

# Monitoring fees on 401(k) plans



Just as employees need to keep an eye on how 401(k) fees are affecting their nest eggs, companies should monitor the fees they pay to offer these plans.

Thanks to Department of Labor disclosure regulations that took effect in 2012, businesses can keep a better handle on their 401(k) fees. In fact, it's their fiduciary responsibility as plan sponsors to understand the services being provided and make sure the fees they are paying — and those they are passing on to employees — are reasonable.

If you haven't reviewed your plan recently, now's a good time to do so considering fees continue on a downward trend.

With today's greater focus on

transparency, "you have a greater focus on levels of fees," says Ross Bremen, a partner at Boston-based NEPC, an investment consulting firm. In addition, "there's a lot of well-publicized litigation [related to retirement plans] over the past decade, which has put a spotlight on plan fees," he says.

**Fees coming down:** This has all contributed to driving fees down. Median estimated plan fees — the total cost to provide and administer a plan — went from 0.46 basis points in 2015 to 0.43 basis points in 2016, meaning 43 cents for every \$100 in fund assets, according to a recent NEPC survey of 117 defined contribution plans, the majority 401(k)s.

Bremen had thought fees might stabilize this year, noting they can only decline so much before they reach a point where "service levels could suffer."

To be sure, fees must be part of the conversation, but not the only focus. "To the extent it becomes all about fees, that could

## FAST FACT 401(k) fees should be:

- Reasonable
- Well-monitored and documented
- Compliant with 2012 DOL fee regulations
- Well-communicated to participants
- The lowest possible
- Equitable (shared equally by all plan participants)

**Source:** Callan 2016 Defined Contribution Trends Survey

lead to poor outcomes," says Lori Lucas, leader of the defined contribution practice at Callan Associates, a San Francisco investment consulting firm.

**Fees aren't everything:** The focus should be on what's in the best interest of participants, she says. With that said, fees can vary greatly depending upon the level of service provided, she notes.

Employee Fiduciary LLC, a Mobile, Alabama, 401(k) provider to small and mid-sized businesses, recently studied the service provider fees and investment expenses — "all-in fees" — of 121 401(k) plans with less than \$2 million in assets. It found the average all-in fee for these plans — delivered by 22 different service providers — was 2.22 percent.

Employee Fiduciary says its own all-in fee is 0.46 percent. That does not include a financial adviser, and CEO Eric Droblyen says "the fact that we are online does help."

If you're looking for a breakdown of your fees, it can be found in the 408(b)(2) form issued by your service provider, says Steven D. Brett, president of Marcum Financial Services LLC in Melville.

Fees cover plan administration, record keeping and investment management, he says. For more on fees see [nwsdy.li/fees](http://nwsdy.li/fees).

Brett suggests companies look

at two to four 401(k) service providers side-by-side to compare services and fees. "Ask for all the fees spelled out in terms of how much they are charging, where it's being allocated and for what services," he says.

A good portion of the cost of the 401(k) is the fund expense within the plan, essentially how much the mutual funds are charging to manage the assets within the funds, says Craig Ferrantino, president of Craig James Financial Services LLC in Melville.

He suggests choosing an "open architecture" plan with diverse mutual and exchange-traded funds, as opposed to a plan limited to funds from one provider's family of products.

This offers more diversity of fees because participants can choose funds with lower cost structures, Ferrantino says.

And if you don't understand the 408(b)(2), ask your provider for the "all-in" fee.

"Keep asking questions," Droblyen says.

## THE ISSUE: GIFT CARDS

# Protecting yourself from scammers



BY SHERYL NANCE-NASH  
Special to Newsday

Gift cards can be a convenient, no-miss way to show some love. Those who receive them have the flexibility of purchasing exactly what they want. Trouble is, if they don't spend it all at once, they might be in for a big surprise when they go back to finish it off.

Increasingly, scammers are "draining" gift cards — sucking up remaining balances, leaving the receiver shocked that they have no money left on the card.

How can you protect yourself?

■ **Use your card:** "After not using the card for one year (inactivity), you can be charged a fee once per month. This is the chief way a card could be drained," says Linda Sherry, di-

rector of national priorities for Consumer Action in Washington, D.C. "Use gift cards within the first year. Also write down the information about your card and keep it at home; in case the physical card is lost, you can still use it online."

■ **Know how the game is played:** A card you purchase could be drained even before you use it. "This can happen when someone steals inactivated cards from a retailer, copies the numbers and puts them back at the store. Then when they are sold and activated with the customer's money, the scammers have all the info they need to use the cards," Sherry says.

■ **Inspect and register your card:** Is everything intact? Be leery if there's a sticker covering the redemption code. This can be a clue that the card has been tampered with. When you register and use your card on the retailer's website, you'll be better able to track it and spot any funny business quicker.

## THE WEEK AHEAD

For more events, visit [newsday.com](http://newsday.com)

### TOMORROW

**LI STOCK TRADERS' MEET-UP | Plainview**  
"How the Election Will Affect Market Volatility," 6:45-9:15 p.m., Plainview-Old Bethpage Library, 999 Old Country Rd., free, register, [meetup.com/listmg](http://meetup.com/listmg), 516-330-9906.

**EZ SPEAKERS TOASTMASTERS | Hauppauge**  
Learn how to become a public speaker, practice and learn skills by filling a meeting role, guests welcome, 11:45 a.m.-1 p.m., H. Lee Dennison Building, 100 Veterans Memorial Hwy., free, [suffolkcountyny.gov](http://suffolkcountyny.gov), 631-375-7407.

### WEDNESDAY

**TRAINING SEMINAR | Huntington Station**  
Information seminar on the St. Joseph's College NY Worker Training program for a career in the construction trade, learn what free training is available for the 240-hour training program that includes OSHA 10, blueprint reading and more, expect to spend at least three hours and take a reading and math test, 10 a.m., Huntington Opportunity Resource Center, 1264 New York Ave., free, register, 631-348-1170 ext. 316.

### THURSDAY

**SOCIAL MEDIA BENEFITS | Stony Brook**  
Discover the benefits to your business of using the different platforms, (Facebook, Twitter, etc.), learn how to use them and more, 8:30-11 a.m., Stony Brook Small Business Development Center, Research and Development Park, building 17, free, registration

required, [nwsdy.li/usesocialmedia](http://nwsdy.li/usesocialmedia), 631-632-9084.

**HOME-BASED BUSINESS | Farmingdale**  
"The Legal and Accounting Aspects of Operating a Home-Based Business," learn about the many potential legal, regulatory and insurance implications of turning your residence into a workplace, such as zoning restrictions, applicability of safety, environmental and employment regulations and insurance issues, 9-11 a.m., Small Business Development Center, Farmingdale State College, 2350 Broadhollow Rd., \$15, registration required, [farmingdale.edu/sbdc](http://farmingdale.edu/sbdc), 631-420-3765.

### FRIDAY

**SMALL-BUSINESS COUNSELING | Southampton**  
For entrepreneurs seeking help with the formation, growth and success of a business, a representative from the Service Corps of Retired Executives (SCORE) addresses your concerns; hourlong sessions available by appointment from 10 a.m. to 1 p.m., Rogers Memorial Library, 91 Coopers Farm Rd., free, reserve, [myrml.org](http://myrml.org), 631-283-0774 ext. 505.

**CAREER FAIR AND EXPO | Brentwood**  
For veterans only, 10-noon; open to all from noon to 2 p.m., Suffolk County Community College, Michael J. Grant Campus, 1001 Crooked Hill Rd., free, [suffolkcountyny.gov/labor](http://suffolkcountyny.gov/labor).

— GINA TABARUS

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