

Once Upon A Time In The 401(k) World

Lessons That 401(k) Advisors Can Learn From The Life and Death of Richard Laurita
By Ary Rosenbaum, Esq.

Once upon a time in the 401(k) world, there was a salesman for a third party recordkeeping administration firm (TPA) named Richard A. Laurita. I worked with Rich (as his friends called him) for two different TPAs for over 9 years and not one person has had a greater effect on my career than he did. The lessons I learned from the way Rich conducted business and his death continue to inspire me to this day. I believe that the way Rich handled clients, advisors, brokers, and co-workers are lessons that a 401(k) advisor can use to grow and maintain their business. After reading this true story, I am sure you will agree that Rich was one of a kind and a memorable character who will live on, a lot longer than his 40 years on Earth.

Surround Yourself with Your Friends

When I started to work for a law firm associated with a TPA in Syosset, I met Rich. He was a short, portly man with a penchant for chewing tobacco and using a speakerphone rather loudly to the chagrin of nearly anyone working in ¼ mile radius of his office. Rich and I were co-workers in those days, not friends. Rich didn't invite me to his wedding (except he swore 5 years later that he did and I didn't bother to respond!). Rich was a great salesperson, so I was able to support him on the legal side when it was required.

Four years later and my law firm was going to fold as the daily 401(k) cases of our TPA were being sold to Bisys (now Ascensus). Rich was able to procure employment with a TPA in the city that was highly respected (so we thought) and was recommending many of his co-workers for his new boss. His future boss started hiring the TPA's best administrators and I was striking out in any new job opportunities. One day, Rich pulled me aside and suggested I call his future boss to see if there any positions available for a young ERISA attorney.

With Rich's recommendation while I was sitting in the office, waiting for an interview, I was hired that day for an ERISA attorney position.

One can say that what Rich did for me was out of the kindness of his own heart. I disagree. What Rich did was to have him surrounded by competent administrators and an ERISA attorney that were loyal to him and owed their jobs to him. Rich



was a master salesman, but he needed to ensure that he had the support staff there to support him. What better way to do that, but by transplanting his staff to this TPA in the city? Rich might have kept his enemies close, but he made sure he kept his friends closer.

Trust and Honor Above All

The TPA in the city also had a registered investment advisory firm arm, so they had a terrible reputation of stealing clients from brokers and advisors that brought them business. So their business model before Rich was arrived was rather limiting, business brought in by our new boss and referrals from Schwab offices that were serviced by another salesperson.

When Rich arrived at the TPA in the city, he was able to bring in business from brokers and advisors who would never bring business to us in the past. The reason was Rich. Rich was very protective of the brokers and advisors he developed relationships with him. While he might have wine and dined him, he made sure that they understand that they had his word and his word was his bond. As long as he

was working with them, they had no reason to worry that we would ever poach their business. Rich even turned down business from a potential client who terminated the services of a broker that had brought us business in the past.

Rich had a penchant for telling tall tales and sometimes you wanted to hear those tall tales to see if the stories ended the same way, but what you could depend on is that if you brought him business, you would have his word and he would have your back.

Clients Come First, Everything Else Comes Second

Not only was Rich in charge of sales, but thanks to our terrible administration business, he also had to act as a line of defense for irate clients. When client complained of poor service or administrative errors, they naturally called Rich because he sold our services to these plan sponsors. Rich always made sure to answer clients, handle their complaints, and find out who on our staff wasn't meeting our client's expectations. Rich became a thorn in the side of one of the TPA's managing directors and his incompetent underling because Rich was a man of action and not a man of excuses. Rich cared less about playing politics and making nice, his main concern was meeting the client's needs because he knew that happy clients never leave, unhappy clients do.

It's OK Not to Know, Surround Yourself with Those Who Do

Rich was a master salesman, he could sell sand in the desert. Yet Rich knew very little

about retirement plans and he never pretended that he did. When Rich needed help with potential clients and their retirement plan questions, he would invite the people in our office who could answer these questions. Thanks to Rich, I was allowed a lot of client interactions and helped in a lot of sales meetings. This experience built my confidence and allowed me to develop my own retirement plan practice.

So many people in the retirement plan practice pretend that they know the ins and outs of retirement plans. Rich felt that he would get more respect from clients and potential clients if he would bring in the people from our office that did know the ins and outs of retirement plans.

