




401(k) PLANS THAT WORK FOR BOTH SPONSORS AND PARTICIPANTS



IN FINANCIAL SERVICES A BRAND IS *NOT* A SURROGATE FOR VALUE

Large brokerage, insurance companies and banks, for a long time, have used the power of their brands to earn an unwarranted price premium on products and services. Price premiums that benefit the companies at the expense of the clients.

NS Capital's goal is to expose the unearned price premiums through objective transparent analytics, and ultimately show sponsors ways to take the unearned premium back from the brands and retain it for participants.

A NEW STANDARD IN RETIREMENT PLANS

Finding the right partners is essential to the success of your business. Finding the right partner for your company sponsored retirement plan is no different. Given the administrative and regulatory challenges associated with managing a retirement plan, it is essential that your retirement plan fiduciary advisor meet the highest standards in competence, experience, prudence and trust.

Fiduciary advisors have a duty of loyalty and good faith; they are legally obligated to act in your best interest, which means they cannot parlay their position of trust for personal profit. In fact, the word “*fiduciary*” originates from the Latin word “*fiducia*”, meaning trust.

ABOUT US

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NS Capital is an independent, employee-owned, fee-only Registered Investment Advisor working with small-to-midsize firms to build and implement best-of-breed retirement plans. NS Capital was formed to address specific problems endemic in financial services: biased portfolio construction, conflicts of interest, high fees and lack of transparency.

Because NS Capital was built from scratch with our own resources, we did not inherit any of the financial service industry's legacy issues. Our structure ensures that our financial interests are fully aligned with the interests of our clients.

WHY

WHY NS CAPITAL?

NS Capital designs plans with the same investment methodology, cost structure, breadth of services and fiduciary oversight often reserved for Fortune 500 companies.

- **High-Quality, Low-Cost Investments:** Our three-tier approach to investing offers the choice of diversified low-cost index funds, risk-based models and target-date funds.
- **100% Fee Transparency:** All-in costs are fully transparent with no conflicts of interest – our fee structure is designed to diminish with plan asset growth.
- **Full Service Provider:** Education, administration and recordkeeping services make compliance easy and saves you time.
- **Fiduciary Oversight:** We act as ERISA Fiduciaries to the plan and its investments, which limits liability for Sponsors.

NS CAPITAL

“You want to choose funds with low expense ratios, funds that are good corporate stewards, and you want to know what you own in the funds...Cheaper funds are far more likely to outperform.”

—Morningstar exec
Lutton: Stick with
Cheaper Funds

KEY COMPONENTS

A high-quality 401(k) plan demands thoughtful design, competitive pricing, intelligent modeling and diligent monitoring. We align our proprietary approach to investment selection and monitoring with the most cost/benefit correlated services for recordkeeping and administration. In addition, we recognize that the 401(k) plan services industry is highly dynamic which requires in-depth knowledge and continuing due diligence of all facets.

INVESTMENT MANAGEMENT

The above quote, which offers a good definition of a passively managed index fund, says it all.

It is estimated that 84% of a 401(k)'s costs rests with its investments. It is further estimated that participants pay \$164 million per day in inflated fees from 401(k) lineups that are overweighted with actively managed mutual funds that are not adding value. These 401(k) lineups are designed to make money from, not *for*, participants. When it comes to most “brand name” actively managed mutual funds like those favored by small plan 401(k) providers, the empirical evidence overwhelmingly suggests they will underperform over time.

NS Capital recognizes that first and foremost, 401(k) plans should be designed to capitalize on a long-term investment horizon which is why we favor low cost funds, a strategy that has long been favored by major corporations. We generally start with a lineup of low-cost index funds that cover the key asset classes to help participants create an intelligent asset allocation. This step alone will maximize their chances to accumulate the assets needed for a comfortable retirement. Next, we make targeted selections of high-quality collective investment trusts and actively managed funds that we feel can be additive to the lineup.



RECORDKEEPING AND ADMINISTRATION

Recordkeeping service providers must offer a full range of services including state-of-the-art technology, an easy-to-use website for sponsors and participants, and a knowledgeable and responsive client services department – all at the right price. The administrator must have extensive regulatory expertise and plan testing capabilities – offering a full range of services including compliance testing, tax documents and trustee services - again, at the right price. Plan administration may be performed by the recordkeeper or a Third-Party Administrator depending on plan design.

PLAN OVERSIGHT

NS Capital acts as an overseer to the plan. As the landscape evolves, it is our responsibility to make sure the plan stays current and high-quality. This can involve a wholesale change in investments and/or recordkeepers and administration. Most often, it is using our industry knowledge to make more subtle changes – changing a share class of a mutual fund or negotiating a lower price on behalf of a client with a recordkeeper/administrator. The key is staying abreast of this dynamic and competitive marketplace.

