

Big or small, 401(k)s now practical for all



Small businesses can offer big retirement benefits

By David Wight

LAST YEAR, SHAREBUILDER introduced Costco members to a cost-effective 401(k) plan designed for small businesses. Gone were the hidden broker and transaction fees frequently associated with 401(k) plans, replaced by a user-friendly, accessible online approach with an easy-to-comprehend fee structure and no mystery about what the plan actually costs employees and employers.

This service has been well received by the members who have enrolled. Here is what a few had to say about their experience with the program.

Company of one

Michael Lonnes is the sole proprietor of West Coast Propeller Inc., and designs, installs and maintains electrical and mechanical systems for yachts. He had already been won over by other Costco services—credit-card processing and check printing—so he was optimistic about ShareBuilder's unique 401(k) plan for a one-person company.

"I knew something like that was possible, but I wasn't sure if I could fully leverage the tax advantages the way I wanted to," Lonnes

recalls from his Redondo Beach, California, office. "ShareBuilder was very helpful by assuring me that what I wanted to achieve was possible with their plan."

This is a second career for Lonnes, an MBA and former partner in a large consulting firm. He is quite comfortable in a hands-on role for all his own tax and financial management,

and knew exactly what he wanted in a 401(k).

The ShareBuilder plan ultimately satisfied his major objectives, including meeting his tax benefit needs, providing good diversification, having a reasonable fee structure, being convertible should he take on employees and being easy to manage.

Lonnes also found having everything online a major selling point. "It's very easy to log on as the employee and get your statement, and not just the monthly statement. I don't care much about checking month-to-month, but I do like this feature for simply checking year-to-date performance."

Just as easy for more

For Lilly Hernandez Arce, it was time to move her family-owned and -operated business into having a 401(k) plan as a benefit. Founded by her parents in 1982, H & H Ornamental Iron is based in Palm Desert, California, and has six employees. Her mother is still active as president.

"I haven't had any retirement benefits in the 10 years I've worked here," says Arce. "So the timing was right when I picked up a brochure for the ShareBuilder program on one of my biweekly visits to Costco."

It was the ease of setting up a plan that made such a favorable impression on her.

"We had been dreading this, thinking that setting up a 401(k) plan was going to be a really major production," she says. "But it was so simple to set up with the assistance of ShareBuilder—they walked me through the whole process and made it very easy for me to understand each step. And now it's routine to log on and manage the plan when I do the payroll every week." □

401(k) myths versus reality

SHAREBUILDER recently commissioned a survey of small businesses that revealed many misperceptions about 401(k)s. Here's a debunking of the top five 401(k) myths.

Myth 1: Employer doesn't have enough employees for a plan.

Reality: One employee—a sole proprietor, for instance—is the minimum size. Should the number of employees change, it's easy to convert the plan to accommodate more participants.

Myth 2: Employer must offer matching funds.

Reality: Matches are at the discretion of each company and can be made when business is good and not when times are tough.

Myth 3: The plans are too hard for a small business to manage.

Reality: Small-business 401(k) plans take about 30 minutes to set up and provide easy self-serve features to employers and employees for checking or managing accounts 24/7.

Myth 4: The plans are too expensive for a small business to justify.

Reality: Business owners are usually surprised to learn that it costs only a fraction of what they expected to set up a plan. The potential tax credits and the impact of tax-deferred savings help the plan nearly pay for itself.

Myth 5: There's no urgency to start a plan—it can be done eventually.

Reality: The earlier retirement savings are started, the more savings can be accumulated.—DW

Connecting

To learn more about ShareBuilder 401(k) plans, go to costco.com and enter "401(k)" in the search box, or call toll-free 1-800-239-2152.

Survey source: ShareBuilder 2007 Small Business Annual Retirement Trends Survey. ShareBuilder does not represent that every consumer will have a similar experience. These stories should not be considered investment or tax advice, or a guarantee of future performance or success. Advisory services are provided by ShareBuilder Advisors, LLC, a registered investment advisor and a subsidiary of ING Bank, fsb. 401(k) plans are not FDIC insured or bank guaranteed, and may lose value.