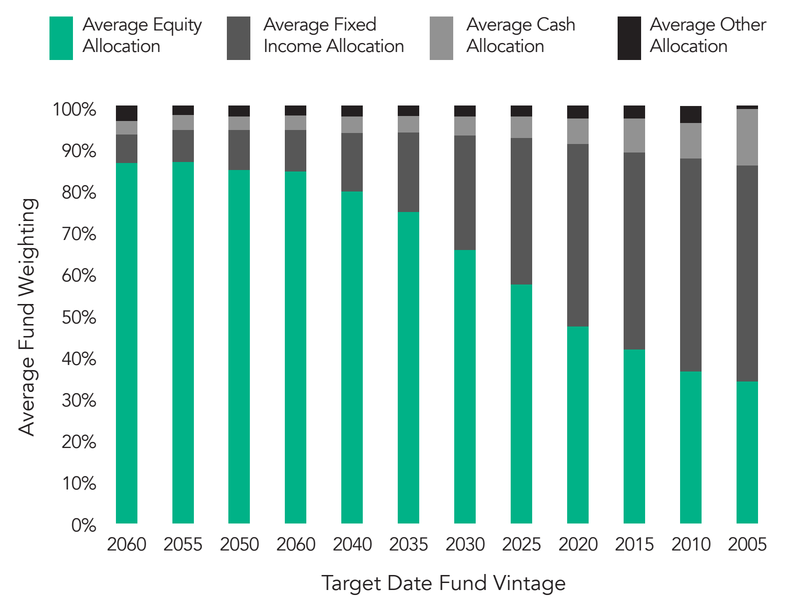
Morningstar U.S. Equity Style Box

	Value	Blend	Growth
Large	1277 Options, $976B AUM	1427 Options, $2,183B AUM	1488 Options, $1,347B AUM
Medium	405 Options, $209B AUM	450 Options, $305B AUM	642 Options, $268B AUM
Small	403 Options, $120B AUM	804 Options, $252B AUM	721 Options, $204B AUM

MORNINGSTAR U.S. EQUITY STYLE BOX. An example of the Morningstar U.S. equity style box, showing investments within a fund grouped together with other investments in that fund of the same style, presented in a nine-square grid.

Source: Morningstar. Retrieved June 9, 2017.

Average Asset Allocation by Target Date Fund Retirement Bonds



AVERAGE ASSET ALLOCATION BY TARGET DATE FUND RETIREMENT BONDS. The nearer a target date fund is to its target date, which is typically the expected retirement date of its investors, the more its asset allocation leans away from equity investments in favor of a larger cash balance and more fixed income investments.

Source: Morningstar. Retrieved June 9, 2017.

Definitions of fund types

Equity funds are mutual funds that are made up of investments in stocks. These are also known as **stock funds**, and are typically represented with Morningstar boxes or the nine-square grid. A fund lineup filling those nine squares will include equity funds of a variety of compositions with a similar investment style and size.

Fixed income funds are mutual funds that are made up of investments in debt, which borrowers pay back at defined intervals. Also known as **bond funds**, they tend to be categorized by things like credit quality (high, medium, or low) or sensitivity to changes in interest rates (limited, moderate, extensive). These funds are represented with a style box specially designed to help investors evaluate fixed income funds against each other.

Target date funds are unique in that they are typically composed of a variety of different types of investments with weights that tend to change over time. Generally speaking, the volatility of these investments decreases the closer one gets to the date specified in the title (which is typically the expected retirement year for its investors).