FIVE 401(k) PLAN ESSENTIALS

1 PARTNER WITH AN ERISA FIDUCIARY

We can act as an ERISA 3(21) investment consultant or 3(38) investment manager to the plan and investments. As the complexity of fiduciary responsibility grows, reliance on an advisor as a co-fiduciary is an increasingly desirable objective.

2 OPTIMIZE PLAN DESIGN

We identify company factors that determine suitability of different 401(k) plan approaches to create the best plan structure – one that is both affordable and enables participants to maximize retirement savings.

3 ARRAY OF LOW-COST FUNDS AND MODELS

We offer participants access to a diversified portfolio of low-cost, prudently selected mutual funds, ETFs, model portfolios and target-date funds. Participants may also have the flexibility to add other investments by adding a Self-Directed Brokerage Option.

4 KEEP COSTS STRAIGHTFORWARD

We are committed to providing truly superior plan services at a low all-in cost. Our fully transparent and conflict-free fee structure is highly compatible with the new ERISA fee disclosure regulations.

5 MANAGE AND MONITOR

We manage vendor relationships and monitor all plan related fees and services to make certain they are reasonable under ERISA and marketplace competitive – making sure there is no better offering out there.

1 PARTNER WITH AN ERISA FIDUCIARY

ARE YOU EQUIPPED TO MAKE INVESTMENT DECISIONS ON BEHALF OF YOUR EMPLOYEES?

ERISA requires plan sponsors to select and monitor the plan’s investments in the same manner as persons familiar with generally accepted investment theories and prevailing investment industry practices. As the complexity of fiduciary responsibility grows, reliance on an advisor as co-fiduciary becomes an increasingly desirable objective. The right partner for your plan can save you time and improve the retirement outcomes of all participants. We can act as a fiduciary for your plan under either ERISA 3(21) or 3(38) arrangements.

It is important to understand these fiduciary relationships and roles because hiring a willing and qualified fiduciary to take on most fiduciary responsibility can relieve the plan officials from some of that responsibility. This allows the executives and staff more time and energy to focus on running their business, and *not* their retirement plan. The plan can be directed to pay for some or all the expense for an outside fiduciary service. A competent candidate should serve to improve plan value, participant outcomes and reduce overall liability for the plan sponsor and plan officials.

Key components of our fiduciary role include:

- Developing a written Investment Policy Statement (IPS)
- Creating an independent and unbiased investment recommendation consistent with the IPS
- Investment monitoring on a periodic basis
- Offering investment education to participants
- Offering a Qualified Default Investment Alternative (QDIA) in the plan

“Advisor” (Salesperson)	ERISA 3(21)	ERISA 3(38)
No fiduciary support	Co-fiduciary Investment Consultant	Fiduciary Investment Manager
Most bank, brokerage firm, mutual fund company and insurance firm representatives.	Some RIAs, brokerage firms and banks	Some RIA firms
No reduction of risk	Shared fiduciary responsibility with the sponsor for investment decisions	Assumes fiduciary responsibility and discretion for plans investments

2 OPTIMIZE PLAN DESIGN

SELECT A STRUCTURE THAT WORKS FOR BOTH MANAGEMENT AND EMPLOYEES.

Our services take the complexity out of designing and implementing your new plan. Providing guidance at every point, we will work with you to ensure the process is smooth and the solution meets your company's unique needs. We provide 401(k) plans and 403(b) plans depending on your tax status, and we can work with Third Party Administrators, seamlessly melding our services with theirs.

The NS Capital approach is designed to meet the needs, objectives and budget of a small business organization.

- Automatically satisfy compliance testing requirements
- Encourage high plan participation
- Allow a greater percentage of contributions to older or highly compensated employees
- Allow participants to make contributions on either a pre-tax (traditional) or after-tax (Roth) basis

The range of options enables you to support very specific goals:

In addition to the Basic Plan Document, we provide all the other necessary items for the implementation and operation of a plan including:

- Consulting Services Agreement
- Investment Policy Statement
- Adoption Agreement
- Loan Policy Statement
- Summary Plan Description
- Trust Agreement
- Board Resolution (adopting the plan) if required

NS Capital does not have any affiliations or financial arrangements with third parties that may distort objectivity or present any conflicts of interest. Our only compensation is the fully disclosed fees for the services we provide to our clients.

3 PROVIDE A VARIETY OF LOW-COST FUNDS AND MODELS

A 3-TIER APPROACH TO INVESTING

Our investment approach is simple: offer a diversified range of high-quality, low-cost funds. Our investment selections are designed to provide a straightforward menu of high quality, low-cost mutual funds and collective trusts that cover all the key asset classes. This approach provides choice, not confusion, and makes it easier for participants to make their investment selections.

