



5 Things You Should Know About Your 401(k)

401(k) programs can often feel like a black box to both participants and plan sponsors. These 5 questions will help you demystify some important concepts.

1. Is your 401(k) service provider a fiduciary?

A plan sponsor is by definition a fiduciary. A fiduciary must:

- Act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them;
- Carry out their duties prudently;
- Follow the plan documents;
- Diversify plan investments; and
- Pay only reasonable plan expenses.

A fiduciary is personally liable if he or she improperly carries out these duties. One way to mitigate such risk is to hire a service provider to handle fiduciary functions. Unfortunately not all vendors are also fiduciaries. Tempo will mitigate your risk by acting as a co-fiduciary.

2. How does your 401(k) service provider get paid?

Hidden costs make it difficult if not impossible to determine the actual costs of your plan. It is not in the best interest of most vendors to disclose who pays them (which can be more than one source), how they are compensated, and how much they are compensated. Everybody deserves to be compensated for their services, but you also deserve to know what the services cost you.

Assessing your true costs will be much easier starting in January 2012 when a new Department of Labor regulation takes effect. The regulation requires all 401(k) service providers to supply plan sponsors with a written description of their services, a list of total compensation (including both direct and indirect compensation), and to disclose if they serve as a fiduciary.

With Tempo finding your true cost has always been easy because all our fees are disclosed and transparent, and there is no indirect compensation.



3. Are your investment options being held captive?

Many vendors limit investment options to funds that they own or that pay them more. These are known as captive products. While they may be more profitable for your service providers, they are not in your best interest.

Open architecture, in contrast, means that your investment universe is not limited to a small subset of funds that benefit your vendor. Funds can be selected based on the best fit for your goals (performance, diversification, expenses), not the goals of the service provider.

Tempo's 401(k) Program is completely open architecture which means we can select from thousands of funds. Since we receive no compensation from the funds, we eliminate any conflict of interest in selecting the best product for you.

4. When was the last time anyone reviewed your investment options?

Prudently managing your plan is an ongoing process. Selecting the initial investment line-up is just the beginning. Funds must be reviewed periodically to ensure they continue to meet expectations. Changes should be made as necessary. Tempo reviews all investment elections on an on-going basis and will make changes as deemed appropriate.

5. Who do you talk to when you need help with your plan?

How well does your 401(k) service provider know you? How well do they know your plan? Can they offer unbiased investment advice?

With Tempo you have year round access (via phone or e-mail) to an experienced investment advisor. Since we act as a fiduciary and receive no additional compensation regardless of how participants choose to invest, we can offer unbiased investment guidance.

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Tempo Financial Advisors provides straightforward, unbiased investment advice and investment management services to individuals and small business 401(k) programs.