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Finding 401(k) plan that appealed to their employees was important for Philippe (l.) and David Becker

> CURRENCY CHANGE OF PLANS

Attract top-notch employees with a 401(k) plan that matches your company's success. By C.J. Prince

Having both worked for midsize to large companies before founding their own branding design agency, brothers David and Philippe Becker already knew that great benefits attract top talent. But the basic, no-frills 401(k) they'd chosen wasn't terribly exciting to employees at Philippe Becker Design; the investment options were too limited, says David. And they weren't offering a match because they didn't understand enough about their potential exposure. Unsure of how to educate employees about their benefits, David, 44, and Philippe, 41, couldn't seem to attract enough employee participation to make it worthwhile.

A year ago, they decided to switch to a John Hancock 401(k) that could be customized by a local third-party administrator. They hired a financial advisor to help them sort through investment options and select an appropriate plan for their employee demographic. "He helped us understand not only the market and what products were out there, but

also impending legislation and what sorts of products our employees could take advantage of," says David, noting that the new plan is nearing 100 percent participation.

The do-it-yourself 401(k), highly touted in the '90s as the solution for thrifty, overburdened entrepreneurs, isn't necessarily so. "It sounds good, but [entrepreneurs who offer them on their own] don't have any outside guidance, and neither do participants," says Fred Barstein, founder of 401k Exchange, an independent advisory firm for retirement plan providers. Entrepreneurs have the least amount of time to research investment options, he adds. "The employer is not going to be in a position--nor do they want to be in a position--to give financial advice, because if they do, they're at risk."

In response to customers' requests for flexibility and advice, retirement plan providers that previously offered only bundled, all-in-one solutions have started opening their platforms to third-party administrators--local pension experts that can tailor plans to fit companies' needs. Transamerica Retirement Services lets small businesses choose between bundled solutions and a la carte options through a third-party administrator that can customize the product. It recently entered partnerships with Morgan Stanley and Merrill Lynch to broaden distribution channels and give small businesses better access to retirement products. "When it comes to retirement plans, we've found that [entrepreneurs] like to do business with people they're already doing business with," says Catherine Collinson, senior vice president at Transamerica.

While unbundled solutions usually come with more upfront costs, a third-party administrator can save a business money by customizing its plan, says Scott Feit, partner with Abar Pension Services, a third-party administrator. A small business recently came to Abar with a pre-designed plan. "We did a totally different one and we were able to get the owners the same contribution and save them \$20,000 to \$30,000 [in pension costs]." For the most part, prices for 401(k) plans have come down in recent years, says Barstein, thanks to new technology that allows providers to offer information less expensively online and therefore lower their own costs.

David says the company's new plan did cost more, but that the additional expense was worth it. "We have to have world-class benefits because we're competing against world-class companies. All we hear about is how great the benefits are at Google," he says. "So we'd better keep up."