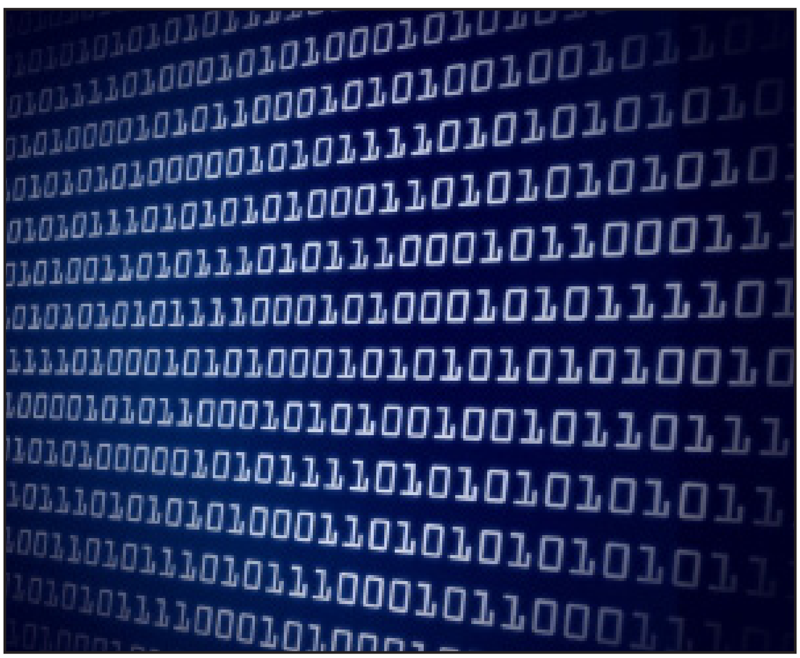
The "Code" for Retirement Plan Financial Advisors

By Ary Rosenbaum, Esq.

I have had the pleasure and opportunity to work in the retirement plan industry for 14 years. I have seen a lot of things and a lot of change, both good and bad. I have worked with hundreds of advisors over these past 14 years and I currently work as counsel for a handful of registered investment advisory (RIA) firms around the country for a flat fee. So I have seen a lot of great work by retirement plan financial advisors and some mistakes they have made over the way. So this "Code" is based on what I have seen working with financial advisors and working with plan sponsors, you may learn a thing or two in helping building your practice. This article is dedicated to the memory of Richard ("Rich") Laurita, the best third party administration (TPA) salesman I ever worked with who probably could have written this Code in his sleep because of the way he carried himself in business in developing a network of financial advisors.



1.The Client Comes First: I know it's a cliché, but it's true. The needs of the client always comes first, even in front of finding a way for you to get paid. That means that your solution as a retirement plan financial advisors needs to meet the needs of the clients first and everything else comes second.

2.Remain Independent: When it comes to working with other retirement plan providers or even working with DCIO representatives from mutual fund companies, you need to maintain your independence because a client that thinks you aren't will start to become jealous that your relationship with a particular provider or mutual fund company is more important than the relationship you have with them. If you act with independence, then the clients can trust that your opinions are unfettered and without any bias.

3.Never steal business from your friends: Years ago, I visited a local office of a nationally known broker Having told of my past affiliation with a certain producing TPA, I was told that my old boss wasn't allowed in those offices because he stole business from a broker in that office that referred him a client for TPA services only. The retirement plan industry is a very close-knit community and that former boss of mine is probably learning that after his return after a two-year imposed exile from this business. If you steal business from your friends, it will be talked about and your reputation will end up in tatters. My friend Richard would take this even one step further; he wouldn't solicit TPA business from any potential client that in the past had fired a financial advisor he was working with. Your reputation is your biggest business card, refrain from any antics that will create chatter in this industry that you shouldn't be trusted.

