

# Avoiding The “Bumps” Of Being A Retirement Plan Provider

By Ary Rosenbaum, Esq.

I'm a big fan of business history and every successful company that has ever been founded has had a few bumps along the way. For example, Apple almost went out of business a few times when products like the Newton didn't exactly set the world on fire. I remember being in law school where the Dean wondered why the school should buy Macs for the computer sync site because it was a dying format. Then Steve Jobs came back to Apple and the rest is history. Every business has a few bumps along the way; especially those in the retirement plan business. The third party administrator (TPA) I once knew that started from a father in law's desk also had bumps along the way. So this article is about bumps along the way of being a retirement plan provider and how to navigate them.

## It's always a struggle

I've been in my own practice for almost six years and it's still a struggle. The reason that it has been a struggle is because you always have to be on your game and getting enough clients is one struggle, keeping them clients is another. Being a retirement plan provider can be difficult because of the competition, but it's always going to be difficult because it's an industry that changes quickly. The retirement plan industry is littered with providers that are out of business just because they couldn't keep up with the changing times. If this business was so easy, there'd be a lot more providers out there.

## Even the best ideas may miss

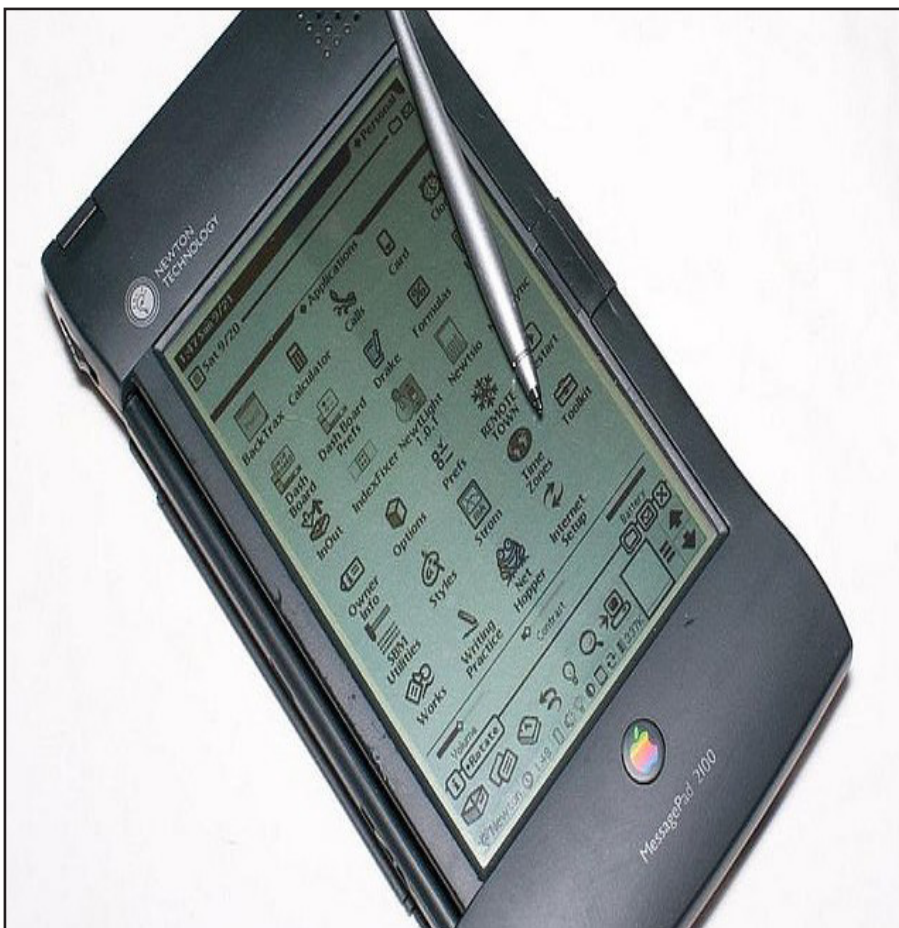
I've had so many can't miss ideas that actually did miss. One of my very first ideas when I started my own practice was the idea of a legal plan review based on an article I wrote for a previous law firm. The Retirement Plan Tune-Up still is a plan review that costs \$750. So many retirement plan providers such as financial advi-

