

# ANCORA

## ADVISORS

### 401(K) PLAN REVIEWS ON THE RISE

By,  
Peter Mooney  
President, Source Companies, LLC  
September 2015

According to Cogent Wealth Reports, 75% of 401(k) plan sponsors intend to initiate some sort of formal review of plan design and their service providers over the next twelve months. In this interview, we sit down with Peter Mooney, President of Source Companies, Inc., a subsidiary of Ancora Advisors, LLC., for an update on the current 401(k) landscape. Source Companies, Inc. specializes in plan services for retirement.

**Q.** Peter, in your view, what are the two or three major issues facing 401(k) plan sponsors over the next twelve months?

**A.** *I believe that the main issues facing 401(k) plan sponsors are costs, employee education, trustee fiduciary liability and in general determining what the best overall solution is for their particular company and employees given the uniqueness of their business. It is not a one size fits all approach.*

**Q.** What is driving the current increased plan review cycle?

**A.** *I believe that the main reason for the increase in plan review is the increased concern from plan sponsors about fiduciary liability. Solutions in the 401(k) space are changing to provide more information on fees and the true cost to the plan. Fees are under a microscope and plan sponsors need to have their current plans reviewed to ensure that they are providing the most efficient solution for their employees to save money for retirement.*

**Q.** Please describe what the biggest trends in 401(k) plan design are and how the tax laws have impacted plan design.

**A.** *The two biggest trends in 401(k) plan design are automatic enrollment and automatic contribution increases. Both features allow for stronger participation and help employees grow their retirement balances. Utilization of current tax laws plays a key role in plan design. Two opportunities often overlooked are new comparability and cash balance plans.*

**Q.** Describe what an open architecture plan means.

**A.** *Open architecture means there are specialized providers for the different services that make up a retirement plan platform.*

*Many companies offer their employees a bundled 401(k) product from a mutual fund or insurance company, but that particular company may not be the best fit across all of the service elements of the plan. As a result, if the organization is unhappy with any component of its plan, it is forced to physically move the plan's entire asset base and start over with another mutual fund or insurance company because unfortunately it is difficult to break apart the offerings in a bundled plan.*

*Open architecture plans, on the other hand, allow employers to change any of the silos of the plan — the registered investment adviser, the third-party administrator, the record keeper — without having to move the plan assets. Therefore, you can change any of the components of the plan without having to move everything and start over if some element needs to be changed. We believe that open architecture leads to more fee transparency, a higher level of expertise and a better long-term client/participant experience.*

**Q.** What are the components of a well-structured participant education program and how does that assist participants, especially in volatile markets?

**A.** *No two 401(k) plans are exactly alike so it's impossible to say that there's one best formula for success in designing a 401(k) education program. However, every educational program should include multiple ways to "touch" or communicate with plan participants and encourage retirement readiness. Electronic communications including weekly market updates, monthly newsletters, financial calculators and other on-line planning tools and perhaps most-importantly, opportunities for participants to meet for regularly scheduled in-person check-ups with trained professionals from the plan's investment advisory firm are all part of a well-designed participant education program.*

If you are a 401(k) plan sponsor and have an interest in a complimentary review of your current 401(k) plan, please contact Peter Mooney at 216-593-5095 or [peter@sourcecos.net](mailto:peter@sourcecos.net)

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