

PAYING PLAN EXPENSES FROM THE RETIREMENT TRUST

ANY COSTS NOT CONSIDERED TO BE “SETTLOR FUNCTIONS” MAY BE
PAYED FROM THE TRUST AS A NECESSARY EXPENSE OF THE PLAN

THUS MOST START-UP COSTS, DOCUMENT CHARGES,
ONGOING ADMINISTRATION FEES, AND PLAN TERMINATION COSTS
MAY BE PROPERLY PAYED FROM THE TRUST

PROS

- Reduces the cost of plan sponsorship
- As the trust grows, fees should constitute a smaller percentage each year

CONS

- In a 401(k) plan, it could hinder plan enrollment
- During the early years, fees could dwindle a significant portion of the trust
- It can create hard feelings and suspicions among employees –
thus negating the perception of an employee benefit
- Plan administrator works for participants, not the employer – can be significant
- Fees should not be paid from forfeitures unless an IRS-approved document
specifically allows for it