There are two overlooked features that you or your adviser can also examine when conducting an analysis of mutual fund options within the peer groups listed above:

- **Size:** Different types of mutual funds should be composed of different types of investments. For example, something called a "domestic large cap fund" is supposed to be composed of investments in large, American businesses. When you analyze funds that are described as domestic large cap funds, the investments should mostly meet that description. Otherwise, if you end up comparing mutual funds made up of small, foreign companies to those that should be in a domestic large cap fund, it will be difficult to make an apples-to-apples comparison.
- **Style:** Another way to define a peer group for an equity investment is to look at whether the underlying investments are considered "growth," "value," or a blend of both. "Growth" investments are investments in the stock of companies which exhibit signs of stronger than average growth. "Value" investments are investments in the stock of companies which the investor believes are undervalued in the market, and therefore has a price below some historical norm or has exhibited returns lower than those of its peer group. This designation is important as funds in the same peer group and with similar characteristics should perform similarly. If the funds do not perform similarly, that might indicate that the composition of that fund is off, or that something else is wrong. This is actually a case in which it is absolutely critical to look at historical returns; a fund may perform well compared to its peers not because it's inherently better, but because the style of its underlying investments may happen to be in favor at a particular point in time.

As you and your adviser review mutual funds, always make sure to keep them in the proper context, so that the Framing Effect doesn't lead you to compare characteristics that should not be associated. Ultimately, comparing mutual funds that are similar in size and style is critical as the selected funds form the basis of your retirement plan. In order for diverse investment strategies to work properly, the selected funds should compare well to their peer groups, and be differentiated from the other funds in the lineup. That way, your employees can implement a diversified investment strategy.

People react to loss strongly, and that can make them fear risk.

Myopic Loss Aversion* is a cognitive bias in which people tend to feel losses much more strongly than they feel gains. This cognitive bias plagues many investors, especially those who tend to check in on their investments frequently. As an investor sees losses one after another, they tend to feel those losses strongly (some studies say over two times as much as gains) and they are more likely to make irrational decisions to avoid future losses by making changes to their investments at the wrong time and for the wrong reasons. Of course, there's nothing wrong with a healthy sense of fear when it comes to risk. But when it comes to investing, it's important to have a disciplined, effective way of understanding and accepting risk so your decisions aren't driven by fear alone.

Part of what makes the 401(k) unique is that the money saved is generally ear-marked for retirement, which for the average employee means it's not meant to be used for many years. This gives that money many years to grow, and also many years to overcome market volatility and periods of negative returns, should they arise. It may feel good in the moment to make investment decisions based on short-term volatility (like investing in cash or other lower-risk investments), but that short-term security comes at the expense of larger long-term gains. Remember that investment decisions are a risk and return trade-off, and with lower short-term risk comes lower projected returns, which in turn means less overall portfolio value at the time of retirement.

In other words, when investors take action to avoid short-term risk, they aren't side-stepping risk all together. What they are really doing is transferring the risk to the question of whether or not the overall portfolio value at retirement will be enough to cover expenses throughout the rest of their lives. This notion that someone could outlive their savings is called "longevity risk," and this is often a major source of concern and stress for the typical American living in retirement.

* Thaler, R. H., Tversky, A., Kahneman, D., & Schwartz, A. (1997). The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test. The Quarterly Journal of Economics, 112(2), 647-661. doi:10.1162/003355397555226

In fact, this fear is far more impactful than death itself. Approximately 61% of Americans fear running out of money (i.e. "longevity risk") over dying, according to an Allianz Life Insurance Company of North America survey of 3,200 baby boomers.[1]

This fear is supported by the data; the average 401(k) plan participant aged 65 or older has saved approximately $197,000 in their defined contribution account as of 2016.[2] The general rule of thumb for how much someone can draw from their 401(k) savings annually without running out of money is 4%. Under this scenario, the average retiree can only withdraw $8,000 per year to avoid longevity risk.[3] Even when supplemented by other forms of retirement income like social security, that amount will likely not be enough.

There is no perfect solution to avoid longevity risk, but recognizing there is a trade-off between the uncomfortableness of short-term volatility (as noted by myopic loss aversion) and longevity risk in the longer term will at least prepare investors to make smarter decisions surrounding risk.

