

Attitudes To Avoid As A 401(k) Plan Provider

By Ary Rosenbaum, Esq.

People will say my humor and honesty can drive people away. Bringing up some old wounds at some law firm I worked at for about 2 years, 14 years ago, might make people uncomfortable. They may be right, but being transparent and honest might bother some people. Yet, there are attitudes from plan providers that are far worse and more problematic than my attempt at humor. I've seen businesses suffer and even fail, because of attitudes at the top that doomed them. This article is all about attitudes to avoid as a plan provider.

The stand-pat attitude

I started in the retirement plan business in September 1998. Website access for plan participants was still a little way off, but a booming stock market and successful mutual fund companies were helping push 401(k) plan sponsors to transition their trustee-directed, balance-forward plans to daily valued 401(k) plans. I worked for a law firm associated with a struggling Long Island Third Party Administrator (TPA) that was losing money on the daily valued plans, but profitable in the balance forward defined contribution and defined benefit plans. I'm sure some TPAs didn't want to invest in daily valuation or were stubborn that since they were profitable, there was no need to change gears. Plan providers who stick to their tried and true methods and decide to stand pat are going to be behind the curve. As with any change in the retirement plan

space, plan providers who are ahead of the curve will always end up in a better spot than those who stand pat and do nothing. The plan providers who did well with fee disclosure were the providers that prepared for it. I left a TPA because I felt that fee disclosure was inevitable and that our days of banking revenue sharing without disclosing it, clients were over. I predict-

change, whatever that change will be.

The remorseless attitude

The biggest fights I've had with my wife or a certain boss could have been over a lot quicker if I simply apologized. Nobody wants to hear excuses, a simple sorry can suffice. The problem is for many, they would rather die than apologize. For me,

I call these people, mom and dad. For you, these are stubborn people who may not apologize for many reasons. They may not apologize because they're narcissists and narcissists are never sorry or wrong (at least in their minds). The other people who may not apologize, do so as avoiding to admit liability. I've dealt with so many plans, providers who make errors and don't admit it because they don't want to be liable for those errors. I had a client who had their top-heavy test incompetently done because the TPA administrator didn't bother to tag the daughter and wife of the business owner as a key employee. So a Top Heavy test that we thought was satisfactory, the 401(k) plan was Top Heavy when there was a change of TPAs and the error was discovered by the new TPA. The old TPA wouldn't admit their

error, they tried to shift the blame to the client. I've seen plan providers fired, simply because they refused to admit their mistakes. Some issues become greater simply because the plan sponsor wanted a simple apology and all the plan provider gave, was excuses and anything other than an apolo-



ed they would be out of business within 5 years of my leaving, they were done in 3. This business is constantly changing, it has changed so much since ERISA was signed into law in 1974. Yet, there will be plan providers that will scoff at the next

gy. Being remorseless/unapologetic will cost you as a plan provider.

The ill-treating employees attitude

I'm sure people will say I'm a malcontent, but I worked for enough awful bosses that I wanted to start my practice. Keep in mind, that I wanted to break the cycle of ill-treatment. I've never had an employee even if I joke that my son is my associate. One of the hallmarks of how badly I felt treated was the annual review. All year you hear what a great job you're doing, but in the meeting to discuss your raise, you learn what a horrible employee you've been or how other people are doing your job. I worked for a TPA that it took 3 people to eventually replace me, all because of those awful annual reviews, low raises, and no holiday bonus. I worked 12 years for other people and the only bonus I ever got was \$300, 3 months after I first started working. So every annual review time, it was Passover for bonuses in my house every December. I had a client who gave me a \$2,500 bonus last year and I almost cried, while hearing people complain about a 5-figure bonus. People have feelings, you need to be aware of that simple fact. Narcissists aren't mindful of this, but you should. Treating your employees with dignity, respect, and a living wage goes a long way. You'll be surprised by the small, little things that will make employees happy, like that \$300 bonus and \$5,000 raise Harvey Berman gave me just 3 months after I started. As a plan provider, your most valuable asset that you never think about is your employees. I've seen too many plan providers suffer and wither because they so poorly treated their employees, that they lost invaluable staff members that lost them clients. It's hard to find good, well-trained employees in the retirement plan space. It is more cost-effective to be a little generous with the raises and bonuses, than constantly spending money on search firms and training. One of the problems I've seen in busi-



ness consolidation in this industry is when one provider buys another. While they have agreements for the former plan provider to stay on for that 3-5 year transition period, they often forget to take care of the employees that have no equity. There was a local Long Island TPA that was bought out a few years ago, they handled a couple of my clients over the years because I liked their work and many of their employees were former co-workers of mine. Unfortunately, they were bought out by a competitor, and slowly, but surely, everyone I liked, headed for their exit. Without my prodding, my clients headed for the exit too. If you don't take care of your employees, someone else will when these employees leave, and that will be to your detriment.

The arrogant attitude

Many people who run plan providers are very successful, you ask them, they'll tell you (one of my favorite Don Rickles lines). There are people in the retirement plan business who. Are successful and their success goes to their head, where they become God's gift to the retirement plan business. No matter your success, you're just a person doing a job, hopefully well. The people I've seen professionally falter in business up close, failed because they were arrogant. They knew better than anyone else and tuned people out, even when those people

were right and danger right around the corner. I have a friend who warned the managing partner of his law firm that the average age of a partner was 66. The managing partner was too arrogant to ignore the fact while they collected awards they didn't deserve for business leadership. Needless to say, the law firm is just a shell of its former self. I treat people the way I want to be treated. For 99.99% of the time, that attitude has worked. For the handful of people that have taken advantage of me, I will not let them change me. They are out of my business life. I have been very lucky

in life despite the torment of my parents. Unlike my grandparents and their parents, I was lucky to grow up in this country and take advantage of the educational system and opportunities here. I am no better than the person working for minimum wage in the file room at a plan provider. It's that laid-back attitude that has allowed me to develop life-long friendships in the retirement plan business and butt heads with those who are arrogant or suffer from narcissism.

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