Key Attribute #3: They Consider the Long-Term Effects of Fees on Their Employees

When it comes to the retirement plan, organizations should be making decisions that put their employees in the best position to gather as much money as possible for retirement.

The more your employees pay in fees coming out of the retirement plan, the less they have accumulating from year to year. You, as a fiduciary, have a duty to do whatever you can to eliminate excess fees. Remember: "A fiduciary shall discharge his duties…solely in the interest of plan participants and beneficiaries." (Source: ERISA § 404(a)(1))

What are some ways you can help get the best deal for your employees?

- **Remove investment revenue sharing or rebate it back to the participant accounts** – the cleaner you make separation of investment expenses and other expenses (recordkeeping/ advisory), the better.
- **Consistently look for the lowest cost share class (i.e. CITs) for the investments you use** – on an annual basis, look at the options you're using and ask the recordkeeper or your advisor if there is a way to save more.
- **Evaluate the fee structure of your plan and document the rationale** – should your fees be paid on a hard-dollar or per-participant basis or should you have an asset-based expense? Going through a fee allocation study every now and then will benefit you and your employees.
- **Consider how much of the fees you want/can pay** – if you can pay all of the fees of running the plan, what's stopping you?

I want to focus on that last point. We've seen a trend in recent years of companies wanting to pay more of the overall fees of the retirement plan. For smaller plans, it may be an easier pill to swallow but for companies that have larger plans that have historically had an asset-based expense, it may seem implausible.

Consider this though: If you were able to limit a fee that is equal to almost 1% being paid by your employees, how much would you save someone with $100,000 in your 401(k) over 10-20 years? Don't forget their contributions and the growth over time.

At the end of the day, your employees are dependent on you to make prudent decisions on their behalf.