



## Exercising control over the value of your plan

The 2008-2009 financial crisis was a stark reminder of the mortality of our retirement plans. Clearly, investment/overall market performance and employee contribution levels are the greatest factors affecting plan value. But plan sponsors can also put options in place that affect value. From an auditor's point of view, here are ways you can benefit your plan:

### Portfolio diversification – target-date funds vs. managed accounts

Target date funds shift the balance of stocks, bonds and cash based on an estimated retirement date. As an employee moves closer to retirement, the investment mix adjusts to be more conservative. Target-date funds have many supporters as well as detractors, and you can guide employees to do the research. However, as a plan sponsor, two of the benefits are low maintenance and protection from liability. Managed accounts are at the opposite end of the spectrum and require much attention. Let employees pay a fee for access to individualized advice that they can use for the 401(k) combined with other IRAs for themselves and a spouse. Managed accounts are for the more sophisticated and involved investor with specific goals and time frames in mind.

### Fee transparency and index options

You may already be aware of new regulations requiring fee disclosures and separating record-keeping fees from investment management fees. One of the most significant ways you can increase value for your employees is to reduce fees – especially important in a volatile market environment. If you feel that your investment management fees are high, consider index options that have lower costs. Indexing simplifies the investment selection and monitoring and may enhance the potential for above-average returns. Having a selection of index funds makes your portfolio choices more robust and achieves the goal of diversification.

Plan sponsors will continue to be under the spotlight as baby boomers begin to retire in large numbers. Be sure that plan participants understand their choices and corresponding accountability for their decisions. And, keep an eye on your own choices as a sponsor to benefit participants as well as your company.

Contact [Michael Lawrance](#), CPA, audit manager, if you have questions about this article or other 401(k) matters.