

# The Building Blocks of a Successful Retirement Plan Practice

By Ary Rosenbaum, Esq.

**A**ny building requires a good foundation, because otherwise it will topple over. The same can be said for any retirement plan provider. Too many retirement plan providers such as financial advisors and third party administrators (TPAs) suffer in their business because they don't know the good building blocks in assembling a retirement plan practice. This article is all about the good fundamentals and building blocks in assembling a retirement plan provider practice

## The Right Attitude

Before you go to work in the morning for your practice or you're in the planning strategies of starting one, you really need to think about your attitude and see if it's the right attitude. The worst attitude is arrogance, the idea that you think you know everything. I've been in the business for over 14 years now and I am proud to say that there is something new I learn everyday; I'm far from knowing everything about 401(k) plans. You also need a positive attitude. I've been both a pessimist and an optimist and a negative outlook scares away potential clients and referrers of business. A positive outlook rather than a negative outlook is about what you're doing right as a retirement plan provider and less than what the competition is doing wrong because customers don't like gloom and doom. You also need an attitude where you simply understand that the customer comes first because without customers, you have no business. You should never take your clients for granted and understand that their needs come first. As long as what they don't demand something that contravenes the

Internal Revenue Service or Department of Labor guidance, the customer is always right.

## Find your spot of plans you will work on

Whoever said you couldn't be everything for everybody may have been a retirement plan provider because the fact is as a retirement plan provider; you can't work on every plan that is out there. You need to find your way in the retirement plan

every retirement plan provider would like to work on the largest and most financial rewarding plans out there, it's quite difficult because of the process in selecting plan providers for plans of these types and the level of providers that they seek. Even if you can't nab the \$1 billion 401(k) plans, there are so many plans out there that need good retirement plan providers and it's up to you to find the types of plans you want to service. Your interest may lie in the micro plan level or larger plans in the \$20 to \$25 million level or you only want to work on cash balance or defined benefit plans. Wherever your interest lies, there is a segment of the market that will meet your interest. Exxon-Mobil or Microsoft may not call you, but there are a multitude of clients that will. It's just your job to figure out which potential clients that you will pick up the phone for.

## Develop a hook

Like a motion picture or a book, your business needs a hook. A hook isn't a real hook, but a clever one-liner that will get potential clients interested in hiring you to be their plan provider. Clearly, the hook for a retirement plan provider is too long for one line, but you get the point. You need a message as to why you stand out among your competition, why plan sponsors should hire you

What are you doing that is different from what the competition is doing?

How are you a better value than what's out there? How are you helping to minimize a plan sponsor's fiduciary liability and how are you maximizing the utility of the plan for the plan sponsor's highly compensated employees? When I started my own practice nearly 3 years ago, a big part of



practice and which size plans you will work on. The TPA who works on plans with thousands of employees is unlikely to work on a three-person 401(k) plan with \$100,000 of assets and a financial advisor who handles many small businesses is unlikely to work on a plan being sponsored by a Fortune 500 company. While I'm sure

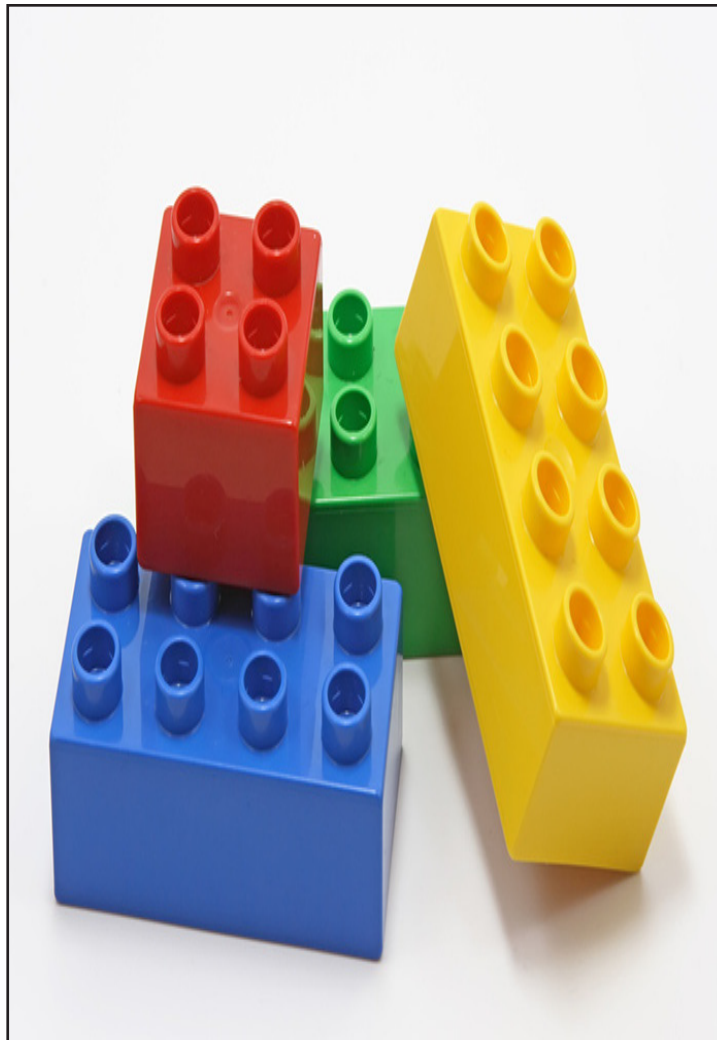
the hook of my practice is how my services were a tremendous value because I primarily bill on a flat fee, fees that are comparable to what TPAs charge, but with the added benefit of an attorney-client relationship. Has it been successful? Well, the jury may be out on that one, but you need to develop a line or a message as to why your practice as a retirement plan provider deserves to be hired among the multitude of competing plan providers.

