

Why Changing 401(k) Providers Is Harder Than It Should Be (and Still Worth Doing)

By Ary Rosenbaum, Esq.

Most plan sponsors don't wake up one morning eager to change their 401(k) provider. The retirement plan industry is quietly structured to discourage movement. Long relationships are framed as virtues. Familiarity is mistaken for safety. Disruption is painted as danger. Over time, sponsors absorb the idea that change itself is a risk, rather than recognizing that unchecked continuity can be far riskier. Fiduciary responsibility doesn't require constant motion, but it does require vigilance, and vigilance eventually demands reassessment. A plan that hasn't been meaningfully reviewed in years isn't stable. It's simply unexamined.

A Change Would Do You Good, Even If It's Uncomfortable

There's an uncomfortable amount of truth in A Change Would Do You Good by Sheryl Crow that applies directly to 401(k) plans. The song isn't about chaos or reinvention for its own sake. It's about recognizing when something familiar has quietly stopped serving its purpose. That's where many plan sponsors live. They aren't unhappy enough to move, but they aren't confident enough to say things are working either. Fiduciary duty doesn't reward comfort. It rewards judgment. When a sponsor senses that a provider relationship has gone stale and chooses not to act, that isn't stability. It's deferred responsibility, and deferred responsibility has a way of resurfacing later in far more painful ways.

Vendor Resistance Is Part of the Business Model

One of the reasons changing providers feels so difficult is that outgoing vendors rarely cooperate enthusiastically. Data is

delayed. Reports arrive incomplete. Historical records are treated as proprietary rather than plan assets. Sometimes the resistance is overt. More often, it's disguised as concern. Sponsors are warned about disruption, participant confusion, and operational risk. What goes unsaid is that provider transitions threaten revenue streams, and inconvenience has become a subtle but effective retention strategy. The harder it feels to leave, the less likely sponsors are to try.

is understandable, but it's also manageable when a transition is planned deliberately and led by professionals who know where problems tend to hide and how to extract information without drama.

The Illusion That Doing Nothing Is Safer

Inertia is often mistaken for prudence. Sponsors convince themselves that staying put avoids mistakes, scrutiny, and risk. But inaction is not a neutral fiduciary position. Courts don't reward loyalty to underperforming providers. Regulators don't excuse outdated practices because relationships are long-standing. A plan that hasn't been competitively reviewed in years is exposed, even if nothing has gone visibly wrong. Fiduciary duty is measured by process, not intentions, and a refusal to ever consider change undermines the credibility of that process.

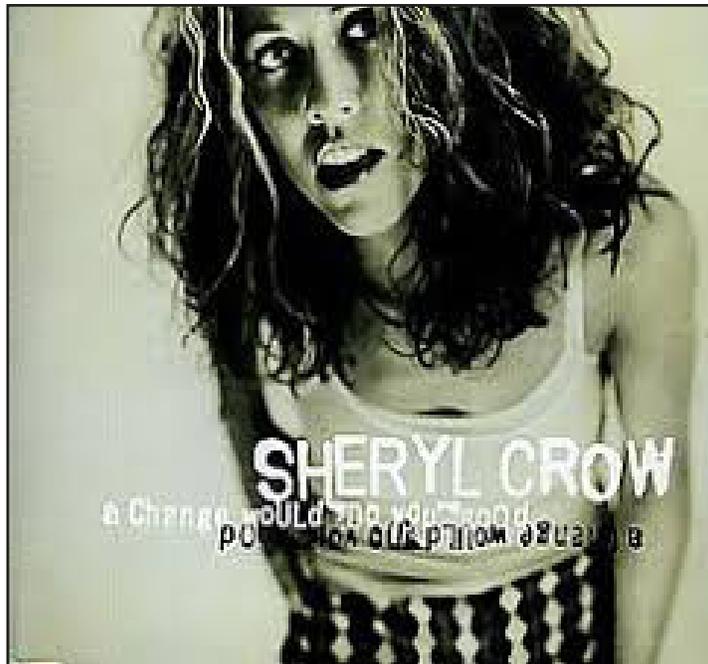
Why Transitions Go Bad

When provider changes fail, it's rarely because change itself was a mistake. It's because the transition wasn't treated like the fiduciary project it is. Timelines are rushed. Internal payroll teams are looped in too late. Responsibilities are unclear.

Sponsors assume vendors will handle details that no one is actually owning. These failures reinforce the myth that transitions are inherently chaotic, when the real problem is poor planning and unrealistic expectations. A transition isn't just moving accounts; it's moving governance, responsibility, and institutional knowledge.