Our plan's investment menu is organized into three tiers to aid in decision making

	Participant is / wants	Investment Choices	Benefits
TIER 1: “I Can Do it Myself” A core lineup of individual funds covering a broad range of asset classes.	Comfortable with investing	Mutual funds and collective trusts	Limiting the # of funds in each asset class allows investors to focus on diversification, not past-performance
TIER 2: “Manage it For Me” Five model portfolios with varying risk profiles from Conservative to Aggressive.	Needs or wants guidance	Asset allocation model portfolios	Professionally managed portfolio allocation based on risk profile
TIER 3: “All-in-One” Complete series of target-date funds (also serves as the Qualified Default Investment Alternative).	One investment determined by retirement date	Target-date retirement funds	Simplified long-term decision

4 KEEP COSTS STRAIGHTFORWARD

DEPARTMENT OF LABOR REGULATIONS INCREASE PRESSURE ON PLAN SPONSORS

In 2012, new legislation took effect mandating plan service providers regularly disclose the true costs of the services they render. The lack of fee transparency and existence of complex financing arrangements for service providers led to broad misunderstanding of fees, as revealed in a 2012 report by the U.S. Government Office of Accountability on 401(k)s.

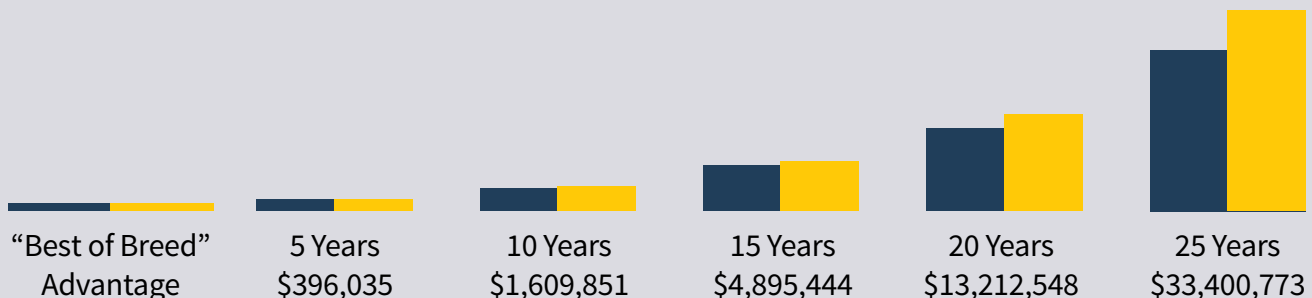
What's more, lack of fee transparency created a marketplace that was uncompetitive, despite the large number of industry players, and where excessive fees were the norm, particularly in small 401(k) plans where sponsors lacked the power or resources to negotiate with providers. The need for a 401(k) plan specifically designed for the small 401(k) market and that offered high quality investments and service with low-cost pricing was the impetus for the NS Capital 401(k) business.

FIDUCIARY PERSPECTIVE

As a plan sponsor, you have a fiduciary obligation to know and understand all the fees in your 401(k) plan. This was nearly impossible prior to the new ERISA legislation, and is still difficult to decipher given the obtuse nature of new fee disclosure reports. Now that fees have come to light, it is important to choose providers that can offer the same level of service while saving you, and your participants, money.

LOWER COSTS, MORE MONEY FOR RETIREMENT

Paying "reasonable plan expenses" is a key component of fiduciary responsibility. Compounding returns can be overwhelmed by compounding costs. The example below shows the returns on a \$5 Million plan over 25 years using a 16% rate of growth¹. The blue bar represents returns after paying 1.5% in fees versus 0.6% for the orange bar. The end long-term result is a loss of millions of dollars to fees!



¹The growth rate assumes capital appreciation and an estimate of the plan's net cash flow (employer and participant contributions – distributions).

5 MANAGE AND MONITOR

MANAGE

Management of a 401(k) plan includes:

- writing a plan that describes the benefit structure and guides day-to-day operations (including setting up an Investment Policy Statement);
- selecting investment alternatives;
- selecting a trustee to hold plan assets;
- setting up a recordkeeping system to track the flow of monies going to and from the 401(k) plan; and
- providing plan information to employees participating in the plan and to the government.

This also includes making sure employees can set up and implement their plans and regularly making them aware of their rights and responsibilities.

It's our job as an ERISA fiduciary advisor to review investment reports and fee disclosures, and periodically make sure there are no better offerings out there.

MONITOR

The Department of Labor advises employers to establish and follow a formal periodic process to review current service providers and ensure they are performing the agreed-upon services. The DOL's check-list for monitoring is as follows:

- Evaluate notices received from the service provider about possible changes to their compensation and other information provided at hiring (or when the contract or arrangement was renewed);
- Review the service provider's performance;
- Review all reports generated by service provider;
- Check that actual fees charged are as contracted;
- Ask about policies and practices (such as trading, investment turnover, proxy voting, etc); and
- Follow up on participants complaints and questions.

