Do you know if your company's 401(k) lineup checks out?

When was the last time you reviewed the fund lineup in your company's 401(k) plan? Making sure your plan has high quality funds can make a huge difference in your retirement savings. But how do you know if your fund lineup is optimized? Utilize our checklist below to assess your plan's fund lineup.

Use this checklist to quickly audit your fund lineup.

- [ ] **1. Do you have no more than one fund in the same category?**
Funds from the same Morningstar category are similar by design, which could confuse participants. It's best to limit the number of similar funds per category so nobody gets frustrated trying to figure out which fund to select.

- [ ] **2. Do you have fewer than 30 funds in your fund lineup?**
The more funds you have in your lineup, the more research it requires from participants, which could prolong their investment decisions and make choosing more difficult. Having more than 30 funds in your lineup is generally considered too many.

- [ ] **3. Do you have a good balance of risk and return?**
A diversified fund lineup can help limit the impact of a head winds or a downturn in a particular part of the market. To understand if you have a good balance, check to see if your plan includes the following types of funds:
    1. A growth fund
    2. A value fund
    3. Bond funds
    4. A capital preservation fund
    5. An international equity fund

- [ ] **4. Are you limiting the number of specialized or niche categories such as sector funds, alternatives, and commodities?**
Offering too many specialized or niche options could open up your participants to a lot of risk—with very serious ramifications if a bubble bursts or one small segment of the market underperforms.

- [ ] **5. Are you using "clean" share classes with all your funds?**
Always look for funds without loads and 12b-1 fees. Share classes that aren't "clean" have payments going to a third party (like a financial advisor), which can lead to conflicts of interest and muddies up the understanding of who is getting paid for what services.

- [ ] **6. Are your funds performing consistently over time?**
It's important to review your returns over multiple time periods. Look at risk and returns over one year, three years, five years, and ten years to get an accurate picture. Creating a fund lineup with consistently high-performing funds is crucial to long-term success.

FUND LINEUP CHECKLIST

☐ **7. Do you know how your funds perform compared to similar funds?**
Returns need to be evaluated in context to understand their efficacy. A fund's return rate may seem great on its own, but it can lose its luster when compared to better performance of similar funds.

☐ **8. Are your net expense ratio scores lower than the average?**
A lower rate is better—just make sure it's low enough. You should question any fund with expense ratios that are higher than similar funds.

☐ **9. Do you review funds holistically vs. just focusing on returns?**
Successful funds are about more than just returns. You should also evaluate the asset class, investment style of the underlying holdings, how long the manager has managed the funds, the number of fees, and overall risk.

☐ **10. Are you offering a diversified fund lineup?**
Market leadership changes over time, no one type of fund outperforms forever. Putting all your money in the best performing fund category can be dangerous. It's important to diversify and offer a fund lineup with multiple investment options.

Want help optimizing your plan?

Request a free copy of your personalized report today and see if your funds are maximized for investment performance.

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