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FINANCIAL

Three Issues 401(k) Plan Sponsors Often Overlook

Over the past months, the debate has heated over whether the 401(k) plan is still a viable investment vehicle for America's retirement savings. Obviously, recent stellar performance in the stock market makes it easy to focus on things other than your company's retirement plan, but letting your guard down may be a big mistake. Since we are on the front lines every day, we've compiled a list of three things we often see plan trustees overlook.

- 1. Investment Policy Statement (IPS)** – The Department of Labor does not require a written IPS. However, case law has dictated that a lack of an Investment Policy Statement can show evidence of a violation of the Prudent Man Rule. Additionally, your IPS should outline clear standards for choosing investments, how investments are monitored, watch list investments, and replacement triggers.
- 2. Quantitative and Qualitative Investment Process** – As part of your ongoing investment monitoring process, ERISA guidelines suggest the need for a quantitative and qualitative process when evaluating investments and managers. Often times, plan sponsors rely on tools that account only for risk adjusted returns. Remember, the Department of Labor judges fiduciaries on the processes they follow, not the results that are achieved (performance). As the market continues to rally, now is the time to start focusing on the risk metrics associated with your employees' investments.
- 3. Broad Array of Investment Selection** – Often times we encounter plan sponsors who believe they are meeting this requirement because of the number of investments they offer their participants. However, you must ask yourself, "Can my participants truly build a diversified portfolio?" To answer this question, you must understand the research behind asset allocation models. If your plan offers less than 13 choices (excluding target date or asset allocation investments), your employees are likely missing out on some very important opportunities.

To find out more about issues plan sponsors often overlook, visit www.grinkmeyerleonard.com or contact us today.

About Grinkmeyer Leonard Financial

Grinkmeyer Leonard Financial is an industry leader in helping to provide focused, full-service defined contribution consulting services to employers looking for efficient, effective strategies for their retirement plans. We seek to help employers maximize plan efficiency, minimize fiduciary risk, increase participation and diversification, boost investment possibilities, and improve the overall plan experience. Grinkmeyer Leonard Financial is a proud member of Retirement Plan Advisory Group, one of the largest independent consulting networks in the U.S.

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