

A blurred office scene with several people. In the foreground, a man in a light blue shirt is smiling and holding a blue pen. Behind him, a woman is smiling. To the left, another man is partially visible. The background shows office desks, papers, and a bright, airy environment.

5 Things Your 401(k) Provider Doesn't Want You To Know

1. Fees matter and their impact can be devastating

Imagine giving up 50% or more of your future nest-egg to excessive fees. This is precisely what is happening when you utilize a traditional 401(k) plan (which represents 95% of the plans in existence). Seemingly small percentages have a massive impact when you look at how they impact your account growth over time. **Just 1% in excessive annual fees can add up to hundreds of thousands, even millions, of lost retirement dollars.**

Below is a real life example of two identical plans with the same growth rate, same ongoing contributions but with different fee structures (0.65% vs. 1.68% annually). **All things being equal, the additional fees erode more than a million dollars in potential retirement savings!**



Have you ever been told your plan is “free?” It’s not uncommon. Many 401(k) providers will market their plans as essentially “free” because there are no explicit checks being cut for recordkeeping, administrative fees etc... But we all know there is no free lunch in this world.

If you encounter a “free” plan, ironically, you could be in an extremely expensive plan. The fees are simply being subtracted from your retirement savings which can act like a hole in your boat! Make no mistake. Just because you may not be cutting a check for your plan, you may be cutting into your future nest-egg.

2. Layers upon layers of fees are hidden in plain sight

The traditional providers have been pushing the same old 401(k) plan for 30 years but in 2012, the law finally required fees to be fully disclosed. Imagine that! In what other industry would that be ok? Can you imagine shopping at a clothing store with no price tags?

The good news is that the curtain was pulled back. The bad news is their layer cake of fees is hidden in 30-50 page fee disclosures that the average person has no chance of deciphering (we can help!). This is evident by the fact that 71% of Americans think they pay NO 401(k) fees. Nothing could be further from the truth.

Not only do providers make money by kickbacks from mutual funds (more on this later), they are also happy to layer on additional, seemingly arbitrary fees, that can double or even triple the cost of your plan. If that weren't enough, many will also hit you with a one-time sales charge (aka commission) on every single dollar that goes into the plan. It's an expensive and entirely unnecessary toll for the "privilege" of saving money.

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- AARP

Here are the charges that should raise red flags...

Contract Asset Charge / Asset Management Charge - a layer of fees charged on the entire balance of your plan. This is over and above the cost of the investments.

Required Revenue - An almost comical line item, this is a fee charged to smaller plans where the provider insists they aren't making enough.

Sales Charge - a one-time commission that subtracts 3% to 6% from every dollar you deposit!

Surrender Charge - many insurance company providers have figured out a way to have your 401(k) held within a "group annuity." This means they can penalize you with hefty surrender charges if you decide to switch plans to another provider.

“ The corrosive power of fine print and buried fees can eat away like a chronic illness at a person's savings.”

—Secretary Thomas Perez, Head of the Department of Labor

3. The mutual funds in your plan menu are often chosen for all the wrong reasons

With thousands of mutual funds to choose from, did you ever wonder just why the one's in your 401(k) were chosen? Its simple. **The vast majority of 401(k) providers make huge sums of money from kickbacks from the mutual funds in the plans they sell.** This payment for “shelf space” is a legal but opaque process called revenue sharing. The net result is what we call “menu stuffing” – stuffing your plan’s fund menu with the funds that are most profitable for the provider. Worse yet are the providers that stuff the menu with their own more profitable name brand funds.

Overpaying for Underperformance

Odds are, your 401(k) plan is packed full of expensive “actively managed” mutual funds that are hoping to beat the market by being the best stock pickers. The problem is that although they may have a hot streak, the studies overhwlemingly show that in due time, they will often lag the market. So you are usually overpaying for underperformance.

Further explanation and analysis on this topic at: americasbest401k.com/funds-matter/

What’s the alternative?

A great number of Nobel laureates and investment legends like Jack Bogle and Warren Buffet would recommend that most investors use low cost index funds. Index funds simply track a basket of leading stocks like the S&P 500 for example.

David Swensen, the Chief Investment Officer responsible for growing Yale’s endowment from \$1 Billion to \$24 Billion, warns us **“When you look at the results on an after-fee, after-tax basis, over reasonably long periods of time, there’s almost no chance that you end up beating the index fund.”**

Can I access index funds in my current 401(k)?

Most plans do not offer access to low cost index funds because they can’t receive kickbacks (aka revenue sharing) from these ultra low cost funds. Many small or midsize plans will be told they don’t qualify for index funds because their 401(k) is not large enough (translation: “we wouldn’t make enough money off of you if we granted you access”). Or worse, if they do offer them, they charge an outrageous markup. One plan we reviewed offered index funds with a 3000% markup from its normal retail price. That’s like buying a \$30,000 car for \$900,000. All clients of America’s Best 401k have access to same low cost index funds regardless of the size of the plan. No commissions, no kickbacks and no markups.

