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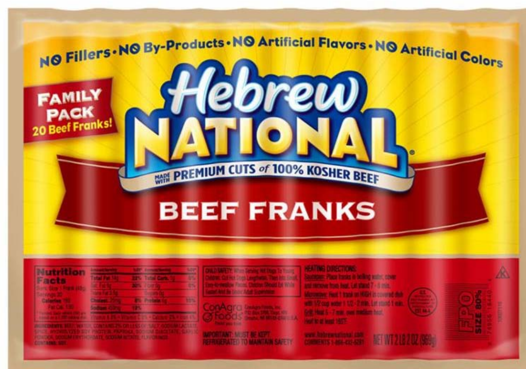
THE ROSENBAUM LAW FIRM P.C.

ADVISORS ADVANTAGE
A Publication for Retirement Plan Professionals

A Call For A New Standard For Financial Advisors.

A higher standrad for today.



Over the last 10 years, there has certainly been a revolution among 401(k) financial advisors about the need and concern of good fiduciary practices for plan sponsors. The days of 401(k) financial advisors never showing up to meet the plan fiduciaries and collecting a quarterly fee are over. Advisors have to help a plan sponsor develop a fiduciary process in effectively managing their plan and that goes a long way in minimizing their plan sponsor's liability. However, in the scheme of things, it isn't enough. There is something more that's out there and this article will introduce to you a standard that is a higher standard. If you decide to try to meet that higher standard, I think you can augment your services as a plan advisor and let you stand up among the crowd of other financial advisors.

To read the article, please click here.

Fidelity charging for Vanguard assets, why so surprised?

Why use Fidelity as TPA if you like Vanguard funds?

Starting this year, Fidelity will charge all new 401(k) clients a 5 basis point (0.05%) fee on participant assets invested with Vanguard index funds. The fee won't apply to existing Fidelity clients and will be billed to the plan sponsor and not the plan participants.

Experts claimed that this type of fee is the first of its kind, but I think it's the opposite effect of revenue sharing where Fidelity is now charging an asset-based fee for Vanguard funds that don't pay them. Supposedly, Vanguard is the only fund family doesn't pay Fidelity for shareholder and administrative services the company provides for access to Vanguard's funds. In English, it's the only fund company that doesn't pay revenue sharing and

sub t/a fees to Fidelity.

Before you become outraged, remember that Fidelity is serving as plan custodian and recordkeeper. If a plan sponsor is using Fidelity as a recordkeeper, why are they using Vanguard funds? I always thought that the reason you select a mutual fund company as a bundled provider is that you like their mutual fund. If a plan sponsor loves Vanguard funds, using Fidelity may not be a great idea especially when they can use Vanguard or an unbundled provider as their recordkeeper. If you like Fidelity, either use Fidelity's index or actively managed funds. If you want Vanguard, you're in the wrong place.

It's a highly competitive marketplace and this is more about Fidelity trying to push plan sponsors to stop using Vanguard funds on their recordkeeping platform. Like the airline who match fares, expect other bundled providers to follow suit.

Complacency can kill your business.

It can help kill your business.

Complacency can kill a retirement plan provider and their business. Complacency is a two-fold, being complacent in the retirement plan industry and being complacent with your clients.
Any business whether it's retirement plan based or not has to change with the time because the fact is that no industry is immune to change. You need to be ahead of the game and understand any new changes that go on. Ask the folks at Blackberry about complacency. If you park your car on the raceway oval, don't be surprised everyone else passes you by.

Working with your plan sponsor clients, complacency is all about taking your clients for granted and not reviewing their plan for new plan design studies, cost analysis, or plan provider searches. I've seen too many plan sponsors lose clients because these reviews come from a competing provider. Time and time again, I would hear the client ask why their current provider didn't think of a new plan design first or review of plan fees.

Retirement plan and the retirement plan industry are fluid, which means what is good today maybe not good for tomorrow. You can never be too complacent because losing your client or your competitive edge is just around the corner.

Unbundled plans gain ground.

No surpise, based on what's going out in the marketplace.

Callan has published its 2018 DC Survey, offering up an overview of the U.S. defined contribution (DC) plan industry. The survey has shown that unbundled plans have gained traction in the marketplace.

The survey showed that the proportion of plans that are at least partially bundled fell from 53.8% of plans n 2016 to 44.0%

in 2017. There has been a consistent trend towards unbundling and the survey confirms that. The most amazing statistic is that just 8.8% of plans with assets greater than $1 billion utilize a fully bundled structure. I think that 8.8% is reflective of the litigation against large plans and the bundled providers they've used.