sors thought this was such a great idea. I even had the public relations director that I worked with produce a pamphlet and I used the Tune-Up as the centerpiece of my discussions at 401(k) Rekon events. I have to be honest, but the fact is that I've might have completed less than 10 of these Tune-Ups in the last six years. While the \$750 is a nice price point, most plan sponsors balk at paying anything because they don't understand the value of reviewing their retirement plan until it's too late. So while you may have the greatest idea for retirement plans that all plan sponsors should hire you for, it may still be a struggle to get that idea off the ground and running to be successful. For example, I thought a company that got 401(k) plan participants money in their 401(k) plan for online shopping was a can't miss idea. For one reason or another, it missed. My only word of advice is to always think up new ideas. If one doesn't work, maybe the next one will. The point is that no matter how great the idea is, it can miss. You just shouldn't be discouraged and just give up after the first idea flopped.

## Whatever you do, it takes time

They same Rome wasn't built a day and neither was a successful retirement plan practice. No matter your strategy in developing your business, you're not going to be able to be a huge success on Day One. Whatever you do, it's going to take time. It takes time because your reputation

will take time to build because it's hard to refer you business when you haven't been in business that long. Even relationships take time to develop because relationships require trust and trust needs to be earned over time. One of my best friends in the retirement plan business is a fellow by the name of James Holland, from Millennium Investment and Retirement Advisors. It all



started with one phone call that James made to me after we started to interact on LinkedIn. While we may have hit it off over the phone, we didn't start working together until months later because trust had to develop over time. I always say that it takes time and it takes trust, yet I always see people at networking events who eventually try to sell their retirement plan services in a very forceful way. Any good retirement plan salesperson will tell you that it takes a lot of time to prospect and eventually get a new client, so I don't understand how these salespeople can do well when they are extremely pushy at networking events.

### **People who promise you the moon rarely deliver**

When you network, you'll run into people that will take a positive look at the services you offer and they may offer some uplifting comments especially on how much success they will have in promoting your services. Chances are high that they will fail to deliver on that success. I have come across many financial advisors and third party administrators (TPAs) who did make some bold predictions on how much money they can make for me. Let's just say that talk and \$2.75 will get me a ride on the New York City Subway. I don't think the people who promised me the moon were insincere. There are many reasons why the best plans of mice and men didn't pan out. I can't fault the TPA who claimed I'd be rich working with them on multiple employer plans when the Department of Labor put restrictions on them a few years back. The point is that talk won't achieve success; success in this business is closing one plan at a time.

### **Don't buy what you don't need**

One thing about starting my own practice that I started to realize was that there were so many people who wanted to sell me something. I remember the web search engine professionals that wanted to meet over coffee, but were really just interested



in selling me their services. To this day, I still don't believe anyone is looking for an ERISA attorney through a search engine. You will find that people will sell you expensive things that a good chunk of the time that you won't need. Only pay for services and materials that you'll actually need.

### **Watch the overhead**

Apart from not buying services and materials that you may not need, you still also have to watch overhead. Overhead ends up costing you money and makes it more difficult for you since you have to bring in more business to offset what you have to pay to maintain that business. Any retirement plan provider that is struggling is certainly struggling with overhead. When I thought about starting my own practice, I reached out to a law firm where I thought I could serve in an of counsel position. The partner at the law firm indicated that I needed bring in \$450,000 in business so that I could make \$150,000 in business. If I could bring in \$450,000 in business, why did I need them? Overhead can be a big bump in the road if you're paying for fancy offices that you don't need and employees that aren't necessary to the survival of your practice. Overhead is like your weight, it needs to be constantly watched.

### **Don't get mad, just get even**

There will be many times that you'll get angry in this business. It maybe because of

some of your employees who may cost you a client or another provider that took business away from you in an unscrupulous manner. Regardless of who gets you mad, anger isn't a good thing to have because it may lead you to make bad choices that will only make matters worse. So rather than just getting angry, it's better to get "even" by channeling that anger into something positive that will actually strengthen your business.

### **Arrogance will be blinding**

If there is one thing in the retirement plan business that you shouldn't be is arrogant. Arrogance in this business

will blind you to the changes that occur in the business because arrogant people always think they know best. The retirement plan business is constantly changing and arrogant plan providers who think they knew everything have found it almost difficult to adapt to a changing environment. Just look at the plan providers who thought their inflated fees would still do well in a fee disclosure/transparent environment. Don't let success go to head and let you think you're the greatest thing since ERISA because it will make you uncompetitive in a very competitive environment.

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