

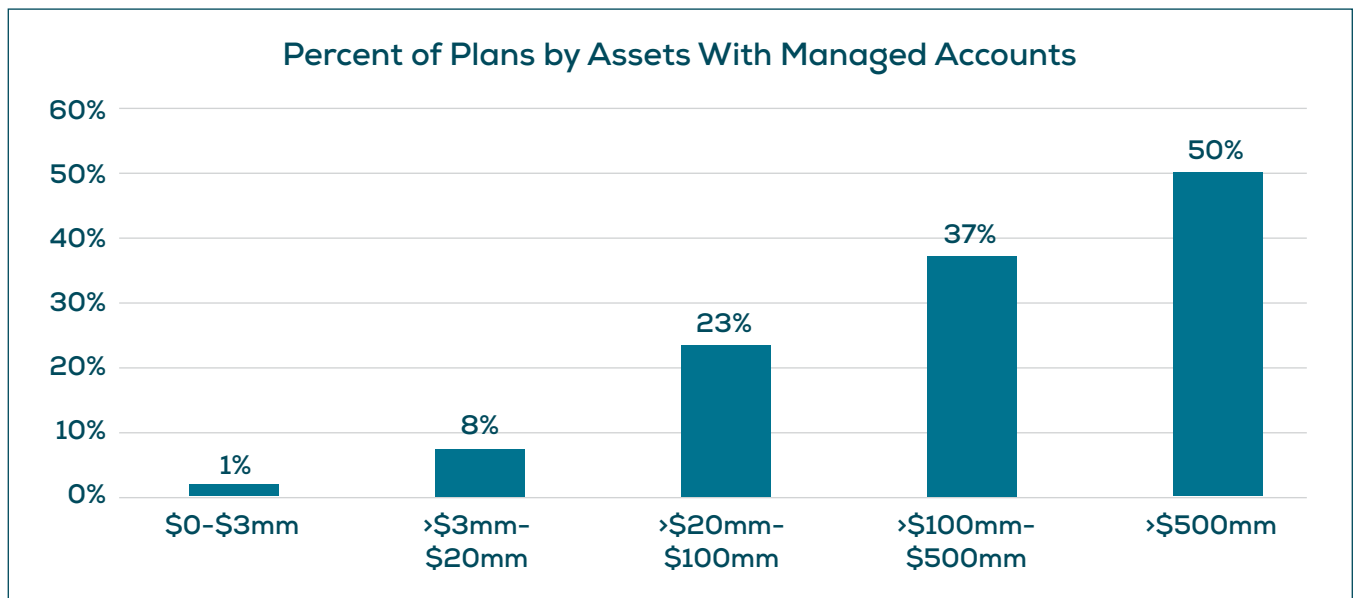


Managed Accounts Supplement

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A common question we get at Fiduciary Decisions is **How Many Plans Offer Managed Accounts?** The answer to that question is shown below and the conclusion is obvious:

Larger Plans are much more comfortable providing Managed Accounts to Participants. BUT we have seen an increase in Advisor Managed Accounts in the smaller end of the marketplace.



Why are larger plans sponsoring Managed Accounts at a greater rate? The answer to that lies in the impact that Managed Accounts can have on Retirement Incomes. For example, see the data below for a typical participant:

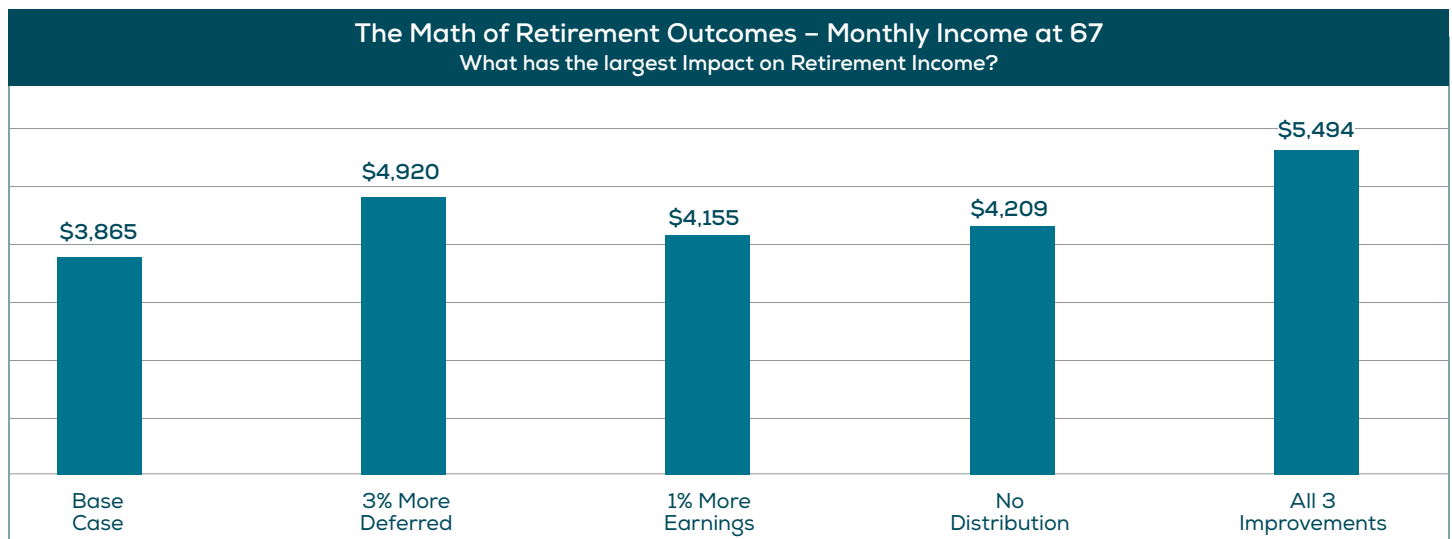
Factors	Assumption
Salary	\$70,784
Inflation	2.00%
Beginning Balance	\$80,000
Age	44
Retirement Age	67
Annuitization Rate	Current Rates
Employee Deferral	6.00%
Employee Match	50%
Investment Returns	7.00%
Distribution Age	50
Distribution Amount	\$10,000

These assumptions produce a nice monthly income of \$3,865 per month for the participant from their 401(k) plan. But the question is what will this amount become if the Managed Account can change behavior by doing the following:

- 1 Increase the deferral rate by 3% (from 6% to 9%)
- 2 Increase the rate of return by 1% (but reduced by .50% for the Managed Account Fee)
- 3 Stop the pre-retirement distribution of \$10,000 at age 50
- 4 AND...what does the amount become if all 3 happen?

↓
\$3,865 per Month

The answer to that is shown in the chart below. Bottom Line: If the Managed Account *can truly change behavior*, it can have a dramatic impact on the Monthly Retirement Income of the participant: from \$3865 per month in the base case to \$5494 in the Managed Account case (an increase of 42%).



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