Participants Are Not as Fragile as Sponsors Assume

One of the most persistent fears sponsors have is participant reaction. Sponsors imag-



When Your Own Plan Data Feels Out of Reach

Sponsors are often stunned by how hard it is to retrieve information that legally belongs to the plan. Payroll histories, compliance testing, plan amendments, and participant data are essential to fiduciary oversight, yet are frequently guarded as if they were trade secrets. This creates a psychological barrier to change that goes beyond logistics. Sponsors fear that something important will be lost or misinterpreted during a transition. That fear

ine confusion, anger, and loss of trust. In reality, participants adapt quickly when communication is clear and timely. Most participants care about access, clarity, and functionality, not the logo on their statements. When a transition results in better tools, clearer reporting, or lower fees, participants notice. The absence of noise after a transition isn't proof that the change was unnecessary. It's proof that it worked. Silence, in this case, is success.

The Cost of Staying Too Long

Every year a sponsor delays reevaluating providers is a year of potentially excessive fees, outdated plan design, or weak governance support. These costs don't always show up on a balance sheet, but they compound quietly. Missed opportunities for plan redesign. Operational shortcuts that become habits. Documentation practices that never quite get fixed. Over time, a plan that never changes becomes fragile, even if it appears stable on the surface. The most dangerous problems are often the ones that have been tolerated the longest.

Switching Providers Is a Fiduciary Exercise, Not a Consumer Choice

Too many sponsors approach provider changes the way they'd approach switching vendors in any other business context. That mindset misses the point. A provider transition should start with an honest assessment of what the plan needs now, not what it needed a decade ago. Workforce demographics shift. Compensation structures evolve. Regulatory expectations increase. A provider that once fit perfectly may no longer be equipped to support the plan properly. Recognizing that reality isn't disloyalty. It's fiduciary awareness in action.

Good Providers Don't Fear Being Replaced

The providers most threatened by change tend to warn against it the loudest. Competent advisors, TPAs, and recordkeepers understand that transitions are part of a healthy plan lifecycle. They don't



promise that conversions will be painless, but they plan for complications instead of denying them. They view transitions as opportunities to clean up years of accumulated issues, not just move data from one system to another. Confidence shows in preparation, not resistance.

The Emotional Weight of “We’ve Always Used Them”

There's an emotional dimension to provider loyalty that sponsors rarely acknowledge. No one wants to offend a long-time contact or admit that something could have been better. Confrontation is uncomfortable, especially when relationships have been friendly and familiar. But fiduciary duty isn't about preserving relationships at the expense of participants. It's about acting in their best interest. Sometimes that means accepting that a relationship has run its course, even if it once made sense and served the plan well.

What Sponsors Say After a Successful Transition

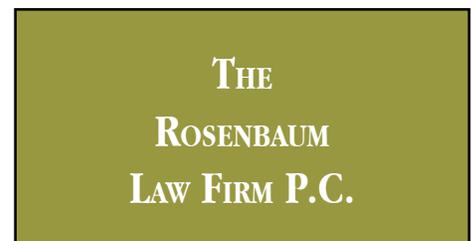
After a well-executed provider change, sponsors almost always say the same thing: they wish they had done it sooner. The feared chaos never materializes. Participants adjust. Processes improve. Governance becomes clearer. Change doesn't create new problems; it exposes and resolves old ones that were being tolerated out of habit. Oversight becomes easier, not harder, and confidence replaces anxiety. That relief alone is often worth the effort.

Why It's Still Worth Doing

Changing 401(k) providers is difficult because the industry benefits when sponsors stay still. It's difficult because fear is easier than evaluation. It's difficult because change forces accountability. But it's still worth doing. A plan that evolves is a plan that's being monitored. A sponsor willing to reassess relationships is a sponsor taking fiduciary responsibility seriously. Movement, when thoughtful, is a sign of strength, not instability.

Closing Thoughts: Change Isn't Reckless

The plans that get sponsors into trouble are rarely the ones that changed too often. They're the ones that didn't change at all. Stagnation disguises itself as safety in the retirement plan world. But when a sponsor realizes that a relationship is being maintained out of habit rather than value, that realization matters. Sometimes, to borrow from Sheryl Crow, a change really would do you good—and in a 401(k) plan, that change can be the clearest signal that fiduciary duty is being taken seriously.



Copyright, 2026. The Rosenbaum Law Firm P.C. All rights reserved.

Attorney Advertising. Prior results do not guarantee similar outcome.

The Rosenbaum Law Firm P.C.
734 Franklin Avenue, Suite 302
Garden City, New York 11530
(516) 594-1557

<http://www.therosenbaumlawfirm.com>