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Along with salaries, company benefits play a key role in attracting, retaining and motivating employees. But all too often, business owners fail to recognize what might be the weakest part of their benefit packages — their 401(k) plans. Among the most desirable prospective employees are those who, looking to the future, pay close attention to the strengths and weaknesses of these plans. And existing employees may become restless if they don't see enough growth in their retirement nest eggs, especially if they contribute the maximum amount each year.

Many factors of 401(k) plans can be subjective. But there are some objective criteria that define whether these plans are a desirable employee benefit, compared with those available from your business's competitors.

These critical factors include:

• **Fees**. These can mount up substantially. There are typically fees charged by the plan administrator, record-keeper and custodian. Additional fees are charged by investment companies, primarily mutual funds or annuities that hold mutual funds in sub-accounts. Though fee disclosure is legally required, fees can be difficult for employees to identify amongst the morass of numbers they see in their statements. And unfortunately, most 401(k) plans end up gouging their employees with unreasonable investment expenses or adviser commissions.

It’s the fiduciary responsibility of the company sponsoring the plan to keep fees reasonable by negotiating with plan providers. “Fiduciary” means they’re legally obligated to look after employees’ best interests. Best practices for plan sponsors include having an independent, third-party consultant do an independent analysis of plan fees and features, benchmarked against plans of similar sizes in the same industry to assure that fees are reasonable. Regularly documenting this, and having these reports readily available for a surprise federal audit, can prove invaluable.

• **Available investments.** Many plans’ investment lineups include mutual funds whose holdings overlap, meaning duplication instead of diversification. Also, many plans’ offerings are primarily actively managed funds, where investment managers speculate by picking stocks and bonds, instead of low-cost index funds or institutional asset-class funds. These low-cost investments deliver the returns of their specific asset classes or indexes, so investors reliably get the overall returns of the market. According to a recent Standard & Poor’s scorecard, about 82 percent of all actively managed funds over the last 15 years have failed to beat their respective benchmarks. This means that most investors would have done better by simply investing in low-cost index funds linked to those benchmarks. This is one of the main reasons that the Pennsylvania Treasury Department recently announced that it is abandoning actively managed investments in favor of low-cost, index-related investments.

• **Whether there’s a heavy reliance on annuities.** Many small and mid-size companies unfortunately still use bundled insurance-company platforms, and thus usually end up with investments inside annuities — investments that are laden with high, return-reducing expenses. The solution is to simply keep all insurance products out of your 401(k). Tim Decker Tim Decker - (Submitted)

• **Plan education.** A good 401(k) plan provides ongoing employee education. This invaluable education, which includes one-on-one meetings with a qualified advisor, goes a long way toward building employees’ understanding of their plans, and can have a tremendous impact on plan participation. Also, this can be effective at building good will by you as their employer, as it shows how much you care about their financial future and general well-being.

• **Employer matching money.** Assuring a generous match of employee contributions to plans is a great way to give employees value and generate participation that benefits them in the long run. This matching money is a tangible benefit that owners can tout as “free money.”

Evaluate your company’s plan on these items, and see how it stacks up on each compared with the plans of your competitors. If the result of this process leads to plan improvements, you can leverage this by making sure your employees, and your prospective employees, know about it.

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