



Who Are All the Providers Servicing My Plan & What Do They Do?

Facts

I sponsor a small 401(k) plan for my employees. Sometimes, I get confused about which service provider to go to for different plan-related questions. Time and efficiency are important to me (and so is cost), and it seems like having all these different providers might be overkill. Recently, I was talking to a friend who is also a business owner, and she said she's got one group doing all her plan work from A to Z.

Question

Why wouldn't I go with the one-stop shop rather than enough separate folks for a pick-up game of basketball? If having separate providers is preferable, who are all the different players and what do they do?

Answer

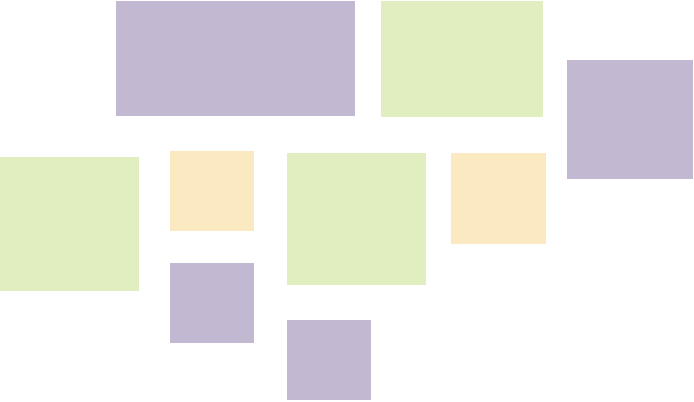
We get it! As a business owner, you probably wear a lot of hats, and "401(k) Expert" probably isn't one you want to add to the list. You want a solution that is cost-effective and timesaving, and it can be frustrating when you want a quick answer but aren't sure who to call. We'll try to simplify that for you here.

Who Are All These People?

We will start with your second question, because it will provide context for the first question. There are several key roles when it comes to maintaining your 401(k) plan – the investment advisor, the recordkeeper, and the third party administrator (TPA). Plans with more than 100 participants must also engage a CPA to audit their financial statements each and sometimes you might have tax professionals or attorneys you work with, but we will focus on those primary three roles here.

Investment/Financial Advisor Likely the first person you encounter when you set out to start the plan is your financial advisor. The advisor's role, generally speaking, is to review and guide you through investment decisions for the plan during plan establishment and on an ongoing basis. In addition, the advisor will often host group educational meetings for plan participants and may also offer the opportunity for one-on-one sessions with them to help with financial planning. Different financial advisors engage at different levels of service, but the takeaway here is knowing their focus is on your plan's investments and participant education.

Recordkeeper The most visible thing the recordkeeper does is to provide the website that your participants log into to view their accounts, make changes to their investments, and request distributions. Likewise, the recordkeeper will offer a website for you to manage the plan, remit deposits, and add new participants when applicable. In addition to providing on-demand account access to both you and your participants, they also prepare quarterly participant statements. The recordkeeper works closely with the financial advisor to provide enrollment materials and other educational support. Behind the scenes, however, the recordkeeper is the provider that keeps track of the plan's assets by participant, contribution type and investment options. They also produce various financial reports that are necessary for other elements of keeping your plan in good working order.



Third Party Administrator (TPA) And then there's your friendly retirement consultant (frequently referred to as the less descriptive third party administrator or TPA). That's us! Your TPA provides your legal plan document, performs your annual [compliance testing](#) and contribution calculations, prepares the annual Form 5500, and serves as your ongoing resource for any technical retirement plan needs. We like to have you think of us as the point guard for your retirement plan; we are happy to be your go-to resource for any questions that arise, and we'll do the running around to incorporate your other service providers as needed. When business transactions, demographic changes, and retirement objectives shift, your TPA is available to discuss the details with you to ensure that the plan you set-up can evolve to meet the ever-changing needs of your business and employees.

One Stop Shop or Team of Specialists?

