7 Steps to More Retirement Plan Business

A successful 401(k) plan requires more than simply managing salary deferrals. Communicating the value that a dedicated retirement plan advisor provides is key to increasing business.

How many times have we seen it? Investors forgo the services of an advisor in up-markets, only to return when down. Self-directed, do-it-yourself—it’s the lingo of the Internet age. Convenience is king, so cut out the supposed “middlemen” and go directly to the source, right?

Wrong, especially when it comes to an employer-sponsored retirement plan and the responsibility that goes with it. The level of expertise required to manage and maintain a successful retirement plan is well-outside the skillset of most business owners and HR reps. There are simply not enough hours in the day to stay abreast of regulatory changes, fiduciary updates, new designs and products and everything else that goes into it, which is why more companies are turning to dedicated financial advisors.

According to a recent study from Fidelity Investments, 84% of plan sponsors reported using an advisor, but that still equates to about 175,000 plan sponsors—many with assets over $50 million—that do not.

More shockingly, the company reported that advisory firms that do engage in 401(k) business do so begrudgingly. It found that nine in 10 registered investment advisors simply “accommodate” retirement plan business. How do you think clients would feel about being tolerated by the advisors with whom they choose to work?

While the use of dedicated retirement plan advisors is no doubt on the rise, reaching those plan sponsors that are holdouts might require better communication of the advisor’s value proposition. The opportunity, as illustrated by the numbers quoted above, make it well worth it.

Fidelity notes that plan sponsors with a high level of satisfaction in their advisors listed the following seven items as particularly important. Advisors that engage in any or all should routinely report this fact to clients (and those who don’t offer any or all should get on it...fast).

1. Informs on regulatory changes
2. Considers how to manage fiduciary responsibility and risk
3. Considers plan design
4. Offers proactive suggestions to improve plan performance
5. Helps minimize costs
6. Offers fresh insights on participant trends and behavior
7. Helps select and monitor investment options

Conversely, here are some of the items that plan sponsors would like advisors to spend more time on.

- Report how much time is spent working on the plan
- Report on types of activities for the plan
- Demonstrate how plan performance improved
Employers, or their proxies, who think salary deferral and automatic investment into pre-selected funds are all it takes to offer retirement plan services are, of course, sorely mistaken. Plans sponsors that work with advisors that provide all of the above experience higher enrollment figures and better returns, and have more engaged workers that contribute a higher percentage of their pre-tax income. The value proposition is clearly there, it’s simply a question of getting the word out on all they do.

---