

“I Don’t Pay Anything for My 401(k), Right?”

By Martin A. Federici, Jr., CEO of MF Advisers, Inc.



It’s amazing how often I’ve heard that exact sentence or a variance of the above-mentioned question through the years, but there are still people who think that these 401(k) plan vendors and advisors are doing *pro bono* work. Let this be a wake-up call to those who really think that is the case: the reality is you **ARE** paying fees, but you’re probably not aware of how much those fees really are. Soon there will be changes coming into effect in 2012 that will make these fees much more transparent to 401(k) participants and plan sponsors as well.

How could people really think that? Due to the lack of enforcement of fee disclosure requirements and no reporting consistency in the industry among providers, it becomes clear why some people believe they aren’t paying any fees for their plan. As usually is the case though, a quality 401(k) plan is NOT just about who has the lowest fee structure, but rather it is about the entire process of the 401(k) and what it’s designed to do (very often forgot about) – help people save effectively for retirement.

There should be a quality group of professionals combining their efforts to handle all of the important components of the 401(k) plan. Advisors who will share in the fiduciary responsibility with the plan sponsor, TPAs who know how to handle the complex reporting requirements, vendors who offer an open architecture platform of investment choices – these and other professionals (ERISA attorneys, payroll providers, etc.) are all critical to making a 401(k) plan the best possible plan for its employees. They should also have the quality of character to not charge excessive fees, but charge what is appropriate given the market, size of plan (both number of participants and total \$), and the amount of work done. After all, we all do want to make a living in our professions but it should not be at the expense of our 401(k) participants’ best interests.

In closing, I want to make it very clear that it’s OK to pay fees for your 401(k) (or whatever other type of retirement plan you may have at your place of work – 403(b), pension, 457, cash balance plan, etc.). We all pay **something** for these plans, whether we know it or not. Getting the clear value from a 401(k) plan – saving for retirement and a reduction in taxable income – does come with a cost, but it’s whether or not we feel those fees for all services rendered are fair. Let’s hope with the advent of these new 2012 fee disclosure requirements that we can all feel confident about that part of it going forward, and focus on the real reason for a 401(k) – helping people reach their retirement goals.

For more information, please visit <http://www.mfadvisers.com>, email marty@mfadvisers.com, or call (570) 760-6524.

About MF Advisers, Inc.

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