

Retirement plan services

Alternatives to brokerage
account-only plans



Are your clients headed in the right direction?

A 401(k) plan where brokerage accounts are the sole investment option may appeal to plans with only business owners who want to work with a financial professional and select from a wide range of investment options. But this setup has a number of considerations, especially once the business has employees and is subject to the Employee Retirement Income Security Act (ERISA). The following provides information about how this arrangement compares to using a recordkeeping platform.

	Brokerage account-only plans	Plans on a recordkeeping platform
Investment access	<ul style="list-style-type: none">• Wide range of investment options including mutual funds and individual securities• Typically no default investment for participants who don't direct their contributions• No fiduciary oversight• May have multiple brokerage providers <p><i>Considerations:</i> There is significant uncertainty around fiduciary responsibilities in brokerage account arrangements. The Department of Labor (DOL) recently suggested fiduciary responsibility could apply to cryptocurrency and related products made available through brokerage accounts.</p>	<ul style="list-style-type: none">• Plan sponsor (or other plan fiduciary) selects a menu of diversified investments, subject to fiduciary oversight• Ability to set a default investment to help participants who don't direct their contributions• May have option to offer a brokerage window to provide broader investment access
Participation	<ul style="list-style-type: none">• Employees without their own financial professional are left to figure out how to enroll• Procedural hurdles with establishing brokerage accounts given the number of parties involved (e.g., brokerage, participant, sponsor)• Features like automatic enrollment typically not available <p><i>Considerations:</i> The lack of availability of automatic enrollment could be problematic, since most new 401(k) and 403(b) plans with more than 10 employees* must include automatic enrollment for plan years beginning in 2025.</p>	<ul style="list-style-type: none">• Employees typically have access to tools and features such as online enrollment and educational materials• Features like eligibility services and payroll integration (which may assist with automatic enrollment) are typically available
Compliance & administration	<ul style="list-style-type: none">• May raise nondiscrimination issues as participants may not have access to the same investments and share classes (e.g., retail, institutional, retirement)• Sponsor or administrator may need to collaborate with multiple providers to meet certain disclosure and reporting requirements (e.g., statements with "lifetime income" disclosures, Form 5500 to report plan information)	<ul style="list-style-type: none">• Participants have access to the same investments in the same mutual fund share class• Recordkeeper typically creates and/or assists with certain disclosure and reporting requirements (e.g., provides participant statements with "lifetime income" projections, Form 5500)

*Applies to plans established on or after December 29, 2022. Some exceptions apply.

Improving outcomes: Hypothetical case study

The challenge

Law firm Stevens & Garcia has a self-directed brokerage account-only 401(k). The plan works well for the firm's partners, like Michael, who prefers to direct his account with guidance from a financial professional with access to a wide range of investment options.



But other staff, like Vicki, are less familiar with investing basics. She isn't participating in the plan because she's not sure which brokerage to pick – so she's losing out on the employer match the firm offers.

The solution

Stevens & Garcia moved the plan to an institutional recordkeeper and selected an investment menu with a qualified default investment alternative (QDIA).



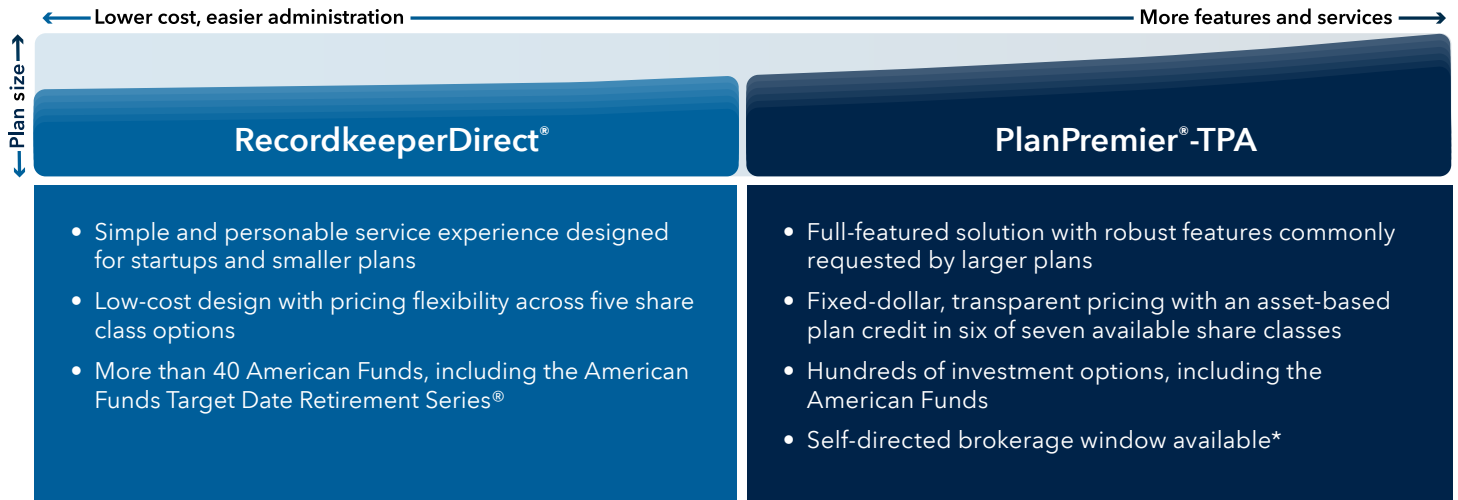
Online enrollment made it easy for Vicki to start saving – and earning an employer match. She's invested in the plan's QDIA, a target date fund, to help reach her goals.

And the recordkeeper offers a brokerage window, which the sponsor elected to offer, so Michael and the rest of the firm's partners can continue to access a wider range of options.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Find the right product for your clients

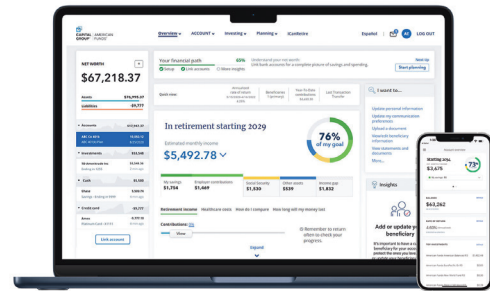
Capital Group, home of American Funds, offers two 401(k) solutions that can be tailored to fit any business and may be a better option for clients with brokerage window-only plans. Both solutions allow sponsors to work with the third-party administrator of their choice.



Better participant outcomes

Both of our 401(k) solutions are designed to promote better retirement outcomes for participants.

Automated options and a customized educational website help get employees enrolled quickly. A mobile app allows participants to manage their accounts on the go. And our interactive participant resources go far beyond an account balance to help employees effectively gauge their progress toward retirement.



Make switching easy

We make moving to a new platform easy for small businesses. First, a **dedicated Implementation Coordinator** will guide you and your client through the entire transition. Once the plan is onboarded, you and your clients can take advantage of a number of services to simplify administration:



Payroll integration with major providers



Ability to use fiduciary services provider of sponsor's choice



Automatic enrollment and eligibility tracking



Custom fee disclosure and other required notices



Give us a call at **(800) 421-9900** or visit **capitalgroup.com** for more information and to identify the right solution for your clients.

*Additional fees apply, including an annual fee per user which may be paid by the participant or plan sponsor.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

Although target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors' retirement goals will be met. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin taking withdrawals. Investment professionals continue to manage each portfolio for approximately 30 years after it reaches its target date.

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