Give People A Finger and They Will Give You Their Hand

Rich and I worked for bosses who were miserable to work for. While Rich thought he had the ear of the majority owner because they socialized a lot and he was well paid, these two misers thought that if you would give the employees a finger, they would want your hand. Every annual review for a raise would end up in a fight and our benefits were terrible for a company dealing in benefits.

Rich had a different attitude than our bosses; he realized that if you rewarded people a little, you would get a lot in return. If he gave people a finger, these people would give him their hand. Whether it was a broker, a potential client, a co-worker or a friend, Rich knew how to treat people and reward them. Whether it was free Mets tickets or cutting the line to meet Reggie Jackson, Rich's little rewards to me earned him more loyalty and dedication to his needs and the needs of his clients and the advisors he was working with. Rich was the same way with advisors he worked with that is why years later advisors remember him and forget the TPA he worked for. Rich was the type of guy who was friends with everybody and you wanted to be his friend.

When our bosses sold our company to a consolidator of RIA practices, employees were issues something called incentive units. Upon reading the documents supporting these incentive units, I realized that these units were illusory promises because they had no value and could be invalidated at any time. Rich had suggested that our bosses should give \$1 million to the employees because he reasoned that if you gave the guy in the file room just \$10,000, he would walk through fire for you. Of course, our bosses rejected that. Needless to say, their cheap ways in handling their

employees sealed their fate just a year later.

The 401(k) Industry Is Small, Relationships Mean Everything

In 2006, it was clear that Rich wasn't well. Rich was claiming a number of bouts with food poisoning, but I knew that there he must be suffering from something else because nobody has that many bouts of food poisoning. After a number of tests, doctors determined that Rich had colon cancer in January 2007.

The boss that Rich had socialized with, helped move furniture for, and entertained him one Thanksgiving morning because he was distraught over a breakup with a girlfriend who ended up being a future ex-wife, pulled me aside and told me that our parent company was worried about paying Rich while he was ill. This was the same company that our boss, claimed had no concern with the day to day running of our little TPA. I knew what my boss was saying, he was going to let Rich go, Rich was going to get better; Rich was going to get a job across the street, and kick our rear ends. I left just a month and a half later, I couldn't stomach working for a place that would kick him to the curb so quickly (plus their business practices were an issue).

I was right about only one thing. When it was discovered that Rich's cancer spread to his liver, a Fed Ex package was left at Rich's home while he was at Columbia Presbyterian on St. Patrick's Day. Rich would be paid his remaining sick and vacation days. The company would pick up his golf membership (he couldn't golf) and his car (he couldn't drive). Since Rich was covered under a disability policy, the hope was that he would start receiving disability payments that were a pittance within two months. Rich was dead six weeks later.

I have debated this issue for the last three years and I can tell you that our bosses had no legal responsibility to pay Rich while he was ill, but they had a business interest in paying him something or showing him some form of financial mercy. Rich was all about relationships and there were many brokers and advisors who would bring us business only because of him. If you are an advisor and Rich is your contact, how do you think the TPA will treat you when you see how they treated him? The 401(k) industry is a tight knit community, world traveled fast; the way Rich was treated while he was dying destroyed so many contacts with financial advisors in the industry. For the want of paying Rich six weeks of salary, a TPA kingdom was lost.

After I left that TPA firm, my name was

disparaged by them. They claimed that I was terminated for cause even though I resigned for another position. I can expect that since I had to be replaced with two attorneys and a paralegal that make hundreds of thousands combined more than I did, so there is financial sour grapes on their part. What I cannot accept is the claims by my former boss that Rich's work was getting worse and he would have fired him anyway. I also heard claims by my former boss that the new salesman was better than Rich, which isn't true. I am alive to defend my good name, Rich is not. My old boss needed to make excuses for an inexcusable and shortsighted act.

It is no coincidence that their business suffered terribly after his death and the subsequent "retirement" of our bosses while under Department of Labor civil and criminal investigation is only the chicken coming home to roost. All that was good of that TPA died when Rich died. Rich's memory will live on as that TPA limps into oblivion. I am glad I left when I did because I wouldn't have had the heart to work there after Rich had died and knowing that no one spoke out in his defense.

I think of my friend Rich often. We weren't the best of friends and we fought a bit because he knew how to push my buttons and I knew how to push his. I think of him often because the way he conducted himself in business influences the way I do business. Relationships mean everything; the client comes first, and surround yourself with competent people that will be loyal to you because you rewarded them. These are life lessons and this is why Rich Laurita lives on.

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