

THE  
ROSENBAUM  
LAW FIRM P.C.

## ADVISORS ADVANTAGE

A Publication for Retirement Plan Professionals

### Some Hard Truths About The Retirement Plan Business.

The truth, the hard truth.



What makes me a very unpopular person in the retirement plan business and synagogue is that I'm very opinionated and I like to call it where I see it. Years ago, I was working for a producing third party administrator (TPA) in New York City and upon leaving, I said that revenue sharing would be phased out, fee disclosure would be a reality, and the TPA would be out of business in 5 years. I was right

about everything except that the TPA went out of business in 3 years. Now I only wish I could predict next week's Powerball winning numbers. The fact that is some hard facts about the retirement plan business and I'm not one to sugarcoat them. It reminds me of the line when Dr. Rumack asks Elaine: "Elaine, you're a member of this crew. Can you face some unpleasant facts?" Elaine responds: "No." So whether you can deal with it or not, here are some unpleasant facts or hard truths. Don't worry; I'm still on some conference blacklists either way.

To read the article, please click [here](#).

### Trump issues executive order that may bring back Open MEPs.

This could be something big.

President Trump signed an executive order last week in Charlotte which directs the Department of Labor and the Department of Treasury to promulgate regulations that will allow association plans, which are probably a vague notation to Open Multiple Employer Plans (MEPs) which have not covered from a Department of Labor advisory opinion in May 2012 that said that a MEP with no



commonality between adopting employers was not a single plan for 5500 purposes.

Before you start uncorking the champagne bottles, the regulations will take time to come and get implemented. In addition, the Secretary of Labor suggested that the Chamber of Commerce could be one of these association plan sponsors, which might restrict from plan providers from sponsoring their own Open MEPs. So, we'll wait and see what the government comes up with and whether Open MEPs will gain back its footing.

In addition, President Trump asked the Treasury Department to look at required minimum distributions and determine whether the mortality factors should be updated so that individuals can take less money out as part of a required minimum distribution after attaining age 70 ½.

## IRS approves tying student loans to 401(k) employer contributions.

**Not as big, but cool.**



The Internal Revenue Service (IRS) issued a private letter ruling which allowed an unnamed employer (some say it's pharmaceutical giant Abbott) to make 401(k) contributions to participants who are repaying their student loans.

In a nutshell, the IRS approved the 401(k) plan in question to allow plan participants to choose whether they'd prefer a 5% contribution from the employer to be in the form of a 401(k) match or a student loan repayment. Participants would receive the contribution regardless of whether or not they are contributing to the retirement plan.

In a nutshell, the IRS approved the 401(k) plan in question to

Before you start promoting the idea of this contribution option, remember it's part of a private letter ruling specific to the issue of the employer and plan in question. I wouldn't suggest anyone adopt such an option without further guidance or seeking a private letter ruling of your own.

Will this option become popular if codified into law? Perhaps, perhaps not. However, I like the idea of it because I like choices when it comes to 401(k) plans and any mechanism that can help plan participants get their financial future into place is alright by me.

## When I don't get the gig.

**Usually the same reason why.**

When I'm contacted by a plan sponsor needs help, I usually quote a flat fee and 9 out of 10 times, I'll get the client. Price is rarely the reason why a potential client won't hire me. Here is usually one reason why I don't get hired: I'm cautious when it comes to self-correction.

What does that mean? It means that when a plan sponsor has a glaring problem for quite some time that takes place over a few years and involved a lot of participants and a lot of money, I will recommend that the plan submit the plan to get the Internal Revenue Service's



blessing through the Voluntary Compliance Program.

Case in point, I was contacted when I was at that semi prestigious law firm about a publicly traded bank with a big problem. It seems that it's Big 4 auditors failed to catch a big problem with the 401(k) plan for about 20 plus years. It seems that while the plan in operation excluded bonuses from compensation, the plan document didn't. Based on the amount of fixing the problem, I recommended that the plan should seek the IRS' blessing. They found an ERISA attorney who said they could self-correct. It would have been a nice gig at the time, but I didn't want to be the attorney who said they should have done self-correction and the IRS would have had a different opinion on an audit.

There are times where you won't get hired, but when it's based on a plan sponsor not taking your advice, there is no loss there because you're sticking to your guns and not lowering your standards.

## The problem with consolidation in the TPA business.

It has a downside.



Every week, I check the headline on 401khelpcenter.com and the news part usually involves one or two purchases of third party administration (TPA) firms by larger TPAs. It's the nature of a very competitive business and with large TPAs wanting to be larger and smaller TPAs wanting to cash out.

While consolidation may allow these large TPAs get savings when dealing with other providers and becoming more

efficient, it does have costs within the industry. One way is the loss of jobs for very experienced plan professionals. The New York area, for example, has suffered the loss of a handful of very well known and well run TPA firms. Heck, I had a friend in the business from my own village that had to move to the Midwest to get a good job as a plan administrator.

Consolidation always decreases choices and less competition could lead to increased pricing even if fees have been going down for years.

While the TPA business seems to remain healthy, my concern is that while consolidation can be good for business, there are chances and reasons why it can't.

## Chicago: Two Advisor Events and a Cubs Game This Week.

**A Happy Hour too. September 12-13th. Be There.**

I'm very proud to announce that The 401(k) Conference will emanate from the friendly confines from Wrigley Field this week on Thursday, September 13th. If you're a 401(k) financial advisor, you get 4 hours of content, lunch, a Wrigley Field Stadium Tour and a



meet and greet with Hall of Fame member Andre Dawson for \$100. In addition, we're having a Cubs game outing the night

before on Wednesday, September 12th as the Cubs take on the Brewers. Tickets for the game are \$100 and are going quickly. Tickets for the game and conference can be found [here](#).



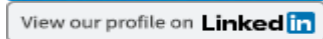
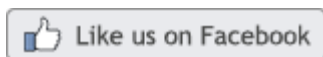
My friends at PCS have decided to join in the fun as they will be having their 401(k) advisor event, The Advisor Lab on Wednesday, September 12th. It's a half-day of great 401(k) content, followed by a Happy Hour before that Cubs game we have. So if you're an advisor in

Chicago or points elsewhere, this is a great way to spend 2 days in the Windy City. Sign up for The Advisor Lab [here](#).

Chicago this September 12th and 13th is the place to be if you're a 401(k) advisor.



After Chicago, we'll be going to hold That 401(k) Conference in Philadelphia at Citizens Bank Park on Friday, November 9th. The same deal as the Citi Field and Wrigley Field events. \$100, 4 hours of content, a stadium tour, and a meet and greet with former Phillie and current Phillie radio voice Larry Andersen. We also have the Phillie Phanatic making an appearance. We're looking for plan providers sponsors. So if you want to be in on the fun, contact [me](#).



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