

# Dealing With Relationships As A Retirement Plan Provider

By Ary Rosenbaum, Esq.

Being a 401(k) plan provider isn't easy. It's a competitive business, that is constantly changing, thanks to law changes and better technology. I've been in the business for over 23 years now and there are quite a few challenges out there in the business and that's dealing with others in the space. There is a lot to unpack about the relationship issues of being a 401(k) plan provider and how to deal with them. That is what this article is all about.

## Dealing with clients

When I worked for a certain third-party administration (TPA) firm, I used to joke that the job would be great "if it wasn't for the clients," which was a nod to a favorite film of mine, Kevin Smith's *Clerks*. Actually what made work difficult was working with co-workers, many of who had absolutely no training in retirement plan administration, or couldn't simply read a plan document index for the correct plan provision. Honestly, we wouldn't be in business without clients. They needed to be treated with respect, provided a professional service, and fair and transparent billing. I think

what most plan providers forget is that ultimately, a client is an individual. People are different and they have to be treated differently. They have different expectations, wants, and needs. What works well for one client, may not work well with others. Managing personal relationships are difficult because everyone is different. They often say that 20% of clients take up 80% of the work and some clients are more difficult than others. Managing relationships is difficult, I know firsthand (best is to say

as little as possible). The #1 reason why my relationships in both business and personal life have failed is that a lack of communication. Communication is key to this business and one of the easiest ways to lose a client is a breakdown in communication or a lack of communication. When I was a kid, Ed Koch was Mayor of New York City and he would always ask citizens on the street "How I'm doing?" I don't think you have to do that with every client, I just think you need some communication with



them consistently to gauge their continued interest in retaining you as a plan provider. I have that expression I have unfortunately had to use in life after my house was flooded in Hurricane Sandy: "I needed you, you weren't there, I don't need you anymore." When something goes wrong with a client and their retirement plan, you need to swoop down and be there for them, in any way possible. I assure you that if you aren't there in a support role (especially if you caused trouble, such as a mistake in admin-

istration), they will eventually fire you. For example, I was recently involved with a defined benefit plan with severe compliance issues because the compensation for the sole participant was incorrect. The advisor made some disparaging remarks to the TPA, who did nothing wrong, and the TPA (well respected in the industry) ended up ghosting the client and the advisor. Needless to say, the TPA ended up getting their conditional release. They always say that the customer is always right, but when it

comes to retirement plans and the rules concerning them, they aren't. A client demanding a pre-59 1/2 non-hardship in-service distribution isn't getting one or a client who won't correct severe compliance issues such as missing Form 5500s. They are right when it comes to how you handle them. Don't take any criticism personally. Even if you think they're wrong, they're just expressing an opinion, and opinions are never wrong unless they're based on incorrect facts. Clients come in all shapes, sizes, and views. Some clients will be loyal to you, no matter what. Another client may fire you to save \$5 by hiring a competing provider across

the street. Managing relationships is hard and some plan providers might be better than others. You have to look within and see whether you can do a better job in communicating with clients. There are times when you have to fire your client and it's unfortunate when you have to. A 401(k) plan sponsors that refuse to comply with ERISA and the Internal Revenue Code is a headache you need to avoid. In addition, a client that doesn't pay isn't a client. You're running a business, not a not-for-profit organization.

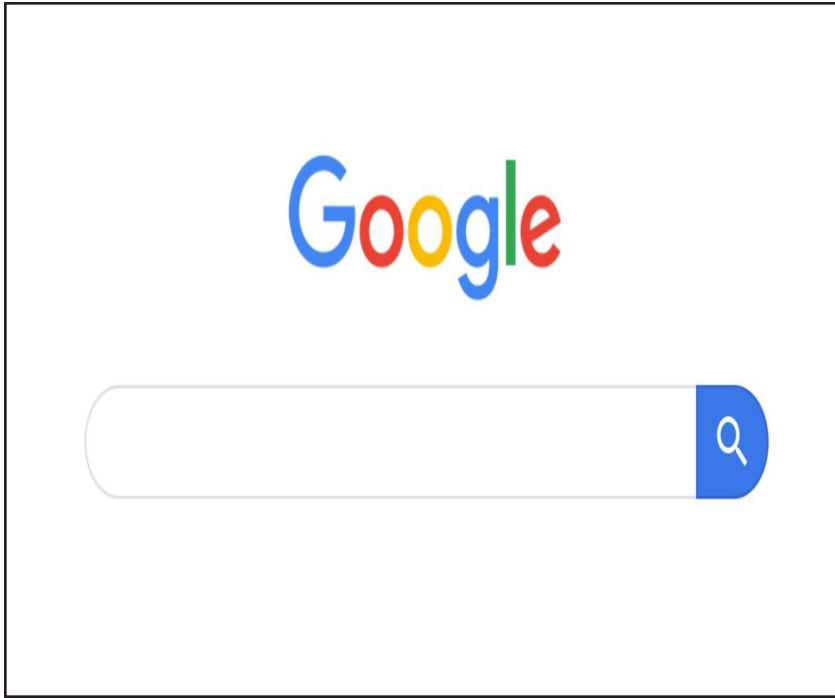
### Someone is always trying to sell you something

