

July 24, 2007

Office of Regulations and Interpretations  
Employee Benefits Security Administration, Room N-5669  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, DC 20210  
(via e-mail: e-ORI@dol.gov)

**Re: Fee Disclosure RFI**

My name is Chad Parks, CEO and founder of The Online 401(k), a retirement plan administration firm specializing in plans for small businesses. Before founding The Online 401(k), I worked as a broker and became disillusioned with the financial services industry and its lack of aid for the average small business. In 1999, I earned my Certified Financial Planner™ (CFP) designation, and founded The Online 401(k) to address the very specific retirement needs of small employers.

At The Online 401(k), we consider excessive 401(k) fees to be a significant factor undermining American retirement savings and applaud the Department's review of the rules surrounding fee disclosure. This year, The Online 401(k) has embarked on a formal, public campaign to spotlight hidden 401(k) fees that has garnered much attention in the national media.

The 401(k) industry is primarily compensated by asset based revenues. It is a generally accepted industry maxim that small plans cannot be profitable and that those plans can be sold only by hiding the fees from plan sponsors and participants. We believe that by leveraging current technology and providing simple and straightforward Web-based tools to plan sponsors and participants, costs can be managed to make better retirement solutions available to smaller employers.

We believe the retirement plan industry has leveraged the average participant's lack of investment knowledge to structure plans and their distribution to include unnecessary layers of fees, and has neglected to educate participants on how these fees may impact their retirement savings. As providers and plan participants ourselves, we realize that only industry insiders are capable of identifying all plan fees and the recipients of those fees. While we do not recommend further government regulations or control of fees, we are advocating for full disclosure on the part of 401(k) providers.

Our stance on these issues is further explained by our recently drafted "Bills of Rights," for both plan participants and sponsors. Applicable portions of those are featured below:

**The Plan Participant's Bill of Rights:**

**Article I: The right to fair disclosure of the total cost of participation**

Without a doubt, participating in a 401(k) plan is a good thing. However, participation does not have to be blind. Participants need to be given information, delivered clearly and concisely on how much of their plan dollars

are being diverted to cover specific costs related to plan administration, investments and rebalancing.

### **Article II: The right to know who is benefiting from their investment selections**

Who benefits from all the nickel-and-dime fees that come out of participants' pockets? The broker, the plan provider, the plan sponsor and the mutual fund companies are all likely to be compensated out of participants' money. Participants deserve to know who is making money off their money.

### **Article III. The right to know how to manage their 401(k) plan to avoid higher cost investments.**

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Participants should be given basic information on how to invest within the plan to avoid higher cost, poor performing investments, as part of other investment advice they may be receiving under the Pension Protection Act of 2006.

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### **The Plan Sponsor's Bill of Rights:**

#### **Article I: The right to fair disclosure of fees**

A plan sponsor is owed, up front, a straightforward explanation of all the fees and expenses that the plan will incur for both the plan and its participants. Simply put, many 401(k) providers charge asset-based fees (fees based on the amount of money in the plan vs. a flat fee). As a typical 401(k) balance grows, so do fees. These fees don't show up in statements, and 401(k) providers don't have to disclose them. The ideal plan should have a flat fee for service, so that plan sponsors always know what true expenses are.

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#### **Article III. The right to a full complement of investment choices with plain-English fee information for each.**

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Most providers either force you to choose from a limited selection of investments from one company (i.e. their own proprietary product) or they have investments that charge fees for putting money in and taking it out. Worse yet, 401(k) providers may profit from the investments that are offered and therefore their suggested choices may be in place to benefit themselves more than a plan sponsor or participants.

We believe that all Americans deserve a secure retirement and that the 401(k) is now America's retirement solution of choice. The Online 401(k) works with small business owners to provide retirement benefits for all employees, regardless of employer size, plan size or asset mix.

I would certainly be happy to discuss these matters further and shine additional light on the topic. Thank you for your time.

Sincerely,

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