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1 PARTNER WITH AN ERISA FIDUCIARY

2 OPTIMIZE PLAN DESIGN

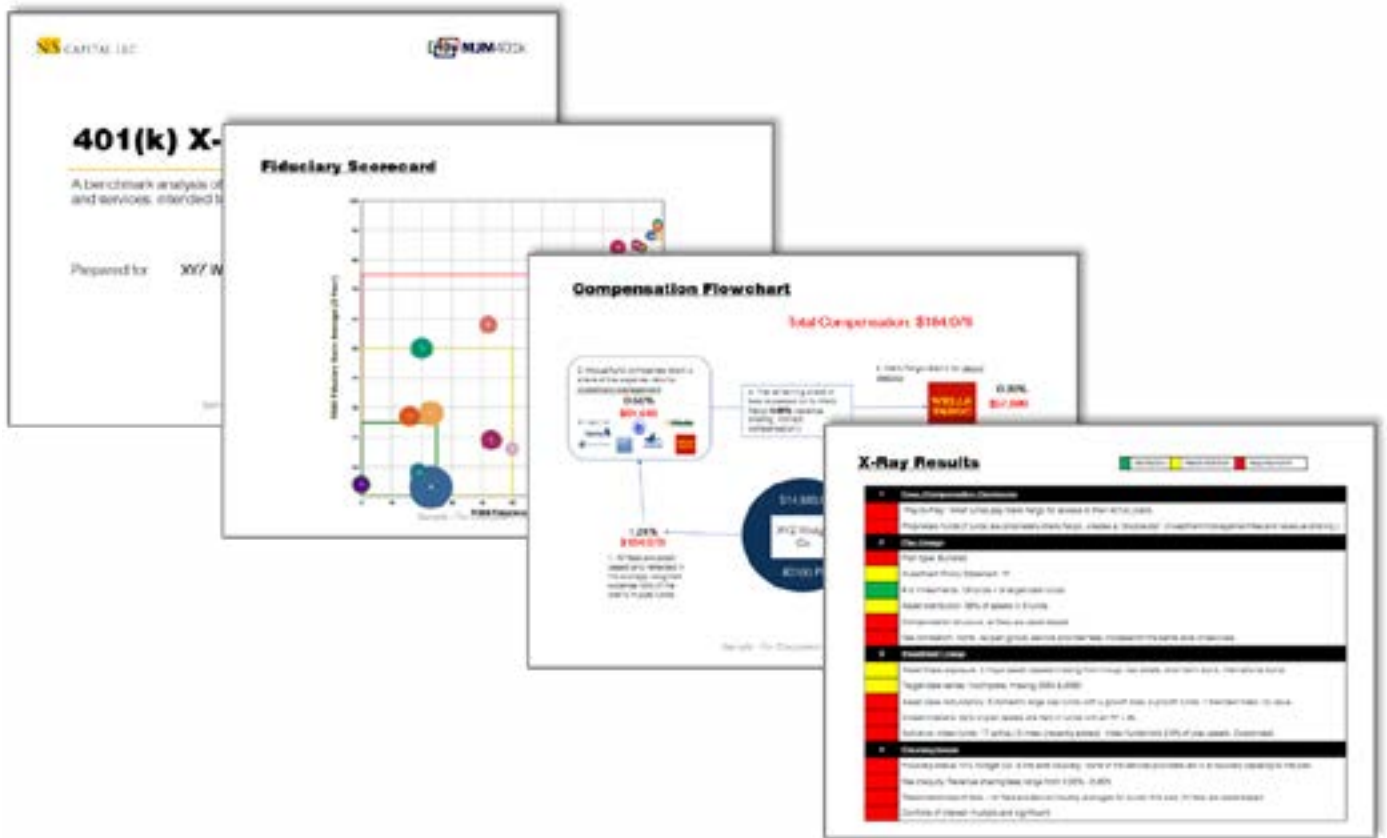
3 ARRAY OF LOW-COST FUNDS AND MODELS

4 KEEP COSTS STRAIGHTFORWARD

5 MANAGE AND MONITOR

BENCHMARK

IN TODAY'S REGULATORY ENVIRONMENT AN INDEPENDENT BENCHMARK IS AN ECONOMIC AND FIDUCIARY NECESSITY



NS Capital's 401(k) Benchmark is available on a complimentary basis and completely obligation free!

CONTACT US TO GET STARTED!

Email us at [401\(k\)nscadvisor.com](mailto:401(k)nscadvisor.com) or

Call one of our 401(k) specialists at 866-676-6002



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