



IS IT POSSIBLE TO CREATE THE PERFECT 401(K) PLAN?

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Actually, not at this time. The Best 401(k) Plan, would actually entail, eliminating employer 401(k) Plans in their entirety and allowing workers to contribute to a “Jumbo IRA”. 401(k) plans came about in the late 1980’s via a “discovery” of a small line in the Tax Code known as Section 401(k). 401(k) plans were originally designed to provide supplemental income to existing ‘*Defined Benefit Pension Plans*’ that provided an annual benefit equal to 40-60% of a worker’s final annual income.

401(K) WERE PLANS WE DID NOT INTEND TO BE A STAND-ALONE RETIREMENT PLAN.

Much has changed since the 1980s, the average life expectancy is higher and few companies offer a Defined Benefit Pension Plan. Administering a 401(k) plan has become complex and creates additional liabilities on the sponsoring Employers. It is my opinion that ideally all employees would be eligible to contribute to a “Super IRA” with an annual contribution limit equal to the 401(k) contribution limits, 2022, \$20,500 and for those 50 and over \$27,000. Employers could provide a match directly to their Employees IRA account held by most Financial Institutions.

AS WE WAIT FOR THIS DAY TO COME, HOW CAN YOU DESIGN THE BEST POSSIBLE 401(K) PLAN TODAY?

Sponsoring and maintaining a 401(k) Plan oftentimes involves allocating significant Human Resource and Finance Department resources for a benefit generally that is not required to be offered. If you are currently utilizing a payroll company, like ADP or Paychex consider integrating your Payroll and 401(k). This will eliminate many of the manual processes involved with administering a plan that is not integrated with Payroll.

NO MORE MANUAL 401(K) DEPOSITS, YEAR END CENSUS FILE UPLOADS, MANUAL 401(K) DEFERRAL CHANGES, HARD COPY FORMS, ETC.

If you have an existing plan and do not have a 401(k) plan administered by a Payroll Company, consider creating what is known as Payroll Bridge between your payroll company and 401(k) administrator.

Much is written about Plan Benchmarking, Fund Selection, and Plan Fees. As 401(k) plans are close to 30 years old, the 401(k) systems offered by many of the Top 401(k) Vendors are basically a commodity, same universe of funds, similar fees, and technology offered. Unfortunately, the service offered by many 401(k) Vendors is too often the same, or on Par with the Airline Industry and Credit Card companies.

Replete with long hold times, confusing email responses and oftentimes little to no accountability from the customer service representatives answering the 1-800 participant and plan sponsor help lines.

The plan advisors at LPL Financial and 401kQuote.com can serve as your plan advocate and dramatically reduce the amount of resources you are allocating towards administering your 401(k) Plan. We have a large client base with most 401(k) Systems, Fidelity, ADP, Paychex, Empower and many others, which create a large point of leverage that single plan sponsors do not have. Please contact us at 877-664-401k x 102 to learn how we can act as your 401(k) plan advocate. We will elevate your service level and ensure your plan funds and fees are competitive with the marketplace.

This article was written by Thomas S. Lanahan, CEBS, President of 401kQuote.com www.401kquote.com Thomas has nearly 30 year of experience helping 401(k) plan sponsors improve the performance of their 401(k) plans. To learn more about how to improve your 401(k) plan performance, please contact Thomas via email at tlanahan@401kquote.com or via phone at 781-551-4438 x 102 for a no obligation consultation.

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