

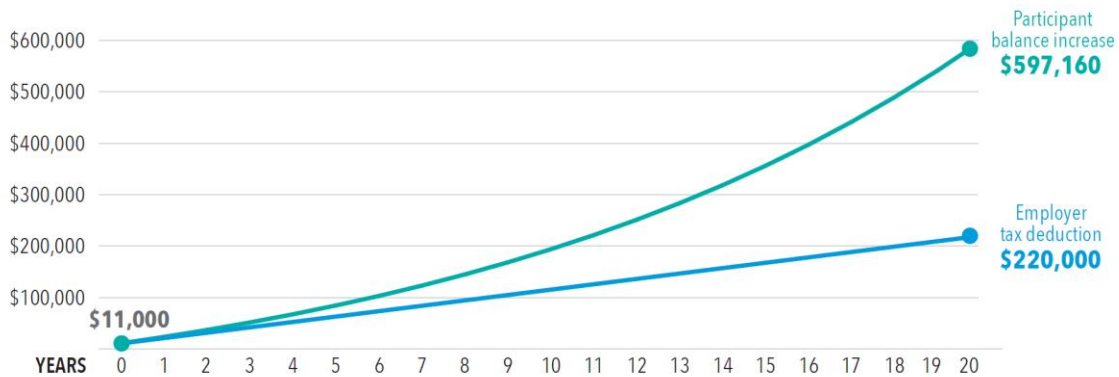
Why should plans pay 401(k) expenses with company assets?

Plan sponsor pain points often revolve around three topics: taxes, liability and costs. Sponsors that pay their 401(k) expenses out of company assets rather than plan assets can potentially get help with all three: a bigger tax deduction, reduced fiduciary liability and lower participant fees.

The following hypothetical example was developed by third-party retirement plan consultant Patrick Shelton, GBA and managing member of Benefit Plans Plus, LLC, using an estimated \$11,000 in total annual costs for a \$1 million retirement plan with 30 participants:

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Tax savings for employer, increased assets for employees



Example assumes annual recordkeeper costs of \$4,000, advisor costs of \$5,000, and TPA costs of \$2,000, totaling \$11,000, that are added to principal at an interest rate of 8% over 20 years, with compounding done four times annually.




In this hypothetical example, the employer receives an \$11,000 annual tax deduction, and participants receive an addition of more than \$597,000 to their account balances over 20 years. This additional accumulation may really make a difference in the quality of retirement for participants. Sponsors, of course, can elect to pay or not pay plan expenses each year, depending on business conditions.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

The potential benefits of paying 401(k) expenses with company assets:



Plan sponsor benefits

-  **Tax savings** - Plan fees are a tax-deductible expense.
-  **Reduced liability** - Risk of excessive fees eliminated.
-  **More plan assets** - Potentially better pricing.



Participant benefits

-  **Fewer hidden costs** - More participant transparency.
-  **More investable assets** - Earlier retirement?
-  **Lower share of costs** - Owners pay more plan fees.

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