401(K) PLAN MENUS · NOVEMBER 2026

Built for Everyone: Why Your 401(k) Stops at Funds

Most 401(k) platforms limit employees to a short menu of pooled products: mutual funds, target-date funds, ETFs and collective trusts. Individual stocks and bonds, if they are allowed at all, sit behind a brokerage window that few plans open fully and few employees use. For an owner or key employee with a large balance, that is a real limit. This brief explains why menus look the way they do and what a plan sponsor can review.

17.5 → 2.3
funds offered in the average plan, against funds actually used by the average participant

96%
of plans offer target-date funds; 84% of participants use them

1 in 40
active participants use a brokerage window, though about half of plans have one

86%
of 401(k)-type plan assets sit with the 10 largest recordkeepers

Sources: Vanguard, How America Saves 2025 (year-end 2024); Alight brokerage window data (2021); PLANSPONSOR 2026 Recordkeeping Survey.

> **The idea in one line.** The 401(k) menu is built around pooled products because both the economics and the fiduciary liability point that way. That serves the average employee well, and it leaves owners and key people with fewer choices than they would have in their own accounts.

In brief

- **A concentrated market.** The 10 largest recordkeepers hold 86% of plan assets. A handful of platforms set the shape of most employees' menus.
- **Pooled by design.** The average menu has 17.5 funds and the average participant uses 2.3. Target-date funds are offered by 96% of plans and make up 98% of default investments.
- **Stocks and bonds need a window.** About half of plans have a self-directed brokerage window, but of those, 31% allow mutual funds only and 9% allow only funds plus ETFs. Only about 2.4% of active participants use one.
- **Windows are used by larger balances.** Window users average $232,000, against $130,000 for all participants: mostly owners, executives and longer-tenured savers.
- **The economics.** Many recordkeepers are paid through fees built into fund expense ratios (revenue sharing) or through their own funds. A stock or bond held for years generates little of that ongoing revenue.
- **The fiduciary side.** Every menu option must be chosen prudently and monitored. Fewer, pooled options are easier to defend, and brokerage windows have drawn Department of Labor attention.

Who runs the platforms

Defined contribution recordkeeping is concentrated. The five largest providers hold 69% of plan assets; the ten largest hold 86% and serve 81% of participants (PLANSPONSOR 2026). Below are the ten largest by assets at the end of 2023.

#	Recordkeeper	DC assets	Participants
1	Fidelity Investments	$3.43 trillion	31.7 million
2	Empower	$1.44 trillion	17.4 million
3	Alight	$1.28 trillion	11.8 million
4	TIAA	$722 billion	6.6 million
5	Vanguard	$719 billion	5.7 million
6	Voya Financial	$520 billion	6.9 million
7	Principal Financial Group	$461 billion	11.1 million
8	Bank of America (Merrill)	$343 billion	4.2 million
9	Charles Schwab	$262 billion	1.7 million
10	T. Rowe Price	$255 billion	2.3 million

Source: Pensions & Investments, 2024 U.S. DC Record Keeper report, data as of December 31, 2023 (all DC plans). Market size only; this table makes no statement about any provider's menu options, brokerage window or compensation.

What the menus allow

The core menu

At year-end 2024 the average Vanguard-recordkept plan offered 17.5 funds; the average participant used 2.3. Ninety-six percent of plans offered target-date funds, 84% of participants used them, and 59% held a single target-date fund. Of plans with a default investment, 98% used a target-date fund. Company stock was offered by just 8% of plans.

Outside company stock and a brokerage window, the core menu is pooled products: mutual funds, collective investment trusts and target-date series.

Source: Vanguard, How America Saves 2025.

Inside the brokerage window

Among plans with a window, what employees may buy (Alight, 2021):



Nineteen percent of these plans also cap the window at 50% of the balance. About 2.4% of active participants use a window, and nearly 90% of plans have fewer than 5% of participants in one.

Source: Alight, 5 Facts About Self-Directed Brokerage Accounts.

What this means for owners: even where a window exists, four plans in ten keep it to funds. A Treasury ladder, individual bonds held to maturity or a concentrated stock position may simply not be available inside the plan.

The economics

Recordkeepers are paid in one of three ways, and the choice shapes the menu (CAPTRUST, updated 2024):

Built in (revenue sharing)

12b-1 and sub-transfer-agency fees inside fund expense ratios are paid to the recordkeeper. They often cover the whole recordkeeping fee, and they grow with the assets in those funds.

Institutional

Funds with no revenue sharing, plus an explicit charge per participant, either a flat dollar amount or a percentage of assets.

Fee leveling

Revenue sharing is credited back to participants and every account pays the same explicit fee.

Under the first model, and wherever a platform's own funds are on the menu, revenue is tied to assets held in pooled products. An individual stock or bond bought and held for years carries no expense ratio, so it produces little ongoing revenue for the platform. Bundled "no-fee" plans can bury that cost in fund expenses (Milliman).

The other side

Fees are part of the story, not all of it. A sponsor should weigh three other reasons menus stay pooled:

- **Fiduciary risk.** Each option on the menu is one the sponsor must select prudently and keep monitoring. Choosing a window's broker can itself be a fiduciary act, and the Department of Labor's 2022 guidance drew new scrutiny to what windows hold.
- **Protecting most employees.** Target-date defaults keep the typical saver diversified and give sponsors a safe-harbor default. A wide-open menu helps the few and can hurt the many.
- **Falling costs.** Fee litigation has pushed plans toward low-cost index funds and collective trusts. Those lower fees, and they reduce the revenue sharing behind the first model.

CASE STUDY · HYPOTHETICAL

The owner who wanted a bond ladder

The owner of a 60-person firm, age 58, has $1.2 million in the company 401(k), all of it in the plan's target-date fund. She plans to retire at 65 and wants part of the balance in Treasuries maturing each year from 65 to 72, so her early retirement income does not depend on the stock market.

What she finds: the plan has a brokerage window, but it allows mutual funds only. The menu's bond option is an intermediate bond fund, which has no maturity date. The recordkeeper is paid through revenue sharing in the menu funds, and no one at the firm has read the 408(b)(2) fee disclosure in three years.

What a review looks at: whether the window can be widened to include Treasuries and ETFs, with guardrails such as a balance cap; whether the plan is in the lowest-cost share classes for its size and whether fee leveling would make costs visible; and whether a cash balance plan or a non-qualified plan would give her and two key employees more room than the 401(k) can. Each choice is weighed against the sponsor's duty to every participant, not just the owner.

Hypothetical illustration for education only. Not a real client; no results are implied.

What we review

- **The window.** Does your plan have a brokerage window, and what can it hold: funds only, ETFs, individual stocks, bonds? Is there a balance cap?
- **How the recordkeeper is paid.** Revenue sharing inside the funds, a per-participant fee or a percentage of assets? Who pays it: the company or the participants?
- **Share classes.** Is each fund in the lowest-cost share class or collective trust available for your plan size?
- **Room for key people.** Would a cash balance plan, non-qualified deferred compensation or executive life insurance give owners and key employees more room than the 401(k) can?
- **The paper trail.** Is there a written record of how the menu and the window were chosen and when they were last reviewed?

What it takes from you

Your latest 408(b)(2) fee disclosure and the plan's investment menu. The review is education only; nothing about your plan changes unless you decide to change it.

Request a plan check

advanced-ib.com/401k-plan-review.html

312-882-8717

Sources

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