



## Employer-Sponsored Retirement Plans Perspective

For more information or to schedule an introductory consultation contact us at: [info@polariswealth.com](mailto:info@polariswealth.com) | (800) 268-9046 | [www.polariswealth.com](http://www.polariswealth.com)

# Tips for Good Retirement Plan Hygiene

We are often asked what companies should do to make sure their retirement plan is in good shape. Too often, we see plans that have been neglected or haven't been put through the proper steps to ensure the plan is capitalizing on market trends and new features. Neglecting the plan design, execution, and costs can lead to catastrophic situations in the form of audits or lawsuits.

Offering a company retirement plan is not a "set it and forget it" benefit - it requires ongoing attention. Just like we have to brush and floss our teeth daily and make regular trips to the dentist to keep our teeth in good shape, a plan sponsor should go through similar steps to make sure the plan is in good shape.

## Benchmark your plan's expenses.

Every 2-3 years, plan sponsors should review plan expenses and overall plan usage and compare them to others in the market today. To start, you should find your service provider's plan expenses on the 408(b)(2) disclosure. Divide the total expenses by the plan assets and see what the percentage is. In today's competitive environment, this fee should be well under 1%. If it is over 1%, you or your employees are paying far too much for your retirement plan benefit.

## Look at the investment menu expense ratios.

While you are looking at your overall plan costs, also look at the expense ratios – also referred to as management fees – of the funds that serve as the investment selections. You should be periodically doing this with your plan's financial advisor (more on that below). Costs for financial services and products have been on a downwards trend for years, and companies should capitalize on it. If you have an investment option in your plan that charges a 1.00% or greater expense ratio, you have to ask yourself why you are paying for that fund. Or the better question is, why are your employees paying so much for that investment option. Expense ratios have been on the decline for a couple of decades thanks in part to the popularity of low-cost index-based mutual funds and exchange-traded funds, also known as ETFs. Right now, Polaris Wealth is offering plan designs with an average expense ratio of 0.10% across all investment election options.

## Review your investment menu lineup.

Now that you have popped the hood on the investment menu, have a look at its overall design. Having an efficiently designed investment menu that is easy to understand is paramount. If you offer over 25 investment options (and we're counting your target date suite as one investment option), you have an inefficient menu design. We recommend total investment options ranging from the high-teens to the low-twenties. Investing can be confusing enough; don't add to the complexity by offering your employees too many choices that can confuse them and enable them to make unwise investment elections leading to suboptimal savings outcomes.

## Meet regularly to review the overall performance of your retirement plan.

Do you have an Investment Committee, and if you do, what role do they play? How often is your Investment Committee meeting? Your Investment Committee is the cornerstone of a reliable retirement plan. We encourage Investment Committees meet two to four times a year to review the performance of the plan and to ensure that the plan is staying true to the Investment Policy Statement, while also keeping an eye on vendors, funds and overall plan expenses. It is unwise to leave this oversight function to one person to informally review from time to time and doing so increases the risk and exposure to participants' complaints or lawsuits.



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### Conduct regular educational sessions.

Retirement plan documents are full of legal jargon and knowing the difference between investment elections can be confusing and can turn off employees from participating, which is contrary to the purpose of the plan. We recommend that plan sponsors work with their financial advisors to conduct regular educational sessions for staff. If employees do not feel comfortable with what a retirement plan is, and what the accompanying benefits are, then they are less likely to participate at all or participate in a way where they won't be maximizing the potential of what their plan has to offer. We recommend that educational sessions are in "plain English" with easy-to-understand descriptions presented in a positive and personalized way.

To keep your teeth in good shape, you brush and floss your teeth multiple times daily and see the dentist twice a year. You may not always like doing these things, but you know that doing them will help your teeth and hopefully keep dreaded cavities away. Doing the same thing with your plan will also keep it in good shape by looking at the areas we've discussed above.

### Polaris Wealth Advisory Group works with employers to help them manage their employer-sponsored retirement plans. Here are some areas we can assist plan sponsors:

- **Benchmarking:** Polaris Wealth provides complimentary benchmarking analyses for any company looking to assess their costs against what they could be paying elsewhere.
- **Investment costs:** We routinely analyze our recommended investment menu fund lineup to make sure it is capturing the lowest costs in the market today.
- **Investment menu:** We build investment menus with an eye on simplicity and efficiency to reduce redundancy and complexity for plan participants.
- **Investment Committees:** We work with companies to write Investment Policy Statements and we advise on the construction of Investment Committees that lead to dependable plan oversight.
- **Education:** Polaris Wealth offers educational resources to help employees successfully navigate through all that their retirement plan has to offer.

We hope we can help you, too.



Sincerely,

**Adrian Jones**  
Senior Director