



WHEN A BARGAIN JUST ISN'T A BARGAIN!

By: **Gina Migliore**
VP and Chief Operating Officer
Priority Pension Services, Inc. (AFI)
Originally Published August 2, 2017

As a mother of two, I love to save money whenever and wherever I can. My kids will be the first to tell you, “if it isn’t on sale, Mom’s not buying it.” And they’d be right, most of the time. But then sometimes... it’s different. Sometimes you shouldn’t buy the one on sale, sometimes you shouldn’t buy the cheapest, sometimes there’s a reason why something costs more, and that something that should cost more doesn’t. And of course, that’s the trickiest position to be in -- being presented with something that’s so important, yet it costs less than everyone else... or even worse, it’s included in the price.

Here’s a perfect example. Recently, my husband needed my car for work. It had been a long time since he last drove it and he noticed that my tires are in pretty terrible shape. My tires aren’t that old and considering that I don’t drive cross-country for a living, they shouldn’t be so bad. But unfortunately they are. They’re nearly bald and will need to be replaced before another

New York winter. So what happened? A good salesperson happened. Someone who told us we would get just as many miles as the popular brand name tires, but cost a lot less. Clearly the bargain just wasn't a bargain this time.

It happens to all of us every now and then. We try to save money, but it costs more in the long run. Of course, that doesn't mean you shouldn't shop around. On the contrary, you should always shop around, do the research and compare. But remember, "you get what you pay for" so be very careful that those costs don't come back in spades.

For Plan Sponsors, it's a complicated balance. They walk an expense "tightrope" so to speak, along with every other fiduciary. They're all held accountable for plan expenses. It's their job to make sure that all plan fees are fair and reasonable. So let's think about that for a second, fair and reasonable... hmmm... what's the measure? What's fair? What's reasonable? Who decides? I guess a lot of people could, but for arguments sake, let's say they do (meaning Plan Sponsors and all other fiduciaries) and it's not easy by any stretch.

Through experience I've learned that in many cases, one of the number one ways Plan Sponsors are told they are saving money is in third-party administration. It's not their fault, just like it wasn't our fault when we bought the tires. Explaining what a TPA is, understanding what a TPA does and the vital role they have in a retirement plan can be difficult for anyone who's not a TPA. As a result, it's much easier and more common practice to just say TPA services that include all annual tax filings and leave it at that. When you look at it that way, it's very easy to believe they're all the same. So, why not pay the bargain price?

Instead of listing reason after reason why you shouldn't pay the bargain price, let me share this true story with you. A few details of which I've changed to protect our client's privacy.

A few years ago, we received an urgent call from a plan participant (who we'll call "John") on Black Friday. Nowadays Black Friday has become as much of a holiday as Thanksgiving itself and most companies are closed. Even the New York Stock Exchange closes at 1 o'clock. Anyway, John's daughter got herself into some trouble and John needed an emergency loan from his 401(k) plan to hire an attorney. We took action and by Tuesday morning the funds were in his hands. If it wasn't for the holiday, it would have been Monday.

Relationships matter. Knowing who your TPA is and having a relationship with them matters. Not just for loans, but for savings too. If your TPA isn't talking to you at least once a year about plan design and new features, such as safe harbor, age-weighted, new comparability, you could be missing out on heftier savings and a more secure retirement. And what about those tax returns? That's not a given either. I can't begin to tell you how many times I come across retirement plans with missing filings, many of which are with bundled providers. From what I've been told, it happens with bundled providers often because the Plan Sponsor didn't log in, or click some link. Unfortunately, no one on the other end of a 1-800 number is going to personally call to tell you to do it.

Bottom line is, shop around. Ask questions. Find out what you're getting for that bargain price. Remember, fair and reasonable. If you're getting top notch service, superior support, personal attention, and outstanding quality, that's more than fair, more than reasonable and worth paying a little more isn't it?

Your TPA keeps the wheels of your retirement plan moving, don't get stuck with lousy tires like me!

If our Team at Priority Pension Services, Inc. (AFI) can be of any assistance, please give us a call at 516-522-2638 or email info@ppsafi.com. We've been providing comprehensive administration, actuarial services and retirement plan consulting & solutions for over 20 years. We keep wheels turning every day and are always here to help!