When you first work with an adviser to choose your retirement plan's fund lineup, myopic loss aversion might not play a large role. After all, none of the funds have had an opportunity to perform for you yet, so you personally aren't likely to let any potential losses tinge your perspective. But put yourself in the shoes of your employees using those investments months or years down the line. When the market takes a dip—which it surely will at some point—those employees who are watching their investments closely may begin to feel small losses and develop their own aversion to risky investments as a result. That feeling of loss, and the fear of risk that accompanies it, may become a significant motivator as your employees think about their investment strategy. If they come to you complaining or asking for less volatile investments, how can you or your adviser help assuage their fears and help them see the importance of the trade-off between short-term and long-term risk? What if they pull their money out of the plan, leaving the plan with a lot of high-earners contributing, but not a lot of other employees contributing? That type of shift in who is saving into the 401(k) plan can lead to compliance issues and fines.

[1] https://www.allianzlife.com/about/news-and-events/news-releases/Press-Release-June-17-2010
[2] How America Saves Report
[3] http://www.retailinvestor.org/pdf/Bengen1.pdf

The goal of course is not to eliminate risk from investing. That's not possible. Keep in mind that over time, if the market goes down, most funds will go down, too, including "less risky" index funds that are designed to match the index of a given market, like the S&P 500. Rather, your goal as someone overseeing a 401(k) is to work with an adviser and use objective metrics with a sound process for analyzing a mutual fund. That way, investors on your plan can confidently focus on long-term investing strategies rather than reacting to short-term market volatility, which is inevitable.

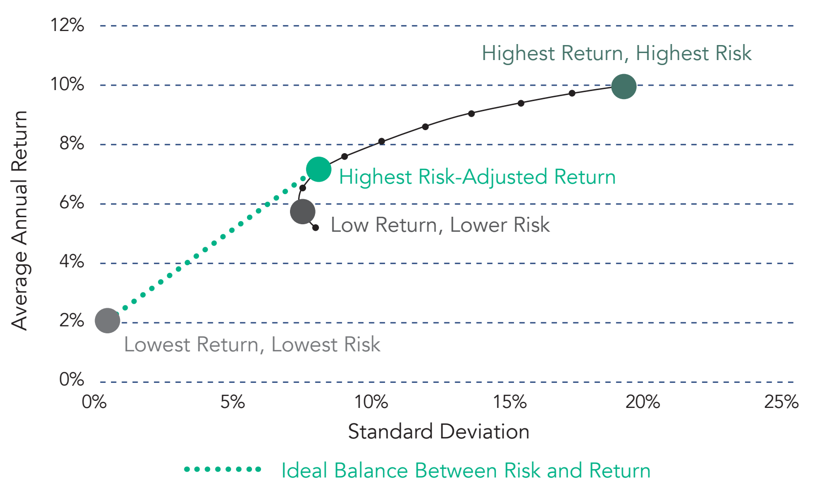
Ask your adviser as you evaluate your options: Do we have any way of measuring the potential reward (or return) of investing in a mutual fund? Is the potential return worth the possibility of the fund going down in value in the future? If questions like this are left for individual employees in your plan to consider as they watch the market fluctuate, it will be difficult for them to find logical answers to those same questions.

There are many different ways to evaluate the risk and return trade-off, but two of the most common and widely accepted are the **Sharpe ratio** and **Alpha**, both of which are based on getting the best balance between risk and return.

Sharpe Ratio*

The Sharpe ratio is an equation that rates a mutual fund using a single number, usually between 0 and 2. The equation starts with the historical returns of a given mutual fund and compares those returns to a proxy for a risk-free investment, such as a short-term U.S. government T-bill (this is a measure of the mutual fund's potential rewards). It then divides that number by the mutual fund's "standard deviation," or how much the fund's returns historically deviate from its average return. If the resulting number is lower than 0, that means that the proxy for the risk-free investment has historically performed better than the fund. The higher the number, the more an investor is compensated for the risk of loss they incur by owning the fund.