4.Treasure those who refer you business: One of the things that irk me is that many financial advisors believe that somehow I can be this great referrer of business which is impossible if the clients I'm referred already have existing financial advisor relationships. Very rarely, do I have a plan sponsor client that needs a financial advisor. When I was working at that semi-prestigious Long Island law firm, I reacquainted myself with a financial advisor and his boss, who was a frequent contributor on CNBC and Fox Business News. I referred this financial advisor and his boss, a plan sponsor client and I also introduced them to one of the law firm partners who became a client. I never received any business in return. Fast forward a year when I open up my own practice, and I was informed that the head of this RIA firm told the financial advisor not to work with me anymore because this law firm partner said an unflattering thing about me which was unprofessional and potentially a violation of the ethical rules for attorneys. Needless to say, the head of that RIA firm lost that plan sponsor client and a potential pipeline of business. Always treasure those who refer you business, that are why my friend Rich is still revered 5 ½ years after his death. He knew how to treat his referrers of business, which kept a steady pipeline of TPA clients coming his way.

5.It's the little things that are the most important things: Being a retirement plan financial advisor is a highly competitive business, so many financial advisors concentrate on how they pick investment options for their retirement plan, but when it comes to participant directed 401(k) plans, picking funds is just one small part of being a retirement plan financial advisor. It's the little things that an advisor must do that actually benefits and limits the liability of the plan sponsor client most. That means helping the plan sponsor develop an investment policy statement (IPS), reviewing investment options against the IPS, and offering investment education to plan participants. So if you are not helping the plan sponsor with the fiduciary process, they eventually will find a financial advisor that will.

6. It's easier to lose a client than to gain one: You don't have to be a retirement plan financial advisor that long to understand this. Client recruitment is a long and tedious process and there are many hours spent in the hopes of becoming a potential client's advisor. Sometimes you get them as a client, many times you don't. Client retention should be easier than recruitment if you know what you're doing, but sometimes you get fired simply because your client contact no longer works there or someone in the client's hierarchy wants to hire their cousin as the financial advisor. Getting fired isn't easy and it brings up the next important point:

7. Surround yourself with the best in retirement plan providers: The retirement plan space is getting more sophisticated and the advisors that will stand out are those that offer a range of services and surround themselves with the best providers will do better than those who don't. The old days of referring the plan to a provider and forgetting it while collecting your fee are over. The sad fact is that over the years, the #1 reason that I have seen retirement plan financial advisors get fired was not over poor fund selection or not taking care of the fiduciary process, but because there was a foul-up by the TPA that the advisor recommended. So it's important to surround yourself with the best plan providers out there because not only will they help you maintain your clients by offering quality plan services, but they can help you in the client recruitment process by working with you for free in making proposals and suggestions to these potential clients.

8. Always be one step ahead of the competition: Whether it's social media or offering a 3(38) service or working with multiple employer plans, it's always important to understand what the next big thing in the retirement plan business space will be. You have to keep your ear close to the ground and identify any developments that can augment your business. Be the person offering §3(38) services rather than the advisor who lost a client to an ERISA §3(38) fiduciary while lamenting that all it is, is "marketing".

9. If you don't know, find out all those who do: You can't be everything for everybody, so if you get a question from a client or potential client about retirement plans that is outside the role of an investment advisor, get the right answer from the applicable plan provider. You can do yourself and your client or potential client a lot of harm by faking retirement plan expertise. I always joked that my friend Rich couldn't spell 401(k) sometimes, but he was smart enough to know when to bring in the experts. A lot of my training in this business came from helping Rich make advisors and potential clients happy.

10.Thereare enough resources out there for you: Whether it's a website like 401khelpcenter.com, great national events like fi360 or Schwab Impact, local events like 401(k) Rekon or retirement plan experts like yours truly, there are enough resources out there to help you augment your practice. Thanks to networking websites and the Internet in general, you don't have to learn it alone. There is enough quality materials out there including taking courses with DALBAR, materials provided by mutual fund company DCIO pros, or articles like the one in your hand, there is enough support for you if you only look for it.

11. Your word is your bond, so is your reputation: In conclusion, your word and reputation means everything in your line of business. If you betray the trust of your clients and those you work with, it can take a lifetime to rebuild that trust and that reputation. It can take a lifetime to build that reputation and just a lapse in judgment to destroy it. The moment you forget the nature of your business and the trust your clients and business associates is the moment that it's the time for you to pack up your bags and leave the retirement plan space. Never lose sight of your way.

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