

Is your practice 401(k) ripping you off?

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Session Goals

1. Optimize your 401(k)
2. Understand and control costs
3. Set up for a great retirement!

Disclosures

I am licensed to drive a car and practice medicine. Verify with a financial pro before making any big changes

Acknowledgements- White Coat Investor,
Bogleheads

401 (k) basics

Common retirement plan with tax advantages

- name from IRS tax code change in 1978

- Traditional- reduces taxes today, will pay taxes in the future

- Roth- no deduction today, but tax free future

Matching

Safe Harbor / protects against top heavy problem

-Basic- 100% of the first 3% of compensation deferred and an additional 50% on the next 2% of compensation deferred (4% of compensation total).

Enhanced- 100% on the first 4% of comp deferred

Non-elective- 3% on total Comp

401(k)- a container for investments

- Lots of different investments

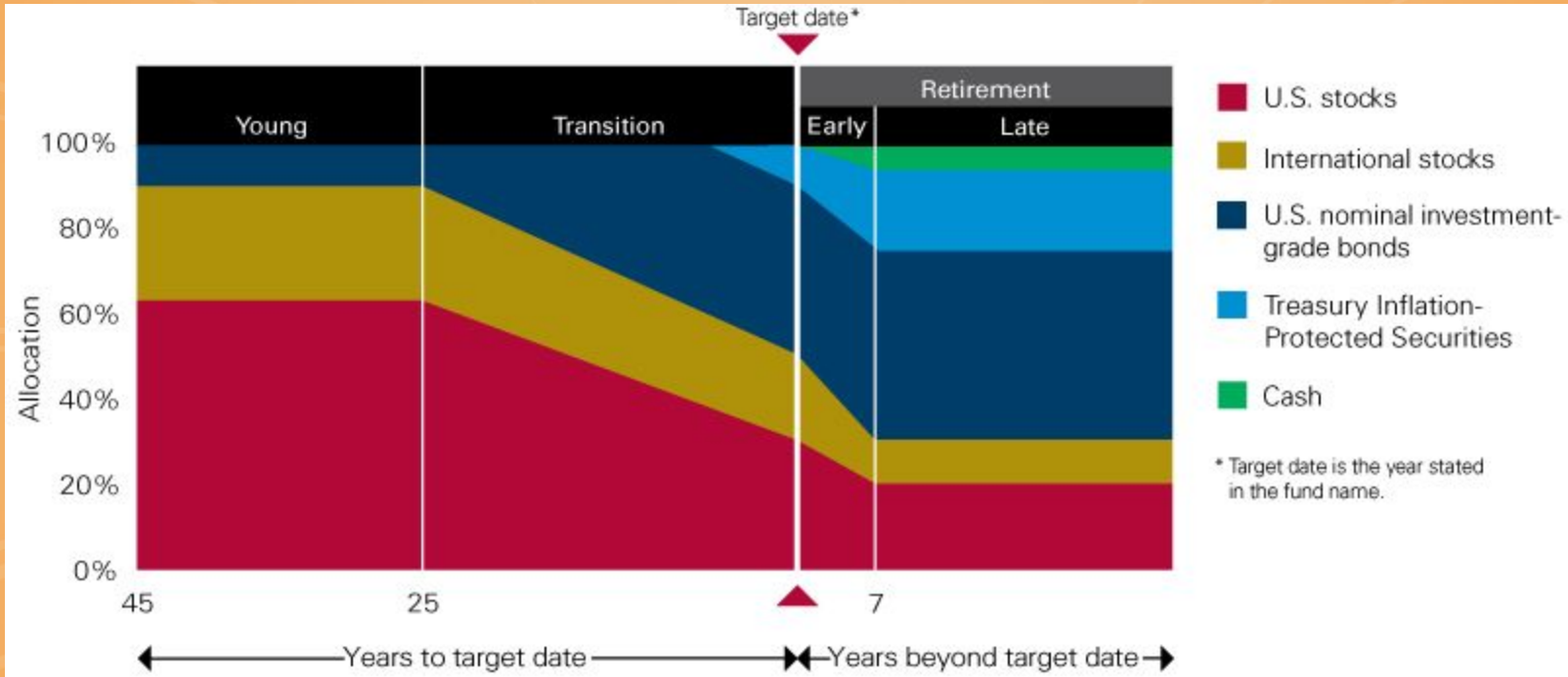
 - Target date fund

 - Stock fund

 - Bonds

 - Actively managed vs index funds

Target Date fund "set and forget" Vanguard