According to to the survey's definitions, in fully bundled plans the recordkeeper and trustee are the same entity, and all of the investment funds are managed by the recordkeeper. Partially bundled plans also have the recordkeeper and trustee as the same entity, but not all of the investment funds are managed by the recordkeeper.

This survey confirms the trends in the retirement plan business towards a fully unbundled marketplace.

Don't be passive-agressive with employees.

It's bad for everyone.

I always say the two worst things you can give people are false praise and false hope. One of the reasons that I started my own law practice is because I was an employee and for the most part, I didn't like how I saw employers treat employees especially when it came to acting towards them by giving them sort of fake praise and then taking action against them.

It happened really early when I worked at a Boston law firm as a law clerk when I was completing my studies as an LLM student. There was this paralegal there who clearly was way in over her head. I never worked with her, but she looked like a deer in the headlights, so it was Christmas season and she was getting her end of the year review. She told that her work was excellent and she got a raise. Within two weeks, she was fired for being incompetent.

What's the point of saying someone is doing a great job when they're not? I'm sure people will say that the law firm was going to fire her anyway and so what's the point of telling her that she really needed to improve? I have an expression that I don't like to look bad and I believe that the law firm looked bad in her eyes, looked bad in the eyes of other employees (there was another paralegal who was really upset by it), and the leadership looked like a bunch of liars. I always say your word is your bond and if you go back on your word, people will never see you the same way again.

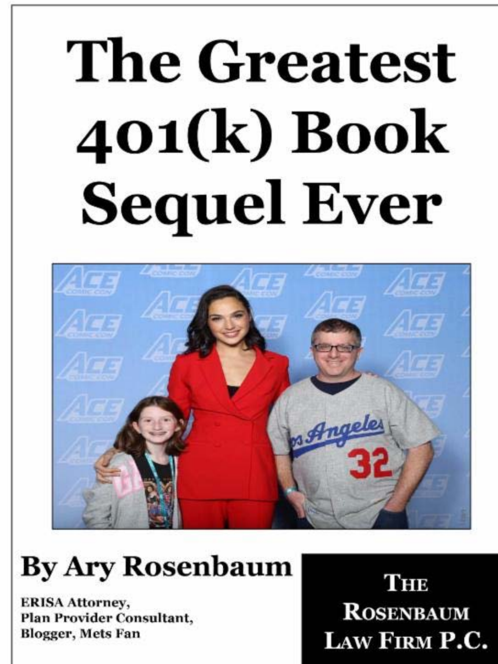
Employees won't improve if you don't tell them they need to improve. Getting rid of employees and hiring new ones can be an absolute ordeal, so it's a good idea to salvage what you have. But you can't salvage something where the employee thinks they're doing a great job because you told

them. Mixed signals aren't a good idea when managing employees. Morale is an important aspect too. So when you're firing an employee you've told what a great job they're doing, it will impact the employees that are left.

So if you have staff and they're not up to par, tell them. Give them an opportunity to get better because not having them see it coming is great on Survivor, it's not great in the workplace.

Second book is coming.

The book no one is expecting will be here soon.



In a shameless act of self promotion, I would like to announce that I'm working on a new Kindle Book. It's a sequel to my first 401(k) book called: How to Succeed in the 401(k) Plan Business: (and 401(k)'d: A Life). The book, released in 2014 was smashing success; about three dozen in the industry bought the book.

The new book is entitled: "The Greatest 401(k) Book Sequel Ever." Before I get criticized and condemned by people who have written two or more 401(k) books, it's sarcasm.

The book picks up where the last one left off and I offer some fresh, new insights on the 401(k) business. I also succeed in the impossible task on how my terms as a synagogue vice president is a learning experience for those in the retirement plan business plus I finally mention the whole Matt Hutcheson debacle where the person I succeeded as a plan fiduciary on one multiple employer plan, accused of stealing $5 million from two other plans.

The book should be out sometime in February and there will be a sale on the first book to build up the necessary excitement.

For those who want to cover the book or offer the book as some sort of promotion for your plan providers, you know where to reach me.

In another attempt at building excitement for my next book, Amazon is temporarily discounting the original: How to Succeed in the 401(k) Plan Business: (and 401(k)'d: A Life) at 50% off to $4.99 until Tuesday morning. Click here to buy the original.

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