

The 401(k) You Thought Was Free...Isn't Another Nice Mess for Employee Communicators

By Dennis Ackley

This summer, employees will be told how much they're paying for their 401(k) plan and investments. The government [requires](#) it.

It's true. Your organization has allowed employees' money to be taken to pay for all or part of the 401(k) plan. Yes, even when the accounts lost money.

You probably thought the 401(k) was free. You're not alone. Seventy percent of employees believe 401(k)s are free, according to a recent [AARP survey](#).

Although it's gotten better in the last few years, most "fee communication" from the retirement industry has been nearly content-free: the expense ratio...basis points...fund loads. These are "retail world" terms the industry has used in the "employer-employee world." Did you know these meant "the fee you pay?"

In the "retail world," it's buyer beware. We know the retail service providers get money from customers to stay in business. We also know that what they say isn't always what is meant or how it's defined in a dictionary. In the retail world, "guarantees" have loopholes.

In the "employer-employee world," most employers and all employees want what is said to be what is meant. If an employer "guarantees" something to employees, the employees expect the employers' assurance with no gotchas. If the employer has not told employees that the 401(k) has costs, the employees expect they pay no cost – especially when it's called the "Company's 401(k) Plan."

It's about trust. Trust is essential to effective employee communication and to a highly productive workplace.

What do you think? Will your employees become upset that the organization has allowed them to believe the 401(k) plan is free by not telling them

that it wasn't? Will they be shocked to learn the size of the fees they pay? Of course, if your organization has been communicating about 401(k) fees, this won't be a problem.

However, if you have been telling employees the organization values clear and honest communication while you've been keeping fees a secret (even if you didn't know) – ouch. "The organization has not been honest" could be the employees' reaction.

It's the classic say one thing (we're honest) and do another (we've been hiding fees) approach that sucks positive energy out of your employee engagement efforts. And it bolsters cynics with proof the organization cannot be trusted.

This potential employee communication failure might happen on your watch as an employee communicator. As Oliver often said to Stan in the old Laurel and Hardy movies, "Here's another nice mess you gotten me into."

If the coming fee disclosure could make a mess at your organization, now's the time to involve your senior leaders and 401(k) staff in creating a communication strategy. You may want to include the plan's ERISA counsel and the recordkeeper/fund manager.

In addition to managing the bad news of fees, the strategy should address at least three other things.

1. Why didn't you tell employees before now?

The failure to communicate about fees years ago has put you in a tough spot.

You should have a good – or at least honest – reason for the delay. Maybe you'll decide to say something like, "Historically the mutual fund/retirement industry, for whatever reasons,

As Oliver often said to Stan in the old Laurel and Hardy movies, "Here's another nice mess you gotten me into."

has not made prices clear. Recently, the government has required the industry to provide easier-to-understand fee information.”

It would be great if you had a better explanation.

In any case, an apology may be in order. Something like, “We are sorry we did not make sure employees were aware....”

Be careful casting blame – so and so didn’t tell us until now...folks in the benefits department thought you already knew...the CFO just found out...whatever. Employees may expect the organization to get their money back, fire somebody or file a lawsuit. These are steps your leaders may be unwilling or unable to take.

Technically, employees who are not yet eligible for the 401(k) may not have to receive the fee disclosure. But wouldn’t withholding fee information from some employees create more mistrust?

2. What should employees do with the information?

Unless you tell them how to use the information, employees could believe that the purpose of the disclosure is to endorse the lowest-priced fund. So you may want to mention, “Low fees are important, but the lowest-priced funds may or may not be best for you. It’s like any purchase – sometimes paying more for a fund that better matches your needs could be worth the extra cost.”

3. What will the organization do to ensure this won’t happen again?

Conducting voluntary meetings (in person and via video) would show employees you’re intent on addressing all their questions about fees and the funds. Representative from the funds and the 401(k) administrator should play a major role. Be sure to discuss the steps that are being taken to make all the information about the 401(k) available to employees.

In many organizations, retirement industry marketers and investment meeting leaders deliver 401(k) communication and education. Yet

employees are the audience. The program is the organization’s benefit plan.

As the organization’s employee communicator, should you have a role in assessing the readership, understanding, trust and resulting action the 401(k) communication is generating? Should your organization’s training specialists assess the objectives, techniques, competency testing and financial outcomes associated with the 401(k) training? If the results are not good, the efforts are wasted and employees lose the opportunity to make better use of the 401(k). (Guess whose money is paying for that?)

If the fee disclosure mess damages the trust employees have in the 401(k) or the organization – or if employees do not trust the outside 401(k) communicators and educators – the internal employee communication and corporate training professionals may be the only ones who can rebuild it.



Dennis Ackley

For 20 years Dennis Ackley has been an advocate for clarity and accountability in retirement education – helping workers gain the knowledge to achieve the financial future they want. His award-winning communication programs on retirement, investing, and health care have reached three million employees at hundreds of employers. For more articles and more information, visit www.DennisAckley.com.

© Copyright 2012 Dennis Ackley

*If you did not download this from
www.DennisAckley.com,
it's not a legal copy.*