Why Your 401(k) Plan Needs a Financial Advisor

➤ Morgan Stanley Smith Barney:
Helping You Navigate Your Responsibilities
When you select a Morgan Stanley Smith Barney Financial Advisor, you are partnering with one of the world’s leading financial institutions with the experience and resources you require.

Sponsoring a 401(k) plan is more than just time consuming and complicated, it also places legal responsibilities on you as the plan’s fiduciary. Given the expertise and specialization necessary to manage your plan, the first and most important question you should consider is whether you need the assistance of a professional. In fact, many plan sponsors like you choose to employ the services of an experienced Financial Advisor.
When you sponsor a 401(k) plan, you are providing your employees with an opportunity to save for a secure retirement. You are also enhancing your ability to retain your current employees and making your company more attractive to prospective ones. However, if you’re like many plan sponsors, the prospect of overseeing a plan and the responsibilities that come along with it may seem overwhelming.

Morgan Stanley Smith Barney has the resources to help address your concerns in a way that makes managing your 401(k) plan easier—so that you can focus on running your business.
For Evaluating and Selecting an Appropriate Provider

Whether you are thinking of adopting a retirement plan for your business or considering alternatives to your current provider, it is important that you choose a provider that can deliver the best service to your plan. There are hundreds of potential providers willing to administer your plan, but your company has its own set of needs. Without the guidance of an experienced Financial Advisor, evaluating and selecting the appropriate provider for your business can be confusing and time consuming.

Your Financial Advisor can offer valuable professional guidance by evaluating your situation and helping you:

- **Uncover** and assess your needs
- **Identify** potential providers to meet your needs
- **Seek** out and then evaluate proposals
- **Understand** fees and expenses
For Help With Selecting and Monitoring Investments

One of the most common reasons plan sponsors seek help from an advisor is the requirement under the Employee Retirement Income Security Act, or ERISA, to prudently select and monitor 401(k) plan investments. The motivation is simple: When you don’t have professional experience, choosing an appropriate menu of investments is challenging.

How do you objectively select investments that best meet the needs of your employees? How do you continually monitor the funds to make sure that they remain appropriate? Are the fund expenses reasonable? These issues, especially in today’s evolving regulatory environment, can be an overwhelming burden to 401(k) plan sponsors.

Under ERISA’s “prudent-person rule,” a plan fiduciary that is not qualified to make informed investment decisions must seek expert assistance. Most plan sponsors do not have the time to find the right provider or investments.

Your Financial Advisor has the tools and resources to help you make the right investment decisions for your plan by:

- **Assisting** you in establishing an investment policy statement
- **Working** with you to analyze investment options
- **Helping** you to establish a framework for monitoring investments, including the review of performance and expenses
For Improving Plan Participation

Studies have shown that high participation rates continue to be one of the most significant measures of a plan’s success. Now more than ever, participants are looking for assistance in reaching their financial goals. A strong participant-education program can dramatically affect participation rates. At the same time, it can increase deferral rates and enhance the diversification of participant accounts—two other important measures of a plan’s success.

Plan sponsors who work with a Financial Advisor receive personalized guidance in achieving higher participation and deferral rates, whether it is through a stronger education program or by implementing new plan-design features, such as automatic enrollment.

Your Financial Advisor can help you improve participation and increase your plan’s overall success by:

- Conducting enrollment meetings
- Providing investment education
- Suggesting potential plan-design enhancements
- Measuring results

When you work with a Morgan Stanley Smith Barney Financial Advisor, your plan will receive the specialized attention it deserves.

1 Hewitt, Trends and Experience in 401(k) Plans, 2007
For Ongoing Plan Management

Maintenance of your company's 401(k) plan is difficult enough, with many specialized tasks, including the ongoing monitoring of the plan provider, ensuring that the plan remains up to date given industry developments, reviewing fees to ensure that they remain reasonable and, of course, dealing with the unexpected issues that may arise. There is also the constantly changing 401(k) landscape, which makes it even more difficult to manage these responsibilities. In recent years, new legislation with ever-more-complex rules has been passed, provider platforms have been enhanced with more features and the range of investment and pricing options available has been expanded. For example, the Pension Protection Act of 2006 gave 401(k) plan sponsors the opportunity to make significant plan enhancements. These changes have created opportunities for you to update your plan.

This dynamic 401(k) landscape makes it essential for plan sponsors to work with an advisor who specializes in this marketplace.

Your Financial Advisor can help you understand the impact of industry developments on your plan, as well as ensure that your plan provider continues to meet your needs by:

- Periodically reviewing plan services, features and expenses
- Helping to resolve day-to-day issues
- Suggesting potential plan enhancements consistent with legislative changes and industry trends
ERISA’s fiduciary standard of conduct is “the highest known to the law.”

For Fiduciary Support

In today’s regulatory environment, managing fiduciary responsibility is no easy task. In fact, a fiduciary’s responsibilities under the rules of ERISA are recognized as the “highest known to the law.” As a plan sponsor, how will you demonstrate that you have fulfilled your legal obligation?

Most plan sponsors feel overwhelmed in trying to manage their fiduciary obligations under ERISA. These important obligations are why many plan sponsors seek the assistance of a Financial Advisor.

Your Financial Advisor can provide you with the resources to help you understand and manage your fiduciary responsibilities—and ultimately demonstrate that you followed a prudent process in fulfilling them. Your Financial Advisor can:

- Help you establish and maintain an audit file
- Educate you on your fiduciary responsibilities
- Keep you informed of industry trends and other developments, as well as the potential impact to your plan

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2 Donovan v. Bierwirth, 680 F.2d 263, 272 n.8 (2d Cir. 1982)
Put the experience and resources of a Morgan Stanley Smith Barney Financial Advisor to work for you.
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