**Concentrate on what you do best, farm out what you don't**

Ralph Lauren makes great clothing; it's a heck of story on how Ralph Lifshitz from Moshulu Parkway in the Bronx has become the epitome of American style. While Ralph Lauren Corporation designs great clothing; his company doesn't make paint, fragrances, housewares, underwear, or eyewear. Ralph Lauren Corporation concentrates on what they know about (clothing) and licenses out the rest (including some of their lesser known brands like Chaps). As a retirement plan provider, you should concentrate on the core of your practice that you are an expert in and consider farming out some of the ancillary parts of your practice that you aren't. If you're a daily 401(k) TPA and your balance forward business isn't your strong point, consider farming out that operation to an actuary. If you're a financial advisor and you don't think you have the capability of providing investment advice to your client's employees, then consider farming that out to an expert in the field like RJ20.com. Running a business is all about efficiency and you should always concentrate on what really works and farm out the parts of your business that are inefficient. There are enough providers out there than can handle the parts of your business that aren't a good fit for you

**Watch your step, this is a close-knit community**

While they sing, "It's a Small World" at Disney World, they should sing that song for the retirement plan industry. The re-



irement plan industry is a close-knit community and word travels fast. So if you develop a reputation of doing shoddy work for your clients or you can't play nice with your competition, the jig will be up and the rest of the retirement plan community will know about it. From experience, it's better to have friends in the industry than enemies because a poor reputation in the business will follow you like the urban legend of urinating in the pool and the dye that will follow you

**Just because they are your competition doesn't mean you can't be friends**

It's natural to be competitive with the other retirement plan providers who perform the same services that you do. However, there are many instances where competitors can team up like brokers or registered investment advisors who partner with advisory firms that offer ERISA §3(38) service or TPAs that may enter into joint ventures where each TPA handles a specific retirement plan. So there are many times where you may get into alliances with providers who are your competitors,

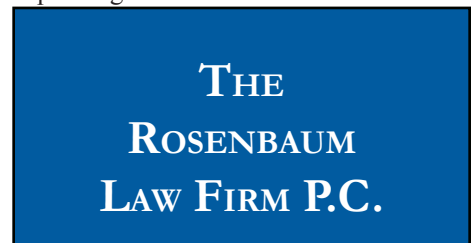
so behave.

**You don't know everything, surround yourself with those that know something**

Whether you are a financial advisor or a TPA, the fact is that you don't know everything about the retirement plan industry. If you are a financial advisor, your background isn't retirement plans, but providing financial guidance. So you need to find a good TPA, ERISA attorney, and auditor to create a team of experts that you can rely on. The same can be said of TPAs who need to know a good ERISA attorney and auditor to bounce off ideas on. I know a good ERISA attorney who can round out your team of experts (cheap plug here).

**Keep an open mind about the next big thing**

Whether it's automatic enrollment or using social media, always keep an open mind about the next big thing that can help augment your practice. There are so many successful businesses like Blockbuster Video who fell by the wayside because they didn't change with the times and let the times change them. That's why it's important to keep your ear to the pavement and identify what the next big thing in the retirement plan space is. Your business is depending on that.



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