

THE STAPPAS PERSPECTIVE

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PAYROLL HANDCUFFS – PART ONE OF TWO

In today's business environment "bundling" of product services is getting to be more and more common. The "selling point" is supposedly cost savings and increased efficiency. Unfortunately, such bundling is usually not cost effective nor does it improve efficiencies to the firm. It does; however, provide substantial benefits to the provider.

This issue of the STAPPAS PERSPECTIVE will focus of the bundling of 401k plans and future issues will discuss Medical insurance, and HR services being offered by the two large payroll service providers.

401K PLANS

ADP and Paychex provide 401k plans as part of their services; however, these are a "one size fits all" plan and just add unnecessary expenses and costs to the business owner.

These firms have become brokers that sell one 401k plan, there "own" and it is the only plan available to their payroll clients. Neither ADP nor Paychex meet with a business owner to discuss the owner's particular needs, requirements, employee profiles, goals, and the business owners particular tax concerns. They do not evaluate all the plans available to meet the needs of the business owner nor present comparisons of the various plans available.

The primary benefit of the 401k plans is to ADP or Paychex NOT to the business; it "handcuffs" the business to ADP or Paychex. If the business wants to transfer the payroll processing to another firm to reduce its costs or improve customer service, the 401k plan MUST also terminated. **(HERE IS THE HANDCUFF)**

A 401k plan provided by ADP or Paychex **increases** overall 401k expenses, **reduces** flexibility, and **limits** the business' options to maximize overall tax savings. The business is charged with unnecessary fees and expenses by the payroll firms. **(UNNECESSARY COST TO BUSINESS)**

There are literally hundreds upon hundreds of 401k plans available to every business owner. There are numerous design options and a variety of costs that must be considered. One size does not fit all. **(NO OPTIONS PRESENTED TO THE BUSINESS)**

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There are costs in any 401k plan by the underlying investment options plus cost provided by the plan sponsor and these costs vary substantially from plan to plan. A high cost plan reduces the potential return to all participants in the plan. **(PLUS ADDED AND UNNECESSARY COSTS CHARGED BY THE PAYROLL FIRM)**

There are also numerous design options that are available and should be considered by the business before deciding on a particular plan such as matching options, combination plans, vesting schedules among others, as well as substantial differences regarding the investment choices available within the various plans.

Furthermore there is the question of service. A business owner should expect the plan to be serviced properly and efficiently, to be presented properly to its employees, and to be certain the plan meets all fiduciary requirements. If the plan does not meet fiduciary requirement it is the business owner that is responsible for any IRS fees/penalties.

The only way to get the best plan is to work with a financial professional that can help the owner design the proper plan and review the various plans available to the business. In this way, there are no "handcuffs" and the business will get the very best plan, service, and flexibility, and save money.

REMEMBER -- COMPANY'S DO NOT PLAN TO FAIL, THEY JUST FAIL TO PLAN

About Our Organization...

BMA provides an all-inclusive payroll processing service saves up to 70%. Please contact us for more information. Call us or visit our web site at www.bmapayroll.com for additional information.