

Culture Is the Plan: Why Your 401(k) Doesn't Fail by Accident

By Ary Rosenbaum, Esq.

I've worked for TPAs that treated deadlines like suggestions. I've worked at a law firm where process was whatever the loudest partner said it was that day. I even served as a vice president of a Long Island synagogue where good people were stuck in a culture that resisted change until problems became unavoidable. Different settings, same issue: culture that paralyzes action. If you think your 401(k) plan is somehow immune to that, it's not. A plan doesn't fail because the market dropped or participants made bad investment choices. It fails because the organization tolerates a culture that mismanages it. A 401(k) plan is not a set-it-and-forget-it product. It's an ongoing operational system. And like any system, it reflects the discipline—or lack of discipline, of the people running it. If your culture is reactive, disorganized, or unwilling to confront problems, your plan will mirror that. Culture shows up in late deposits, missed notices, sloppy eligibility tracking, and committees that meet only when something breaks. You don't fix that with a new provider or a prettier investment lineup. You fix it by changing behavior.

Normalized Dysfunction Is the Real Risk

The most dangerous plans aren't the ones that fail spectacularly. They're the ones that fail quietly over time. Late remittances get brushed off as "timing issues." Eligibility mistakes get fixed after the fact without asking why they happened. Notices go out late and no one follows up. Over time, the organization stops seeing these as errors and starts seeing them as routine. That's when you're in trouble. When dysfunction becomes normal, accountability disappears. Everyone assumes someone else is handling it. Payroll thinks HR is watching eligibility. HR

assumes the TPA is monitoring it. The TPA assumes the data is clean. Meanwhile, the plan drifts further away from compliance. Culture is defined by what gets tolerated. If errors don't lead to process changes, if vendors aren't challenged, if leadership doesn't demand answers, then the organization has already decided, without saying it out loud, that compliance is optional. And that decision always comes due.

Process Beats Personality Every Time

Bad cultures rely on individuals. Good cultures rely on systems. If your plan depends on one person who "knows how ev-



erything works," you don't have a process, you have a vulnerability. People leave. People get overwhelmed. People make mistakes. Resetting culture means building processes that don't rely on memory or heroics. Eligibility tracking should be documented and automated where possible. Payroll integration should be tested and validated, not patched together. Contribution timing should be built into workflow, not left to chance. The goal is consistency. You don't want a plan that works because someone is paying atten-

tion this week. You want a plan that works because the system makes it hard to fail. That's what process does. It removes variability and replaces it with discipline.

Ownership Is the Missing Piece

One of the biggest problems in poorly run plans is the absence of true ownership. There's a committee, there are vendors, there are internal teams, but no one is clearly accountable for making sure everything actually works. Ownership isn't about titles. It's about responsibility. Someone needs to be accountable for monitoring deposits. Someone needs to ensure eligibility is tracked correctly. Someone needs to oversee the audit process. And when something goes wrong, there needs to be clarity about who is responsible for fixing it. If the answer to "who owns this?" is "we all do," then no one does. And that's how problems persist. A cultural reset requires defining roles in a way that leaves no ambiguity. Accountability drives behavior, and behavior drives outcomes.

Your Vendors Reflect Your Culture

It's easy to blame vendors when things go wrong. Sometimes that's fair. But more often than not, vendors behave the way you allow them to behave. If you accept missed deadlines, vague explanations, and inconsistent service, that's what you'll keep getting. A strong culture doesn't outsource responsibility. It manages it. That means setting clear expectations, monitoring performance, and addressing issues directly. If your TPA misses a testing deadline, there should be follow-up. If your recordkeeper's payroll feed is consistently off, that's a problem to be solved, not ignored. Vendor management is an extension of your internal culture. If you're passive internally,

you'll be passive externally. And that passivity will cost you.

Committees That Actually Govern

Too many plan committees exist in name only. They meet quarterly, review a few reports, and move on. That's not governance, it's routine. A functioning committee is engaged, informed, and willing to challenge what it sees. A cultural reset means changing how committees operate. Meetings should focus on real issues: operational errors, audit findings, vendor performance, and participant outcomes. Minutes should reflect decisions and action items, not just attendance. And those action items should be tracked. Most importantly, committees need to ask better questions. Why are we seeing repeated errors? What's causing delays in contributions? Are our vendors meeting expectations? If those questions aren't being asked, the committee isn't doing its job.

Data Integrity Is Non-Negotiable

Every plan runs on data. And bad data leads to bad outcomes. Yet many organizations treat data as an afterthought. Payroll codes don't align with plan definitions. Census data is incomplete. Feeds between systems are inconsistent. A strong culture treats data as critical infrastructure. It invests in getting it right upfront. Payroll and HR systems should be aligned. Data should be validated regularly. Discrepancies should be investigated, not ignored. Most operational failures can be traced back to data issues. Fix the data, and you prevent the problem. Ignore it, and you'll be correcting errors forever.

Training Is a Control, Not a Luxury

Another hallmark of poor culture is the assumption that people understand the plan. They don't. Staff changes, roles evolve, and institutional knowledge fades. Without training, mistakes are inevitable. A disciplined organization trains continuously. Committee members understand their fiduciary responsibilities. Payroll staff knows how timing affects compliance. HR understands eligibility and notice requirements. Training isn't optional. It's part of the control environment. And without it, you're relying on luck instead of process.



From Reactive to Proactive

Organizations with weak culture are always reacting. There's always a new issue, a new deadline, a new problem. They're constantly putting out fires and mistaking that activity for effectiveness. A reset shifts the focus to prevention. Instead of asking how to fix errors, the organization asks why they happened in the first place. Patterns are identified. Processes are adjusted. Controls are strengthened. Prevention doesn't get the same attention as crisis management, but it's what actually works. Over time, it reduces errors and builds confidence in the system.

Leadership Drives the Reset

Culture doesn't change on its own. It changes when leadership decides it has to. If leadership treats the 401(k) plan as an afterthought, the rest of the organization will follow. A true reset starts with leadership acknowledging the problem and committing to change. That means setting expectations for accountability and performance. It means investing in resources where needed. And it means holding people responsible when standards aren't met. Without leadership, culture doesn't change. It just continues.

The Cost of Ignoring Culture

There's a real cost to poor culture. Correction programs aren't free. Audits take time and money. Penalties and legal exposure are real risks. But the bigger cost is trust. Participants expect their retirement savings to be handled correctly. When mistakes happen, that trust erodes. Employees notice. And in an environment where fiduciary responsibility is under scrutiny, that loss of trust can have serious consequences. Ig-

norning culture isn't neutral. It's a decision to accept those risks.

Resetting the Plan by Resetting Behavior

Fixing a plan starts with fixing behavior. That means assessing where things are breaking down and addressing the root causes. It means building processes that create consistency. It means defining ownership and enforcing accountability. It also means being honest about what isn't working. Culture doesn't change with surface-level fixes. It changes when organizations are willing to confront uncomfortable truths and

act on them. The steps aren't complicated, but they require commitment. And without that commitment, nothing changes.

You Get the Plan Your Culture Produces

At the end of the day, a 401(k) plan is a reflection of the organization behind it. If the culture is disciplined, the plan will be too. If the culture is disorganized and reactive, the plan will reflect that. I've seen what bad culture does. It turns manageable issues into ongoing problems. It convinces organizations that dysfunction is normal. And it creates risk that could have been avoided. The good news is that culture can be reset. But it requires effort, clarity, and accountability. Because in the end, you don't get the plan you want—you get the plan your culture produces.

THE
ROSENBAUM
LAW FIRM P.C.

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>