

401(k) Plans: It's Supposed to Be an Employee Benefit, Right?

By Ary Rosenbaum, Esq.

I joke that the reason I never hired an employee is because I was one too. I had more than my fair share of bad luck working for people who didn't appreciate me, and worse, didn't appreciate their clients. The lesson I took from those years was simple: if you don't value the people who rely on you, whether they're employees or clients, you're building your business on sand. In the retirement plan world, I once worked for a third-party administrator that switched record-keeping platforms to save a few bucks. They never told the plan participants. Imagine logging into your account and suddenly seeing an entirely different website, different investment lineup, different processes—without a single explanation. If that's how an employer or a provider treats their participants, it undermines the entire point of the benefit. A 401(k) plan isn't supposed to be a nuisance. It's supposed to be an employee benefit. And if we're going to use that phrase honestly, plan sponsors need to take participant communication seriously. Let's talk about why sponsors must keep participants informed of changes, why enrollment meetings matter, and even why it's worth asking employees what they want out of the plan they're supposed to own their future in.

Transparency Isn't Optional

Too many plan sponsors think of the 401(k) as something they have to offer, rather than a benefit that should work for their employees. That mindset leads to

shortcuts, like cutting fees by changing providers or investment options without warning. Participants aren't widgets on an assembly line. They're people trying to save for retirement. When you make changes to a platform, a recordkeeper, or an investment menu, it impacts their accounts, their decisions, and sometimes their trust. And once trust is lost, good luck getting it back. If a sponsor changes an invest-

ment lineup, participants deserve to know: no, hiding behind the fine print of a Summary of Material Modifications doesn't cut it. Participants deserve clear, plain-English explanations

The Importance of Enrollment and Education Meetings

Too many sponsors treat enrollment meetings as a box to check. Invite the recordkeeper or advisor, throw some slides up, and get back to work. That misses the

point entirely. An enrollment meeting is one of the few touchpoints employees have to understand the plan. It's the place where myths can be corrected, where questions can be answered, and where employees can learn how the plan can actually benefit them. Without it, you're asking participants to navigate one of the most complex financial decisions of their lives with nothing but Google and gut instinct. A good enrollment meeting covers:

- The basics of participation—eligibility, enrollment deadlines, contribution elections.
- The employer match (if any)—because free money is the best motivator.

- Investment basics—not a graduate-level course in finance, but enough to explain risk, diversification, and target-date funds.

- How to get help—where to go when they have questions after the meeting ends.

And here's the kicker: you can't just do one at plan launch and call it a day. People change jobs, new hires come in, life circumstances shift. Annual or even semi-an-



ment lineup, participants deserve to know:

- Why the change is happening—fees, performance, or fund consolidation.
 - What their options are—mapping old funds into new ones doesn't mean participants shouldn't have a say.
 - When the change will take effect—so they can rebalance or move money if they want.
- Anything less is negligence. And

nual education meetings aren't a luxury—they're a fiduciary best practice.

Why Sponsors Should Seek Employee Input

Here's a radical idea: ask employees what they want from their 401(k) plan. Too often, plan design decisions are made in a vacuum, by HR, by finance, or by whoever signs the plan documents. But if the plan is for employees, shouldn't they have a voice? I'm not suggesting you hand over fiduciary control to employees. But surveys, town halls, or even informal feedback sessions can tell you a lot about what your workforce values. For example:

- Automatic enrollment: Employees may want the nudge.

- Roth contributions: Younger employees, in particular, value tax-free growth.

- Loan provisions: Some employees may rely on them in emergencies, while others see them as undermining retirement security.

- Investment options: While participants don't get to design the lineup, knowing whether they want ESG funds, more index funds, or simple target-date funds can guide sponsor decisions.

The point isn't to turn employees into investment committees. The point is to make sure the plan actually benefits the people it's supposed to serve.

Communication is Fiduciary Duty in Action

Let's be blunt: failing to communicate with participants isn't just bad practice, it's a potential fiduciary breach. ERISA requires sponsors to act prudently and in the best interests of participants. That doesn't only mean picking low-cost funds or hiring a competent recordkeeper. It means making sure participants understand the benefit. Think about it: what good is a diversified investment menu if participants don't know how to use it? What good is an employer match if employees don't know it exists? Fiduciary duty isn't abstract. It's real, and it's lived out in the



day-to-day experience of participants.

Lessons from the Bad Old Days

That third-party administrator I mentioned earlier didn't just fail participants; they failed their clients too. Plan sponsors were blindsided right along with participants, and many weren't happy about it. Saving a few basis points in fees doesn't justify the erosion of trust. The irony is that many sponsors don't even realize how much damage a lack of communication does until it's too late. Employees stop participating. They complain to HR. Worse, they sue. Communication is the cheapest insurance against participant dissatisfaction and potential litigation.

Making the Plan a Real Benefit

If we want to call a 401(k) an employee benefit, then sponsors need to treat it like one. That means:

1. Be transparent about changes. Never let employees find out about a new recordkeeper or a new fund lineup by accident.

2. Prioritize education. Enrollment meetings and ongoing education aren't optional. They're essential.

3. Solicit feedback. Employees don't run the plan, but their input matters.

4. Remember the fiduciary duty. Communication is part of prudence.

A well-run 401(k) plan helps employees

retire with dignity. A poorly run one is just window dressing. If your plan doesn't make employees feel valued and informed, you're missing the point.

Conclusion

My career taught me what happens when employers and providers forget that employees are the reason a 401(k) exists in the first place. I never hired an employee because I didn't want to become the kind of boss I once worked for—the kind who cut corners, ignored communication, and treated people like afterthoughts. Plan sponsors have a choice. They can run their plans in silence, hid-

ing behind compliance checklists and the bare minimum of disclosures. Or they can embrace the reality that a 401(k) plan is an employee benefit, and benefits only work if employees feel, and are, actually benefited. It isn't complicated. It's about respect. Respect for participants, respect for their futures, and respect for the trust they put in their employer when they enroll in the plan. After all, if the plan doesn't serve employees, then what exactly is it doing?

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