Frequently Asked Questions

How does Capital Strategies make investment choices for its portfolios?
There are literally thousands of fund choices out there. CSI chooses investment options based on your needs and our plan so you can have the best opportunities for portfolio growth.

What is my liability as a Plan Trustee?
As a Plan Trustee you are held to a standard well beyond the "Prudent Man Rule." Trustees are accountable to plan participants for managing the plan in a way that is effective and efficient. It is expected that they will be aware of the plan's performance history and seek ways to enhance its value. Trustees should be loyal, prudent, protective and personally attentive and accountable to the beneficiaries. Failure to fulfill any duty constitutes a breach of trust, which can carry significant penalties and personal liability. Liabilities include depreciation in the trust's value, profit made by the trustee, profits which would have accrued to the trust, and beneficiaries' attorney fees in pursuing the breach. In some instances, a trustee may be liable for the actions of his predecessor. For further information on this subject, view articles on trustees at www.cap-strat.com/Publications. The article, "Trustee Shoulders Myriad Duties and Liabilities," may be of special interest. For information on the Indiana Trust Code, visit www.state.in.us/legislative/ic/code/title30/ar4/ch2.html.

Can you describe the role of the Third Party Administrator (TPA)?
Most plans employ a third party firm as plan administrator to perform key accounting functions such as: Maintaining balances of participant accounts, providing reports to participants and trustee on monthly or quarterly basis, handling the paperwork on all distributions and loans. Administrators also perform the compliance testing.

Who pays plan administration fees?
According to a study commissioned by the Department of Labor Investment, management fees are 75 to 90 percent of the total fees charged to a plan and are typically borne by the plan participants. There are three main types of fees that nearly every 401(k) plan must pay: itemized fees, fees charged per participant, and asset-based fees charged as a percentage of the value of the plan's assets. For further information on this subject, view articles on 401(k) plans at www.cap-strat.com/Publications. The article, "More to your 401(k) plan than you know," may be of special interest.

How do plan participants find out about the true cost of their plan?
While some expenses are itemized and reported in plain site many are not. It is unusual to get an invoice for investment management. For example, many investment management fees are deducted from gross assets in the plan in calculating the net asset value, or market value, of your account. Not only did you never know what hit you, you didn't even know you were hit. For further information on this subject, view articles on trustees at www.cap-strat.com/Publications. The article, "More to your 401(k) plan than you know," may be of special interest.

What effect can a small swing in fund management fees and expenses have?
We're glad you asked that one because we think it is important for people to understand the ultimate impact that these seemingly small details can have. Consider this example: You make contributions of $100 every month into your 401(k) account. At an average, conservative, annual return of 8 percent and an expense ratio of 1.75 percent you'll have $47,598 at the end of 20 years. Not bad. But if you drop that expense ratio to .50 percent you'll have $55,373. How does $7,775 sound as a parting gift? . For further information on this subject, view articles on trustees at www.cap-strat.com/Publications. The article, "More to your 401(k) plan than you know," may be of special interest.

What's this I hear about Money Purchase Plans no longer being necessary?
Basically that is true. In June 2001 as part of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) the rules changed, increasing the limits for contributions to 25 percent of eligible payroll. Since many Money Purchase Plans are created as second accounts exclusively to provide participants with the ability to save at the maximum levels they are no longer needed. At this point, if you maintain 2 plans when one will do, you may well be paying too much for the administration of your retirement accounts. These unnecessary fees are also eating away at your bottom line. For more information about these rule changes view our ETGRRA Explanation document or call us today for an account review.