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Retirement Plan Newsletter | Q1 2025

Michael R. Maguire, CFP®, ChFC®, RICP® – Financial Advisor

401(K): RECORDKEEPER DUE DILIGENCE

When was the last time you evaluated the recordkeeper for your 401(k)? Most employers put their health insurance out to bid every year, but rarely do they do the same with their retirement plan provider. However, you are not fulfilling your fiduciary duty unless you do this periodically.

The recordkeeper for a 401(k) plan performs many functions, but in its simplest form it is the bookkeeper. The recordkeeper tracks the individual participant account balances, contributions, distributions, and investment performance. Often the recordkeeper is the name we associate with the 401(k) plan, like Fidelity or Empower, because those are the websites/apps that we visit to view our account information.

Grimes & Co. recommends that you benchmark your recordkeeper by conducting a formal Request for Proposal (RFP) every 3-5 years. An RFP involves putting your plan out to market and allowing various providers the opportunity to "bid" on your business. Why is this important?

Requesting a proposal from other recordkeepers allows you to see the most up to date investments, technology, and pricing for a plan your size across the marketplace. This is especially important if your company has grown or otherwise changed in size or structure. Typically, recordkeepers will not change pricing or services unless asked, so an RFP can provide you with powerful leverage to approach your current service provider.

Benchmarking is best done with the guidance of an investment professional. Your plan should already have a 3(21) or 3(38) Investment Advisor that assists you with selecting and maintaining a menu of diverse investment options.

If you haven't benchmarked your 401(k) Plan in the last 5 years, please reach out to us. Grimes has a dedicated team that specializes in providing investment advisory services to retirement plan fiduciaries and their employees. We assist clients with investment selection and monitoring, benchmarking, plan design and employee education.

IMPORTANT DISCLOSURES:

Sources include eSignal.com, Bureau of Economic Analysis, Bureau of Labor Statistics and FactSet.

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