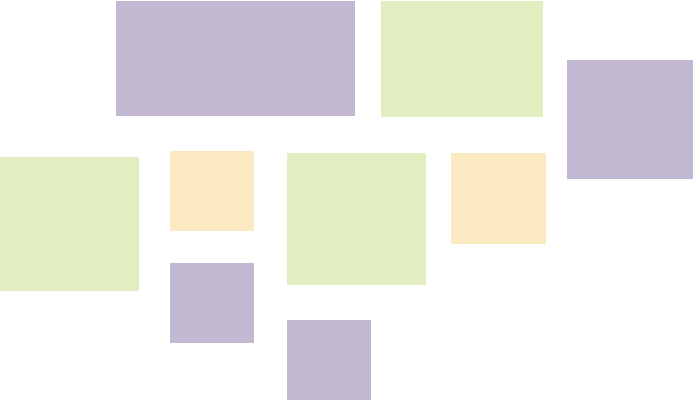
The one-stop shop approach is often referred to as a bundle solution, while the team of specialists is unbundled. Since we typically work in an unbundled environment, we might be a little bit biased in that direction. Let's take a look at both.

Bundled Services Often sold as a turn-key solution, a bundled service arrangement is where a single provider is responsible for assisting with some combination of the above services. A fully-bundled approach has one provider performing all of these functions (investment selections, education, record-keeping, and compliance), while a partially-bundled arrangement incorporates some but not all of these services, e.g. recordkeeping and TPA services. The allure of the bundled option is the idea that working with a single provider is easier and more efficient.

There are several words of caution here. First is that in a bundled environment, you lose the flexibility to select those you view as experts in specific fields. Second, even though a bundled arrangement might have a single company providing various services, that does not mean those services are well-integrated. The various services are performed by different departments, sometimes in completely different locations with very little communication between them. Third is that many (but certainly not all) bundled providers evolved from companies that provided just one of the required services and expanded as a way to be more competitive. That may result in certain services being priced artificially low as a way to win more business, because their primary service (the one they started with) is more profitable. In such situations, one might reasonably question whether those other services receive the same level of resources as the more profitable services.

Unbundled Services You guessed it...in an unbundled arrangement, you are able to select the various providers that best fit the specific needs of you and your participants. Do you want a recordkeeper with a big name that is easily recognized by your employees but a local investment advisor who can help you break down complex investment choices? Would you rather work with a TPA that focuses on compliance, knows your business, and can translate all that regulatory mumbo jumbo into something that makes sense? An unbundled arrangement gives you that flexibility. In short, you can select professionals in each of the various areas to ensure you receive the expertise and services that are uniquely tailored to your situation.

Team Huddle In the unbundled environment, each provider you engage focuses on their specific area of expertise to bring you the very best solutions to investment, recordkeeping, and compliance needs. However, they don't work in isolation, at least not when you've got a well-oiled machine of true professionals. The TPA and recordkeeper provide support materials to assist the advisor with education



meetings. The recordkeeper provides the TPA with year-end reports, and the TPA provides the recordkeeper with plan provision updates. Communication and coordination between these parties makes the difference between an experience that makes you feel like you're playing hot potato and one where you feel confident that there's a team of professionals that have your back.

Not Sure Where to Go Next?

Assembling your team of 401(k) professionals can seem more daunting than a professional draft. Fortunately, we've got an [e-book](#) to help you understand what your options are and what questions to ask. We are also able to assist you in the process. At DWC, we work closely with many of the top service providers in the industry including investment advisors and recordkeepers as well as attorneys and CPAs. We understand the importance of assembling a collaborative team that is there to support not only you but also each other. We are glad to serve as the quarterback. We also understand that one of your other providers may be well-suited to act in that capacity, and we are glad to adapt accordingly.

At the end of the day, we all share a common goal – to help you maintain a compliant and effective plan that provides the opportunity for all participants to save for retirement in a meaningful way.

If you wonder where to begin when it comes to assembling your plan's team, our [service provider selection checklists](#) is make a great start.

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