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Standards for Brokerage Windows in Participant-Directed Individual Account Plans

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General Comment

Much of the commentary I have read about 401(k) windows focuses on how they effectively remove fiduciary oversight and are only beneficial for highly sophisticated investors.

I disagree. I am not a financial professional but would probably fall into the class of highly sophisticated investor. I regularly read financial news on Yahoo Finance, have self-directed accounts with significant portions of my non-retirement net worth, and am regularly asked investment advice by friends and family. I like to think that I am well educated on the matter while not being a professional.

My number one complaint with 401(k)'s is their lack of transparency. I am fortunate in that I work for a company with relatively good investment options and a fairly transparent 401(k) process. Most of my friends and family are not so lucky. They often only have Target Retirement mutual funds available to them and expenses are not always the cheapest. I believe they would be vastly better off if financial institutions were not able to lock-in investment choices to only their offerings. The market is an incredibly efficient cost cutting tool; when participants have the option to invest in the full spectrum of financial instruments that the market has to offer 401(k) providers will be forced to provide better services that meet the needs of the participants.

Brokerage windows are not just a mechanism to allow sophisticated investors to choose whatever investment strategy they want; they are a tool that can be used to control costs and ensure that low-cost, high quality investments are available to all.