

## **WHAT TO LOOK FOR IN YOUR 401(K) SERVICE PROVIDER**

401(k) salary deferral plans are the most popular retirement plans today. Nearly every financial service company -- banks, insurance companies, stockbrokers -- offer 401(k) plan services. Some of these companies are even advertising 401(k) plans on television.

You know that a 401(k) plan allows employees to "defer" a part of their pay. The deferred pay is taken out of an employee's check each payday and is placed in the employer's tax-qualified plan. No taxes are due on the deferred pay -- or on the plan's earnings -- until the employee withdraws the funds from the plan.

If your organization is considering a 401(k) plan -- or it has a plan and you are reviewing its performance -- there are several things to consider. Here is a quick checklist.

**First, does the plan you're looking at offer flexibility as to plan design?** Most service providers offer an IRS-approved prototype plan, which can save big money over an individually designed plan. But a prototype plan can be inflexible. Make sure that any prototype plan you adopt is flexible enough to meet your organization's overall needs.

**Second, does the plan offer a broad range of investment options?** Nearly all 401(k) plans allow employees to choose their own investments -- usually, from among several specified alternatives. The service provider you're considering likely offers its own investment options. But what if these investment choices regularly underperform similar investments? You might want to consider hiring a service provider that allows you to use outside investments for at least some of the plan's assets.

**Third, look carefully at the administrative capabilities of the service provider.** Some providers offer terrific investment returns or broad investment flexibility, but are lacking in administrative ability. Remember: From an employer's and an employee's perspective, the administration of a 401(k) plan is one of the most important elements of the plan.

Check around to gauge the provider's reputation for plan administration. Call some local customers of the provider. Ask, for example, if they've received late or incorrect statements. If so, find out how the provider handled the problem. Make sure that any problems were handled quickly and accurately.

**Finally, find out whether the service provider helps you on a continuing basis with employee communication.** Communicating the plan's features and benefits is essential to broad participation. And broad participation is essential to a successful 401(k) plan.

Most service providers will meet with employees when the plan is first set up to help "sell" the plan to them. Often, though, explaining the plan to new employees is left to you. A service provider should be available to come in from time to time and reinforce the plan's value to employees.

Choosing a 401(k) plan and a service provider can be difficult. Let us assist you. We have had years of experience with 401(k) plans, and can help you choose the right plan for your organization.