



Problems

401k

Fees

***Solutions***

# The Problem with Today's 401k

You, the employer, will always hold a fiduciary relationship with your employees regarding your sponsored 401k plan. In February 2008, the Supreme Court ruled the employer is obligated to act at all times in the best interest of plan participants. The Supreme Court's provision authorizes recovery for fiduciary breaches that impair the value of plan assets in a participant's individual account.

The 401k landscape is changing for employers. With recent legal rulings, it is time to look at your current plan to ensure your employees' retirement accounts are in good hands and that you are doing your part as a plan fiduciary.

Business owners across the country are taking action, and we suggest you seriously consider updating your plan.

### ***You must take action.***

- Become transparent (fees and expenses)
- Reduce fees (plan administration)
- Find an outside investment advisor (fiduciary guidance)
- Modernize your investments (loads, fees, etc.)

# Beware of Hidden Fees

Many 401k plans, particularly those sold by insurance companies, are loaded with hidden fees. A recent study by PAi and Sharebuilder found that the average 401k had annual fees to participants of over 1.67 percent.\*

Furthermore, fees for plans sold by insurance companies were easily over 2 percent per year when sub account fees were factored in. Two percent per year in fees is enormous!

## **Example**

You place \$50,000 in a 401k with fees of 2 percent per year and then put the same amount in a 401k with fees of 1 percent per year. This is the same investment; the only difference is the fees. The table below illustrates the impact a difference in fees can have over time.

<b>Table of Difference in Fees</b>		
Assuming 8% rate of return over 25-year holding period.		
<b>Amount</b>	<b>Fees</b>	<b>Balance after 25 years</b>
\$50,000	1.00%	\$271,371.63
\$50,000	2.00%	\$214,593.54
Only 1% of fees creates a difference of <b>\$56,778.</b>		

The list of potential extra charges can be overwhelming: 12b-1 fees, sales loads and wrap fees, transaction fees, rebalancing fees, sub-transfer agent (sub-TA) fees, soft dollars, and fund turnover expenses, just to name a few. Don't let the names confuse you — the total cost applied against your contributions is all that matters!

\* December 2006

# The Solution: Open Architecture 401k Platform

With Gradient Investments, your plan participants will have world-class investment opportunities packaged in an easy to implement format. Our Open Architecture 401k Platform allows us to select the top ETFs and mutual funds managed by the best fund managers at T. Rowe Price, Vanguard, Fidelity and many others. Participants will not be captive to any fund family and will not be forced to choose from loaded, high-expense funds.

For the one-stop shopper, there is a series of balanced retirement funds that allocate assets for a targeted retirement date. The individual wanting to control their asset allocation decision with limited investment options has access to a core investment list. The sophisticated investor will receive a comprehensive offering of quality funds enabling the participant to build a broadly diversified portfolio among and within various asset classes. For those needing a customized plan, we will build a portfolio tailored to your objectives, risk tolerance and time horizon.

Transparency is critical within your sponsored plan. Gradient Investments' Open Architecture 401k Platform is your solution for transparency. Our plan offers NO HIDDEN FEES!

#### ***Gradient Investments 401k:***

- Quality, low-cost investment options
- Professionally managed portfolios
- NO Hidden Fees
- Transparent third-party plan administration

Working with Gradient Investments gives you more than peace of mind, it gives you a 401k that adheres to today's regulations and one you are proud to sponsor.

Visit [www.401kTruth.net](http://www.401kTruth.net) for more information.