When I started my practice and did some networking, I realized that there was a cottage industry of people who wanted to separate my money from my wallet for services I didn't need. Despite the email requests and LinkedIn invitations, I don't need case management software because I don't litigate and I don't need search engine optimization since most business comes from referral and rarely come from a Google search engine. You might be bombarded by people requesting your time to review their services or sponsor

their event (especially my That 401(k) Conference). Even if you're the biggest plan provider out there, you can't afford everything and you don't need everything. Your budget and time are not unlimited. Sponsoring events might be trial and error, but there has to be a nexus between the event and your audience that you need to cultivate and develop clients from. One of my biggest pet peeves is people trying to connect with me through LinkedIn and I know, based on their occupation, they're trying to sell me something, anything dealing with computers, websites, or law firm management. I'm all about developing relationships with people in this business, but it has to be people in this business and not someone who just wants me to hire them for something I don't need. Time is valuable and you have no time to waste on people that are only going to waste your own time.

### Dealing with other plan retirement plan providers

The retirement plan business is relationship-driven. Dealing well with other retirement plan providers goes a long way towards helping you cement as a leading retirement plan provider. If you don't deal well with them, people in the industry will know. Your reputation in this business means everything and not playing nicely with others will hurt that reputation in this business. I've worked with hundreds of different plan providers and the annoyance list doesn't complete one hand. I try to treat other plan providers the way I want to be

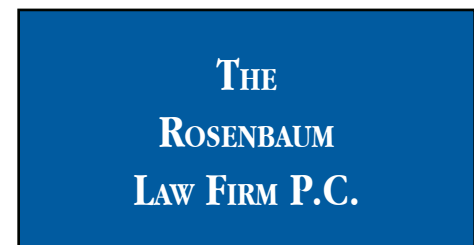


treated and that works well. I had a client recently tear their TPA a new one about affiliated service group rules and I talked the client off the ledge because the TPA was just doing their job. When a client was haggling another TPA about fees to clean up a huge mess and I knew this TPA doesn't like to haggle, I put it to rest pretty quickly. I don't like when people haggle over my flat fee billing, I'm not going to do that to another plan provider when the fees they quoted are reasonable. Again, there have been a handful of occasions where I had issues with plan providers. If you're nice to other plan providers, you will develop long-term relationships with them and that made lead to a referral. If you steal clients or speak badly about the competition, you will be well known in the retirement plan circles for being a dirty player. A good part of my practice is talking to and advising other plan providers at no charge. In terms of free help, I could only think of two times where I thought they were wasting my time. The first one wanted to develop a relationship to do plan reviews and I never heard back from them after I did a free one (never do work for free). The second one had a needy client that required hours of work and the client ghosted me after I sent them a retainer letter. Almost all of my other interactions with plan providers have been professional, the only time it wasn't was when a TPA demanded \$80,000 for a 5500 and valuation that they were already paid for. Almost all of the time, it works out, but there are a few bad players out there that you have to navigate against.

### Dealing with government agents

Auditors with the Internal Revenue Service (IRS) and Department of Labor (DOL) who perform random retirement plan audits are a necessary evil. If there were no auditors, there would be no way to make sure that qualified retirement plans would abide by the Internal Revenue Code and ERISA, since we have a voluntary compliance system for retirement plan sponsors. Although audits are the only service that I charge by the hour, they're still uncomfortable to me because I've dealt with some terrible compliance

issues with plans that were under audit. You get a lot more with honey than you do with vinegar. I never see the point of being salty with government auditors. Don't ignore them. Be courteous and respectful. Even if they are difficult to deal with, accept that. Audits can feel like an invasive medical procedure, there is no point in being difficult. On the flip side, they aren't your friend, it's often an adversarial relationship, and never volunteer information. Only answer what is asked, directly. Being difficult with an auditor is only going to drag the audit out, which won't help plan sponsor clients that have to pay for representation and provide information.



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