Compound interest

-ie, earning interest on interest, longer periods of time matter

In investing, you get what you don't pay for

<https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>

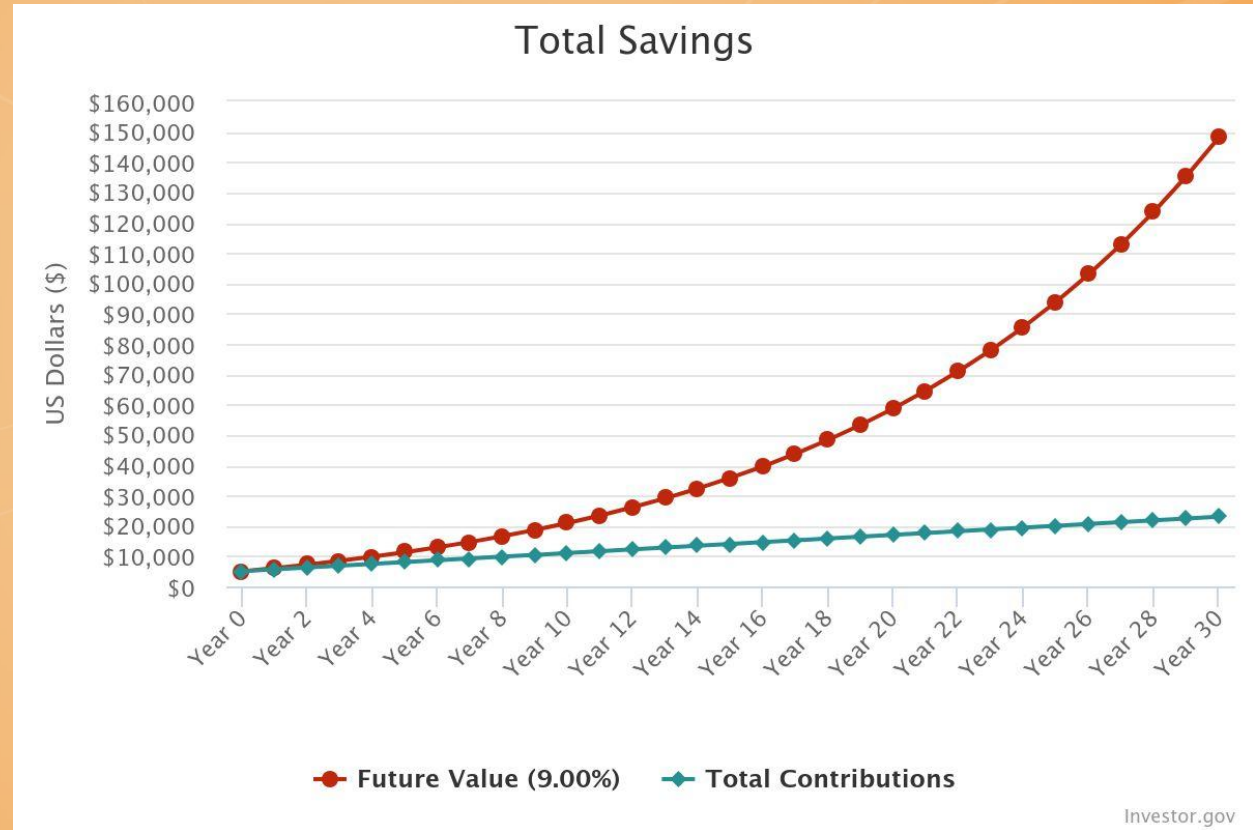
Initial=5000

50/mo

9%

30 yr

=148k



<https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>

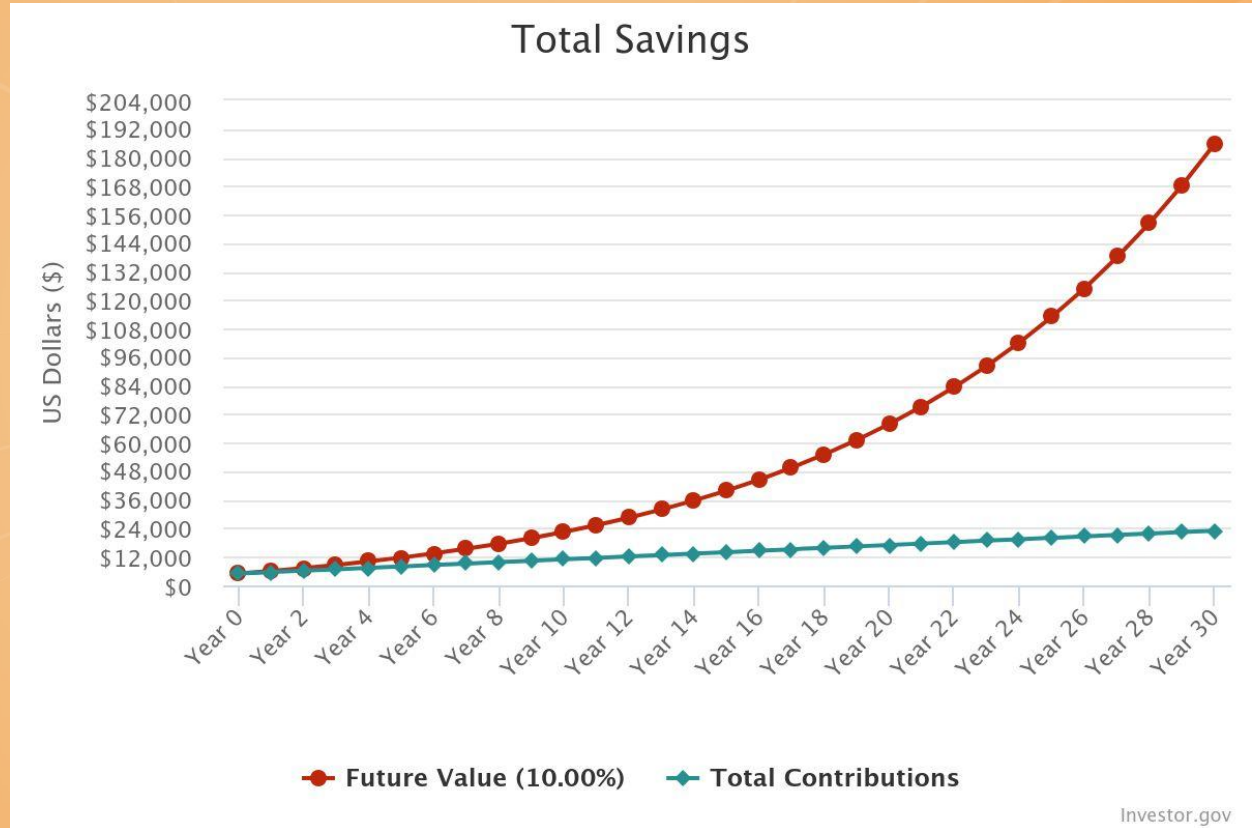
Initial=5000

50/mo

10%

30 yr

=185k



Investor.gov

Where are the 401(k) costs?

Investment cost (expense ratio, 12b-1 Marketing cost)

Administration Fees (recordkeeping, IRS reports)

Individual Service Fees (Loan fee, distribution fee)

Who are the players?

TPA- Third Party Administrator -Helps prepare plan documents, IRS compliance

Financial Advisor- Help pick funds/participant education 3(38) picks without sponsor vs 3(21) co fiducary

Recordkeeper- who owns what, manage trades

Doctors are trusting!

“Doc, don’t worry about it, the participants pay for the 401(k)”

Yes, and the doc/owner is a participant also

EXPENSE RATIO

YEAR TO DATE

1 YEAR

PERFORMANCE RETURNS

5 YEARS

TARGET DATEVanguard Target Retirement Income Fund 

0.08%

-0.15%

5.34%

3.45%

Vanguard Target Retirement 2020 Fund 

0.08%

0.37%

6.94%

4.71%

Vanguard Target Retirement 2025 Fund 

0.08%

0.98%

8.88%

5.51%

Vanguard Target Retirement 2030 Fund 

0.08%

1.44%

10.28%

6.22%

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Good practices I've read about

- Entry to 401(k) on date of hire (new resident doc)
- Participant cost **same or lower** as IRA cost -no 12b-1 fees

Target funds usually popular, make sure low cost

- Practice pays all fees outside of participant cost to maximize growth inside funds

Session Takeaways

1. Costs matter!
2. The lower the cost, the more you keep!
3. Compound interest is amazing!

References

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<https://www.whitecoatinvestor.com/401k/>

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[https://www.employeefiduciary.com/blog/bundled vs unbundled 401k providers](https://www.employeefiduciary.com/blog/bundled-vs-unbundled-401k-providers)

What Questions Do You Have?

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