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Recent Changes That Plan Providers May Not Like

On Curb Your Enthusiasm, Ed Asner was a guest star, playing an elderly man who wanted to change his will. Based on a recommendation by Larry David, Ed's character visited the attorney Joel Reynolds at his office. Unfortunately, it was Casual Friday and Ed's character was offended because he thought it looked unprofessional and he asked why Joel should dress like he's at home when he's not at home? While it's Casual Friday at my home office every day, I never knew why the day at the office was a thing. As far as things in the retirement plan business, there are some trends out there that I'm not too crazy about that you might ponder as a retirement plan provider.

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Don't waste a plan provider's time

I started my practice almost 12 years ago and I devoted a huge part of it, to helping advisors with their clients. It's a great way to get referrals, but there are times when the help I provided led me to nowhere. That's fine because you pay it forward and you always end up getting it back in return.

I will say that for almost 12 years, I've maybe been taken advantage of by two advisors. While I never really call people out for wasting my time, I recently made an exception. About a year ago, an advisor brought me a very troubling situation with a client where excise taxes would cost their client millions. I spent hours and hours, on the phone with them and introduced them to a specialist who could help them out. When I presented a retainer letter to the advisor's client, the very opinionated client was nowhere to be found. Kids today would say I was ghosted.

These things happen. What annoyed me was that the advisor wasn't apologetic for his client wasting my time, but what annoyed me was his narcissism. During this whole dance with his client, he wasted my time calling me and suggesting that I wasn't charging the client enough, mind you I was never retained by the client.

I brought this up with this advisor lately and this is the only time I've ever had a dust-up with one of these advisors. He made every excuse in the book and I said that while he isn't responsible for his client's behavior, he was responsible for his and a simple apology for his client wasting my time, would have sufficed.
I emailed the advisor because I was working with a client who needed a new third-party administrator for a plan that was completely screwed up and I recommended the one TPA that I knew, who could do the work. While the client was haggling, I had no time for wasting the TPA's time. My time is valuable, so is the time of another plan provider.

As markets tank, we will hear those 401(k) complaints

I used to joke that to save money, the local news stations should recycle footage that they collect from hardware stores and supermarkets when there is a snowstorm because the reports of people buying shovels, snowblowers, milk, and bread are the same every year and every snowstorm.

The same can be said about articles and reports about how bad 401(k) plans are. We heard about how bad the 401(k) plan was and the high costs back in 2000 and 2008 when the markets had huge corrections after big financial gains. If the markets have a correction this year (the markets are likely overvalued), expect to hear the complaints about how bad 401(k) plans are.

Yes, defined benefit plans were great, until plan sponsors realized it was cheaper for them to offer 401(k) plans and shift the cost of funding retirement from their ledger and switch it to the burden of employees. It's not the 401(k) plan's fault, it's just employers who wanted to cut down on costs. People living longer didn't help either.

So when you hear 401(k) plan complaints, just expect that means markets have gone south.

Bessemer Trust is latest 401(k) proprietary fund defendant

When you're a plan sponsor and you run your own proprietary mutual fund business and have your 401(k) plan invest in said funds, expect to be sued.

Bessemer Trust Company is being sued over the Bessemer Trust Company 401(k) and Profit-Sharing Plan by plan participants.
The complaint alleges that Bessemer used their 401(k) plan to promote Bessemer Trust's Old Westbury mutual fund business and maximize the company's profits.

The plaintiffs say that the plan investing in Old Westbury proprietary funds cost 401(k)(participants millions in excess fees from high cost, poor-performing mutual funds owned by Bessemer Trust.

I won't add annuity options to a 401(k) plan

When it comes to plan design, I believe in the idea of KISS: keep it simple, stupid.

While the SECURE Act protects plan sponsors from liability by offering annuities, I have zero interest in adding an annuity option to a 401(k) plan. I like lump sum and partial withdrawals as payment options, everything else takes too much work and plan sponsors have too much work.

The only folks who will push annuities in 401(k) plans are the folks who stand to make money off of it. I understand that plan participants have issues on whether retirement savings will last and that's why they might purchase an annuity, but that's a choice they can make when retiring and receiving a lump sum payment.

Phoenix is tomorrow.

We will be live at Chase Field for a great 401(k) advisor event. For just $100, get 5 hours of content, lunch, and a meet and great with a Diamondbacks great.

Tickets are available for the game that nigh vs. the Miami Marlins.

The sponsorship brochure for Phoenix can be found here.

We willed you know as to the rescheduled date.

To sign up, please click here.

Feel free to contact me with questions.

Miami registration is open for June.

On Friday, June 24, 2022, we will have a live event at loanDepot Park in Miami.

The sign up page for registration is here.

We will have game tickets that night as the Miami Marlins take on the New York Mets.

For information on sponsorship, which starts as little as $500, please click here.

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