Efficient Frontier and the Sharpe Ratio



EFFICIENT FRONTIER AND THE SHARPE RATIO. Note that the ratio between risk and return can look different within different peer groups, so the Sharpe Ratio must be used to evaluate funds within their peer groups, as we discussed in the previous section.

* Sharpe, W. F. (1966). Mutual Fund Performance. The Journal of Business, 39(S1), 119. doi:10.1086/294846

Alpha

Alpha is used for similar purposes as the Sharpe ratio, and aims to calculate the return of an investment above and beyond the expected return. It compares the fluctuation of fund returns relative to the overall market, and shows what an investor could achieve by simply investing in a "risk-free" investment option like a U.S. short-term T-bill. Alpha uses a market index to determine if the fund's returns are outpacing the market. A market index, like the S&P 500 for U.S. equities or the MSCI All Country World Index for global securities, represents the performance of the entire market. Alpha finds the return of a fund above and beyond the return "justified" by that market index and the variability of fund returns relative to that market index (a risk measure called "Beta"). Any Alpha value above 0 would indicate the return of the mutual fund outpaces what we would expect compared to the rest of the market. Like the Sharpe ratio, comparing a mutual fund's Alpha to others in the same peer group with similar characteristics is best.

It's important to keep in mind that each investment decision is essentially a risk and return trade-off. Both the Sharpe Ratio and Alpha metrics can be used to evaluate any one fund, and can also be used to compare funds against each other. Tools to help you apply the metrics are commonly available online. Using these (or similar) metrics will allow you and your adviser to evaluate and later re-evaluate the funds more objectively. In turn, if your employees begin experiencing losses and get skittish about their investments because of Myopic Loss Aversion, you'll know that your adviser can walk them through these measures and help them see the bigger investing picture.

People don't thoroughly evaluate their options, placing too much importance on recent history.

The Availability Heuristic refers to our tendency to weigh recent examples more heavily than examples that are less recent. You may enjoy a dozen meals from a local restaurant, and then your 13th visit may be a negative experience when they were short-staffed. The next time you are trying to decide on a place to eat, that most recent experience will be the freshest in your mind, and is likely to more strongly influence your decision than the 12 positive experiences you had previously.

As with many of these shortcuts, this cognitive bias poses an issue when people take a too-limited look at something very specific about a mutual fund, like its recent performance, to deduce its future potential. If you pull up the information sheet on a particular fund and see that it has performed very well this year, like the negative experience at the restaurant, that most recent example of the fund's performance may weigh too heavily in your consideration. Remember, as the table on Persistence of Top Quartile Performance (pg. 5) demonstrates, focusing just on high-performing funds tends to be a poor way to think about investing.

Consider this: Standard & Poor reports that "funds disappear at a meaningful rate. Over the five-year period ending in 2016, nearly 21% of domestic equity funds, 21% of global international equity funds, and 14% of fixed income funds were merged or liquidated."* If one out of every five funds is liquidated (sold out and shut down) over a five-year period, that means there are a lot of funds out there that aren't very good. For this reason, it's critical to conduct due diligence not just about the funds, their peer groups, and their risk factors, but also about the organization that manages those funds.

* Soe, A. M., CFA, & Poirier, R. (2016). Https://us.spindices.com/documents/spiva/persistence-scorecard-december-2016.pdf. S&P Dow Jones Indices. Retrieved September 13, 2017, from https://us.spindices.com/documents/spiva/persistence-scorecard-december-2016.pdf

Provider Success Ratios

Firm Name	Firm Success Ratio 3-Year	Firm Success Ratio 5-Year	Firm Success Ratio 10-Year
Vanguard	82%	76%	76%
Fidelity Investments	47%	41%	33%
American Funds	46%	49%	45%
T. Rowe Price	81%	80%	85%
Dimensional Fund Advisors	67%	72%	63%
JPMorgan	39%	35%	28%
MFS	41%	34%	39%
Invesco	28%	23%	17%
Jackson National	42%	55%	43%
Columbia	36%	26%	14%
American Century Investments	38%	26%	29%
Janus	46%	36%	24%
TIAA Investments	82%	82%	74%
Dodge & Cox	83%	100%	100%
AXA Equitable	35%	44%	23%
Hartford Mutual Funds	40%	47%	24%
Principal Funds	39%	40%	26%
Schwab Funds	77%	64%	32%
John Hancock	39%	35%	20%

This success ratio measures the percentage of a firm's mutual funds that have survived and whose returns rank in the top half of their respective Morningstar Category on a three-year/five-year/10-year basis.

