

SMART BIZ

Small Business 401(k)s Meet the Internet

by Stephan Roche

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Here's a question on nearly every worker's mind: "How can I retire when I want and still maintain my current lifestyle?" It's a terrific question, and one that is particularly pertinent for small businesses and their employees

Today, too many small businesses don't offer a 401(k) plan because simple-to-use, cost-effective plans are unavailable. New on-demand, internet-based technology is quickly making this a problem of the past.

Small businesses in the United States employ more than 40 million Americans. These workers have an enormous impact on our economy. Yet, providers of retirement plans have consistently ignored this market because of the high cost of serving them. In fact, providers of 401(k)s, the most powerful and preferred retirement solution, have sold just 270,000 plans into a market with 11.6 million businesses.

Small businesses appreciate the importance of offering a 401(k) program to their employees. They want it. Most business owners want to help provide a secure financial future for their employees. They also understand a good 401(k) is a powerful competitive advantage in recruiting and retaining employees. Of course, the owner can build their own personal retirement nest egg by taking advantage of tax-deferred 401(k) savings.

The problems for small business are that most 401K offerings available to them are not cost-effective and are far too complex to administer. Small business owners wear multiple hats and simply do not have sufficient time to devote to buying a complicated financial product.

Get ready, though, for a new era has already begun. Though not widely recognized, it is now possible to leverage on-demand technology to dramatically simplify the set-up and administration process of 401(k) plans. As a side benefit, these new technologies also strip away many of the unnecessary expenses of traditional 401(k) plans.

By enabling small business to easily self-serve and manage a 401(k) program, small businesses finally gain access to powerful retirement savings products that large businesses enjoy.

Just a decade ago, the retail brokerage market faced a similar plight in efforts to serve small investors. High costs and overly complex products tended to exclude them from the market. Internet-based trading was introduced. It dramatically lowered the costs and provided entry for first-time and small investors.

A variety of companies leveled the playing field for small investors with low-cost, simple and accessible investing services. With no account fees or minimums and low investing commissions, the small investor gained access to previously unavailable investing opportunities.

Similarly, the new on-demand, internet-based 401(k) plans offer the small business owner major advantages:

Low Cost: Major cost reductions come from eliminating many of the traditional players involved in selling and managing a 401(k) plan.

Ease of use: Rather than working with expensive in-person plan representatives, small business owners can now use simple online tools that walk them through every step of the process. In most cases, a personal representative is just a chat session or toll-free telephone call away.

Information: At their fingertips, the 401(k) sites provide a wealth of information about plans. Several providers even offer online tools that help the small business owner select the perfect 401(k) by asking a few, simple questions.

Easier Management: On-demand, Internet-based 401(k) platforms greatly simplify ongoing administration. A plan can be managed 24 hours a day, and worked around time-pressed schedules.

Education: As with most traditional 401(k) plans, participants can view and manage their accounts online.

With these online tools available, small business owners no longer need to provide any investment education and support. For employees with limited or no Internet access, online 401(k)s also provide offline enrollment and account tools. Of course, personal attention can usually be accessed via a toll-free number.

Simply building a low-cost 401(k) platform would not make much sense if innovative new features were not incorporated. Online 401(k) sites provide low cost index fund investments, automatic enrollment, portfolio rebalancing, automatic IRA rollover and other state-of-the-art 401(k) features.

All of these new tools give participants a greater chance at achieving their retirement savings goals. Now the question on workers' minds should no longer be focus on when they can retire. Instead, the new question becomes: "Where should I retire to?" Of course, wherever they retire, the on-demand, Internet-based 401(k) plan can be easily managed to provide retirement income.

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Stephan Roche's latest task has been the launch of the company's newest product, the ShareBuilder 401(k). Post launch, he is responsible for the implementation of the 401(k) sales strategy. In addition, he oversees partner management, business development, and new account generation.

Prior to his work with ShareBuilder, Stephan was a senior manager at Bain & Company, Inc., a global strategic management consulting firm, where he led consulting teams on business development, marketing, and operations for Fortune 500 and middle market companies. Stephan's experience stems from 13 years of driving growth strategies and major marketing and business development initiatives for high-profile companies.

Stephan graduated cum laude from Princeton University and was a recipient of the prestigious Willard Thorp Thesis Prize. Stephan received his MBA from Harvard Business School.