The Scary Secret Insurance Agents & Stockbrokers Don't Want You To Know About Your 401k Plan!

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If you buy a new car or plasma TV, you expect the dealer and manufacturer to stand behind their products. Correct? It only makes sense you'd require the same from the stockbroker or insurance agent that helped you pick your company's 401(k) vendor.

Employees, after all, are counting on you to choose the right vendor to manage their retirement money. As their fiduciary, you are legally responsible for managing their 401k money in their best interests.

But ask the insurance agent or broker you hired to stand behind the 401(k) vendor they're recommending, and they likely will head for the hills. Their companies won't allow them to help you select the 401(k) vendor, and select the specific funds to be offered by the 401(k). That would make them a co-fiduciary -- or at risk of being sued by employees who may assert the plan was improperly managed or carried unnecessarily high fees. Claiming the latter, the St. Louis law firm of Schlichter, Bogard & Denton just a few weeks ago filed a wave of class action suits against Northrop Grumman, Lockheed Martin, International Paper Co. and United Technologies for high hidden fees that hurt the employees.

Most employers don't realize their broker or agent -- to which they may be paying big commissions that are typically netted out of the returns of the 401k funds-- hasn't been providing their workers with investment advice. Brokers or agents, unless they're willing to be co-fiduciaries, simply hand out enrollment literature and wish employees good luck at being their own chief investment officers. In the securities industry this is called investment education not investment advice. A big difference when it comes to helping your employees.

However, studies show employees aren't good investors. They're more lost than Gilligan on an island, when it comes to picking their own funds in their retirement plans. According to a recent Dalbar study, the average investor from 1984 to 2004 had a 3.7 percent

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3 Critical Fiduciary Questions You Need To Ask Your Insurance Agent or Stockbroker Now!

Question	Your Agent	Ok401k
1. Will you provide personalized investment advice to our employees? *Real investment advice is different from handing out enrollment kits at 401k meetings. A Professional advisor actively helps your employees pick their investments and encourages a diversified portfolio that uses modern portfolio theory.*	______	Yes
2. Will you provide a 2nd opinion on our 401k investments at a minimum annually? This independent review will make sure our 401k vendor is providing low cost top performing funds. *(Some brokers simply rely upon the investment data provided by your 401k vendor. That is like allowing the fox to watch the hen house.)*	______	Yes
3. Will you sign on as a co-fiduciary on our 401k plan so that we truly have a consultant that is a partner long term? *This is the "Gold Test" question for your broker. Most advisors will not sign a co-fiduciary. If your broker won't then more than likely, they are not a true 401k advisor and only a commissioned salesman.*	______	Yes

One Question You Owe To Your Employees To Ask The Advisor That Is Getting Paid On Your 401k plan…

"What Is It That You Actually Do To Justify Your Commission That Reduces My Employees Personal 401k Retirement Returns?"

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return on their money, compared with a 12.7 percent by the S&P 500 during the same time period. Moreover, the Internet and toll-free telephone services 401(k) providers are a resounding failure. Most employees who access them are merely checking balances.

Under the Pension Protection Act of 2006, 401(k) vendors starting in 2008 can provide employees with investment advice. But that could be like the proverbial fox watching the hen house. If a bank, insurance or mutual company owns mutual funds inside 401(k) plans, which funds do you think they'll recommend to your employees? Their own. Though the new act includes some protections, there's still plenty of room for employee neglect and abuse.

Why not lower investment fees by firing so-called advisors who aren't providing any real consulting? Commissions given to brokers and agents typically run one half to one percent. This extra unnecessary fee can be debilitating to employees. Based on a 9 percent return, for example, an employee who has $50,000 in his 401(k) and invests $100 a month for the next 25 years will have $537,685 at retirement -- compared to $433,908 with a 1 percent fee, or virtually 8 percent rate of return on his money.

Remember, you -- as the fiduciary on your 401(k) plan -- have a duty to your employees to review fees and investments yearly. That doesn't mean letting your 401(k) insurance or mutual fund provider conduct an annual audit. They would be the last people to tell you the fees on their funds are higher than necessary, or that there are better funds available.

The new Pension Protection Act, which encourages greater 401(k) participation and allows for investor education by the 401k providers, is a step in the right direction. But we have a long way to go. Employers must learn

to be savvy buyers and recognize the true meaning of being a fiduciary on someone else's retirement money. They have to learn what their consultant can and can't do for them. They have to recognize the fee structure in 401 (k) plans and how it can potentially hurt their employee's investments. They especially need to be aware what their broker is getting paid and how it affects their employees money.

Most important, we need state and federal authorities to recognize a life or health insurance license and the ability to sell securities as a stockbroker is simply not enough to help American workers save for retirement. We need a more accountable system to the employee and an accreditation system that recognizes true retirement plan consultants. Until we change the current 401(k) sales/delivery systems, abuses will continue and 401(k) participants will limp into retirement hugely under prepared.

Call us For a No Cost No Obligation Review.

Ok401k assists employers in and outside of Oklahoma with their fiduciary responsibility and improve their 401k plan. You can reach Ok401k at (405) 603 4986 or email us at terrencemorgan@ok401k.com