4. Many of the biggest providers have been named in lawsuits for excessive fees and self-dealing.

There has been a flurry of recent lawsuits against 401(k) providers. What for? The primary reason is for excessive fees and the use of proprietary products. Interestingly, it's not just the customers who are suing but many providers have been sued by their OWN employees for their own in-house plan. Providers were caught with their hand in the cookie jar by peddling their own, more expensive name brand mutual funds and thus, profiting off their employees' retirement savings. This begs the obvious question...

If they cant take care of their own, how do you expect them to treat their clients?

Below is a growing list of the providers who have been named in lawsuits brought by either their customers or their own employees for excessive fees, self-dealing and/or violating their fiduciary duties...

Allianz	Fifth Third Bank	New York Life
Ameriprise	Franklin Templeton	Principal
American Century	Insperty	Putnam
BB&T	John Hancock	State Farm
Cetera	Mass Mutual	Transamerica
Edward Jones	Morgan Stanley	VOYA
Empower/Great West	Nationwide	Wells Fargo

Business Owners Beware!

You have a legal obligation to make sure the fees in your plan are both fair and reasonable. As the plan sponsor, the Department of Labor states that the fiduciary obligation falls on you to make sure the plan is set up for the sole benefit of your employees. Nothing external can influence the decisions you make for your plan including a relationship with the existing broker. More importantly, it's your legal duty to periodically benchmark your plan so a side-by-side comparison is a task that is in your best interest to perform. America's Best 401k will provide a complimentary benchmark at your request.

5. The traditional model is being disrupted and rapidly becoming a dinosaur.

In 1999, when Blockbuster Video looked at a new upcoming start-up called Netflix, they concluded that to their shareholders that “concern over the threat of new technologies is overstated.” Not only did they turn down the opportunity to buy Netflix, they were put out of business by a model that was simply better for consumers.

The 401(k) industry is ripe for disruption. Much like Uber has the transportation industry on it’s heels, our company is seeking to transform a decades old industry that is riddled with conflicts of interest and often puts profits ahead of people. They have seemingly forgotten that it’s YOUR money, NOT their’s.

America’s Best 401k is a next generation solution that eliminates brokers, levels the playing field with transparency and provides a combination of high tech and high touch interaction for our clients.

AMERICA’S BEST 401k

- No brokers or middlemen
- No commissions received
- Low cost index funds for all plans regardless of size
- No contract asset charges, mark-ups or other hidden layers
- One transparent fee schedule for a fully bundled solution (admin, record keeping, personal advice etc...)
- Legal “ERISA” protection for the business owner

America’s Best
Average Annual Fees

0.65%

Traditional Provider
Average Annual Fees

1.25-2.25%

This does NOT include other fees (i.e. admin costs paid to third parties) that are generally not included in the investment related costs.

Your Next Step: Get A Complimentary Side-by-Side Plan Comparison

Most of our prospective clients are astonished when they see the results of their **side-by-side plan comparison**. In many cases, the immediate savings is more than \$10,000 in the first year alone. But the real impact is what happens over 10, 20 or even 30 years.

Below is a chart showing a 401(k) with \$1 million in total assets. Here we show our average plan cost vs. two other common providers. Note that although fees vary from plan to plan, we often see fees that are **EVEN HIGHER** from these two providers as well as other major insurance companies and national payroll companies.

Assuming the plan is growing at 7% and has modest contributions of 60K per year, there are **MILLIONS** in potential savings being left on the table if a switch is not made immediately.

	America's Best 401k	Transamerica*	John Hancock*
Fees	0.65%	1.50%	2.25%
Year 1 (start)	\$1,000,000	\$1,000,000	\$1,000,000
Year 5	\$1,722,690	\$1,660,243	\$1,606,716
Year 10	\$2,705,886	\$2,523,154	\$2,371,881
Year 20	\$5,863,251	\$5,124,922	\$4,553,892
Year 30	11,707,110	\$9,569,117	\$8,024,433

**These examples above are actual examples of specific plans where the fee disclosure was provided for both Transamerica and John Hancock. We have analyzed hundreds of plans from Transamerica and John Hancock where the fees are both higher and lower than the amounts listed above. Fees in plans vary drastically even from the same provider.*

Are you willing to forfeit hundreds of thousands or even millions to your existing provider? These savings will go right back into the pockets of you and your employees and make sure your money will last as long as possible into retirement.

By sending us your fee disclosure form (to info@americasbest401k.com), which we can help you locate, and by taking 15 minutes to review the results, we hope to show irrefutable evidence why a switch is in your best interest.

FEEs MATTER.

FUNDS MATTER.

PROTECTION MATTERS.



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