

Your 401(k) Isn't a Hedge Fund, So Stop Designing It Like One

By Ary Rosenbaum, Esq.

There's a line often attributed to Steve Jobs that gets repeated so often it risks losing its bite: simplicity is the ultimate sophistication. I'll translate that into something this industry might actually understand, simplicity is the ultimate simplification. It's not about dumbing things down; it's about stripping away what doesn't matter so people can focus on what does. In the 401(k) world, we've somehow managed to take that idea and run in the exact opposite direction.

The Apple IIe and Why This Matters

I've loved the Apple IIe since the first time I sat in front of one. It didn't feel like work to use it. It didn't make you feel like you needed a manual, a consultant, and a stiff drink just to get started. That's always been the genius of Apple—they build things for actual human beings, not for engineers trying to impress other engineers. The product works the way people think, not the other way around. That's a lesson retirement plans keep ignoring.

Participants Are Living Their Lives, Not Studying Markets

Plan participants are not sitting around at night analyzing fund fact sheets. They're working long hours, dealing with family obligations, and trying to keep everything else in their lives from falling apart. They contribute to their 401(k) because they know they should, not be-

cause they have a burning desire to become amateur portfolio managers. When we design plans, we need to remember who we're designing for, because right now too many plans look like they were built for an audience that doesn't exist.

When Choice Becomes the Problem

There is this persistent belief that more choice equals better outcomes. It sounds

response is a winning retirement strategy.

You're Not Running a Buffet

Plan sponsors need to hear this, even if it's uncomfortable: you are not running a buffet. Your job isn't to offer every possible investment option so nobody complains that something is missing. Your job is to curate a lineup that helps participants succeed. That means making decisions, exercising judgment, and, most importantly, saying no. Every extra fund you add may feel harmless, but it increases complexity and chips away at clarity.

The Illusion of Control

The industry loves to talk about giving participants control, but most participants don't want control in the way we define it. They don't want to pick between five versions of essentially the same fund. They don't want to rebalance portfolios or monitor performance relative to benchmarks. What they want is confidence that if they save consistently, the plan will do

its job. More options don't give them that confidence; they take it away.

Defaults Drive Everything

If there's one truth in this business that should be tattooed on every plan document, it's this: defaults drive outcomes. Most participants end up exactly where the plan puts



logical, it photographs well in a sales pitch, and it gives committees the illusion that they're doing something meaningful. In reality, too much choice creates confusion. Participants don't feel empowered when they see thirty or forty funds; they feel overwhelmed. When people are overwhelmed, they either freeze or guess, and neither



them. That's not a criticism; it's reality. If your default investment is strong, you've already done most of the heavy lifting. If it's weak or confusing, no amount of additional options is going to fix that problem.

Target Date Funds: The Closest Thing to Getting It Right

Target date funds aren't perfect, but they represent the closest thing we have to a simple, usable solution. They take the complexity of investing and package it into something participants can actually understand. You pick a year, and the fund does the rest. That's the kind of design that respects how people actually behave. Unfortunately, even here we sometimes can't help ourselves, offering multiple target date suites and turning a simple concept into another decision point that participants don't need.

You Can't Educate Your Way Out of Bad Design

Whenever simplicity comes up, someone inevitably says we just need more education. More meetings, more materials, more explanations. Education is important, but it's not a cure for complexity. If your plan requires a seminar to understand, the problem isn't the participants—it's the plan. Good design reduces the need for explanation,

while bad design creates a dependency on it.

Complexity Is a Fiduciary Risk

This isn't just about making things easier for participants; it's about fulfilling fiduciary responsibility. When participants are confused, they make mistakes. When they make mistakes, their outcomes suffer. When outcomes suffer, questions get asked. A complicated plan isn't just inconvenient—it's risky. Simplicity, on the other hand, is defensible because it shows an intent to help participants make better decisions.

Less Really Is More

"Less is more" might sound like a cliché, but in this context it's simply the truth. A streamlined lineup with clear options will outperform a bloated menu every time because participants can actually use it. The goal isn't to showcase every possible investment strategy; it's to create a system that works for the people relying on it.

Bringing It Full Circle

The lesson from the Apple II still holds up today. The best products don't show off how complicated they are; they hide the complexity so the user can focus on what matters. Retirement plans should follow that same philosophy. Participants

are doing their part by saving and trusting the system. Plan sponsors need to do theirs by making that system as simple and effective as possible. At the end of the day, your 401(k) isn't a hedge fund and your participants aren't professional investors. If the plan is complicated, it's not sophisticated—it's broken. Simplicity isn't a shortcut. It's the whole point.

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