

How a TPA Can Be a 401(k) Financial Advisor's Best Friend

By Ary Rosenbaum, Esq.

Any good retirement plan financial advisor will tell you that relationships in the retirement plan business mean everything. The relationships that an advisor can have with their clients and other retirement plan professionals are the most important things and everything else is secondary. One of the most important relationships that a financial advisor can develop to augment their practice to current and future clients is finding a few third party administrators (TPAs) to work with. In many ways, the TPA's can be the financial advisor's best friend and this article will show you why.

Move past about the TPA getting you clients

One of the reasons that many financial advisors and brokers steer business to payroll provider TPA's isn't much of a secret. The reason they do that is that they often get referrals for plan sponsors who need a financial advisor, but that doesn't do a whole lot for their current clients who have these payroll provider TPA's as a result of these "bribed" referrals. A TPA should be selected for a client because it's the best fit, not because

an advisor may be getting something in return from the TPA. Financial advisors should seek out other plan providers such as TPA's to help grow their business. That is why I have always had an open door to any retirement plan provider who wanted to call me with a question or advice. A TPA can be a significant boost to your practice, but that doesn't necessarily mean they will give you clients directly. TPA's work with many advisors and if they get a rare chance for a referral of a financial advisor, chances

are that it's going to go to the advisors who bring them the most amount of business. While a TPA will probably not have the opportunity to get you clients directly, they may help you get clients indirectly.

A bad TPA will get you fired

Too many financial advisors have no concern about who their client's TPA is, as long as they get paid. That's the wrong attitude because my tenure as a TPA attorney

a long way in making your life stress free and less concerned that work that is beyond your control will cause you to lose control as the advisor for your plan sponsor clients.

They are there as a sales resource

As Rodney Dangerfield said in "Back to School," if you want to look thin, surround yourself with fat people. I say that if you want to look like a retirement plan expert, you need to surround yourselves with retirement plan experts and that means finding some good TPA's to work with.

One of the greatest experiences I ever had was working at a TPA firm where I would be an integral part of the sales process when the client or the client's financial advisor had a question or issue regarding the plan. So many times, a financial advisor was able to procure new business just because our firm would send out our sales staff and other professionals such as myself and other retirement plan experts. When you go to an office of a potential client with such help, it gives the potential client confidence that you are someone



for more than 9 years has shown me that a good chunk of the time, a bad TPA will get the advisor fired if the advisor got that TPA hired. In addition, I have seen advisors fired because they didn't watch what the TPA was doing, even if they never suggested to the client to hire that TPA in the first place. It is incumbent on any financial advisor to make sure that the TPA is doing a competent job for the plan sponsor because the plan sponsor is on the hook for liability if the TPA doesn't. A good TPA will go

who can handle their plan in a competent manner. I have clients to this day just because I was at a sales meeting helping the plan sponsor out with some issues that their current TPA had neglected. Like a gunfight in a Western, it's great to have backup. The reason that the TPA is effectively offering you a free service is because they are trying to get that business as well and it's a great idea to leverage that knowledge and experience of the TPA so that everyone makes out with a new client. It would be wise to

make friends with 2-3 TPA's that can handle your plans and the right TPA is going to be the one that is the right fit for that client. In addition, some TPA's have excellent marketing materials that you could present to your potential or current clients that can help them better manage their retirement plan.

The importance of plan design

As a financial advisor, your role is assisting the plan sponsor in the fiduciary process. Unless you have background working as a retirement plan administrator or you're an ERISA attorney, chances are that you know very little about compliance testing that every qualified retirement plan must complete. Plan design is an important mechanism that can help a plan sponsor avoid failing these required tests or make a more efficient use of employer contributions. A good TPA goes a long way in helping plan sponsors avoid a negative outcome of their compliance tests while creating a plan design that optimizes the use of employer contributions for the plan sponsor's highly compensated employees. I still have a client from my TPA days that was consistently failing the ADP test for salary deferrals and the ACP test for matching contributions. The owner of the company had to receive a refund of \$10,500 of her salary deferrals because of the failed ADP test. Had their payroll provider TPA actually bothered to read their compliance test reports, they could have mentioned to the owner of the company that if the company simply put in a \$7,500 qualified non-elective contribution to her lower paid employees, she could keep her \$10,500 of deferrals and not pay taxes on it. So we made the corrective contribution and set the plan up to adopt a safe harbor contribution the very next year. Inefficient plan design can cost plan sponsors money in either additional contributions that aren't required or doesn't allow giving the maximum contributions allowed by law or compliance testing. More money left off the



thinks it's very impressive for his clients that he can pick up the phone, ask me a question, and get a quick answer. It makes his practice look attractive with an expert at his fingertips without the headache of paying a salary for one. So a financial advisor using a TPA would be using the same approach. Having the ability to call someone at the TPA with knowledge on plan compliance issues will only make your practice look more attractive.

table for plan sponsors to save for retirement for the employees is more money in the hands of government. So when working with current or prospective clients, the TPA can review their current plan design and determine whether it is efficient or not. Many times, it's an eye opening experience to find out that the plan is paying too much or too little in employer contributions. A good TPA will provide these plan design illustrations and studies for free.

A good TPA is one less thing to worry about

Being a retirement plan's financial advisor is more than just being a financial advisor because there are many tasks that you might have to handle that has nothing to do with giving financial advice. So many times, the role of a financial advisor is really a retirement plan ombudsman or in many instances, a firefighter extinguishing the "fires" within the Plan. A good TPA is a really good friend because with a good TPA, there are fewer issues that you need to help fix. A good TPA will go a long way in making sure that you have enough time to work on your real job, helping the plan sponsor through the fiduciary process. You get paid on managing plan assets; you don't get paid in fixing TPA errors that you had nothing to do with. A good TPA will take a load off your back.

An expert at your fingertips that you don't have to pay a salary for

I have a financial advisor client who

The re-source is free, just don't abuse it

Any good TPA will help you out in getting new business and keeping current clients and they will do it for free. But just because something is free doesn't mean it's free because a TPA's time and effort costs money. As long as you are considering referring business to a particular TPA, it's OK to ask them for help every now and then. If over time, you can't or won't make referrals, it's not good form to ask for free help if you have no attention in paying back that TPA in actual plan business. As with any friendship, don't abuse a friendship you make with any TPA.

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