Source: Morningstar. Retrieved June 9, 2017.

PROVIDER SUCCESS RATIOS. As you can see here, some providers offer a large percentage of funds that remain in the top 50 of their Morningstar category ranking over three, five, or even 10 years. But some firms struggle to maintain top-tier funds over extended periods of time.

There are a couple of steps you and your adviser can take with your due diligence to make sure you're picking a good fund that at least has a chance to stand the test of time. The best and easiest way to access the necessary information is using third-party analytical tools like those we described previously. Once you get access to the information about a given fund, do the following:

- **Look at the organization itself.** Certain investors may prefer one company's family of funds over another, but it's not possible that companies which offer large amounts of funds can guarantee that every fund is good. First research the organization managing the fund and make sure they have a good track record of investing success, then begin your work of comparing the fund to others in its peer group to gauge its quality before adding it to your retirement plan's lineup.
- **Look at the team managing the fund within that organization.** You'll want to evaluate how long the team overseeing your fund (or at least the longest-tenured member of the team) has been managing it. As stated previously, you or your adviser need to evaluate historical returns of a fund as one factor to assess its future and its appropriateness to your lineup. But without the continuity of the management team, the investment skill of the previous managers may be lost and not repeated in the future.
- **Make sure the investments are registered with the government.** Focus on investments that adhere to the rules and regulations established by their respective governing bodies (Securities and Exchange Commission for mutual funds and banking regulators for collective investment trusts) to help ensure they are being managed in-line with industry requirements.

Keep in mind that even this research is not enough to get around the Availability Heuristic. It's critical that your adviser utilizes or provides you with not only information about the organization managing a mutual fund, but also historical performance, risk and return metrics, and other funds in the same peer group for comparison. All of this information will help you to see past any recent spikes or dips in performance, and consider the many factors that might make a mutual fund a good choice for your fund lineup.

What is a Collective Investment Trust?

An investment vehicle that functions like a mutual fund, but it is sponsored by a bank and is only available to qualified retirement plans—like 401(k) plans. They are also referred to as collective investment trusts (CITs) or collective investment funds (CIFs).

People overcome their cognitive biases by understanding them.

The first step to overcoming the cognitive biases that influence our decision-making processes—and those of our advisers—is to understand them. Then, it's possible to find tools and solutions that can help us evaluate our options with logic and sound reasoning. When evaluating mutual funds within a 401(k) plan, the best way to avoid these pitfalls yourself is to make use of a proven tool that can evaluate your investment options and give you a clear, unbiased picture of holistic performance. The same goes for evaluating your adviser—a good investment analyst will have sound processes in place to make sure they themselves aren't falling for these same pitfalls.

About Fisher Investments 401(k) Solutions

Fisher Investments 401(k) Solutions is dedicated to bringing superior retirement plan services to small and mid-sized businesses and their employees. Fisher's unique service offering is built on 40+ years of successful wealth management experience and includes our flexible investing platform. Business owners will experience the benefit of ongoing support from a dedicated Retirement Counselor whose focus is making the management of a 401(k) retirement plan easier, while helping employees plan for a comfortable retirement.

Questions? Call us at 844.238.1247

About the Authors

Nathan Fisher
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Matt Schrader
helps oversee the investment offerings utilized by Fisher Investments 401(k) Solutions clients and is the co-author of Fisher Investments on Industrials. He has worked at Fisher Investments since 2003 in a variety of investment analysis capacities.

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