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ADVISORS ADVANTAGE
A Publication for Retirement Plan Professionals

Bad Business Choices To Avoid As A 401(k) Plan Provider.

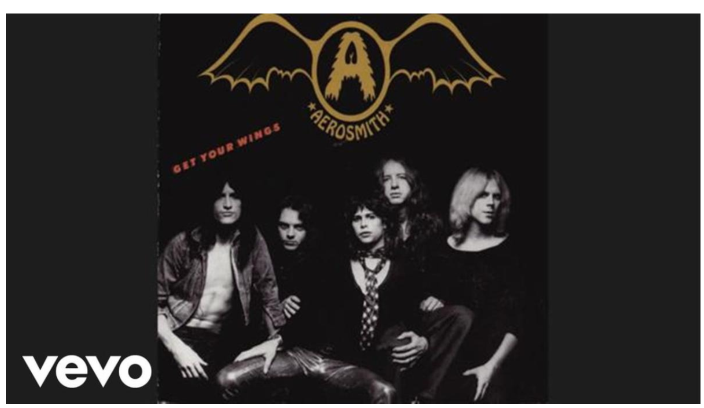
It's hard to identify them.

I'm a big fan of business history when it comes to brilliant business moves, as well as some pretty awful ones. In terms of bad business decisions, I always find it amusing when I can spot one when it's made and I could see the failure a mile away (Keurig Kold, Sear refusing to upgrade stores to save money, etc.). In my own business as an attorney and a retirement plan provider, I've been able to spot some really poor decisions that I could see a mile away and you can avoid as a retirement plan provider.

To read the article, please click here.

I've seen how this story played out.

I've seen it before.



As everyone is gearing for the January 1, 2021 implementation of pooled employer plans (PEPs), I keep on insisting that this won't be the game-changer that everyone hopes.

I think PEPs are a great idea, it finally eliminated the silly Department of Labor (DOL) advisory opinion on Open Multiple Employer Plans (MEPs). I caution that many advisory firms and other plan providers want their PEP. The caution is that like the days of Open MEPs, most of these will fail in accruing enough assets for them to be more cost-effective than a single employer plan solution. If a PEP (like the old Open

MEP) doesn't have enough participants and assets, that annual audit starts to become an albatross around the neck of the plan and the participants who might have to pay $50-100 a head just for the audit.

The most successful PEPs will be those MEPs that make the switch over to become MEPs for more flexibility in plan administration and recruiting adopting employers. Rather than each advisory firm getting their PEP, I suggest looking at larger existing PEPs that will allow these advisors to offer a white label solution and fund menu for their clients. Why try to invent the wheel, when something more cost-effective and workable is out there? Just my two cents.

Participants more attentive thanks to fee disclosure.

Fee disclosure has been a good thing.

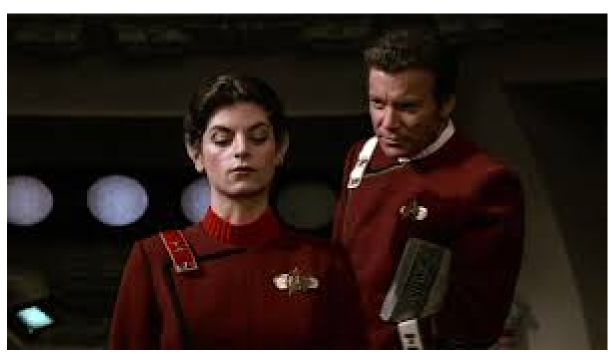
When fee disclosure regulations came into being by the Department of Labor (DOL) in 2012, so many detractors of it said it would cause plan sponsors to terminate their plans and there would be a race to zero in fees. The truth shows that it isn't the case.

A study by the National Bureau of Economic Research showed a benefit of fee disclosure that I never expected: the study found that participants became more attentive to fund fees and to short-term fund performance following the DOL's regulation.

The study shows that participants became significantly more attentive to expense ratios and short-term performance after the implementation of the fee disclosure regulations. The study observes that index funds may benefit disproportionately from fee disclosure, as index funds tend to be among the cheapest options in many plans. Part of the heightened fee sensitivity in the study's baseline results may be a result of investors switching from more expensive active funds toward cheaper index funds.

Avoid the no-win situation.

You need to.



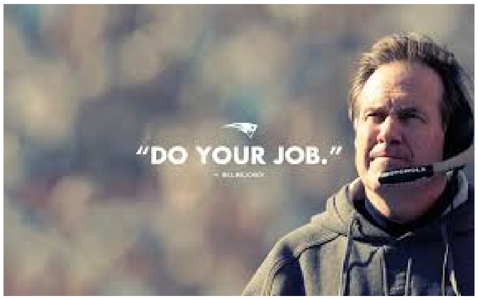
Captain Kirk didn't believe in the no-win situation, he learned the hard way in Star Trek II: Wrath of Khan.

There are certain situations as a plan provider where a client relationship puts you in a no-win situation. It could be the difficulty of the client or difficulty in working with other providers. A few weeks back, a registered investment advisor advised me of issues with a brokerage team they had to work with on a particular 401(k) plan. The problem is the advisor was the stick in the wheels for the brokerage team, who made it very difficult for the advisor to properly work with the client. The advisor resigned, as it clearly was a no-win situation in working with a brokerage team that was more interested in their inflated fees, than providing quality services to the plan sponsor. The advisor knew that this was a relationship that could never be cordial or built on trust, it would be a fight every step of the way.

As I've said before, there is no shame in quitting when things don't work out and there are certain no-win situations where quitting is the best option.

You still need to do your job.

Yes, you do.



Our world has been turned upside down by COVID. Even with me, I had to put all my live conferences on hold for 2020 and make changes when school was cancelled. We've all had to make sacrifices in one form or another.

What we can't sacrifice is our reputation, our professionalism, and our relationship with our clients. If you're a financial advisor, you still need those fiduciary reviews with your client, no matter how much they dry to delay you.

You have a contract, you get paid, just do your job.

Need a 3(16) or PEP Provider, call me.

Austin 3(16) Fiduciary Limited, my affiliated fiduciary service is the right call.

If you are looking for an independent 3(16) fiduciary or pooled plan provider, then contact me.

Austin 3(16) Fiduciary Limited

My affiliated Austin 3(16) Fiduciary Limited has been serving in the 3(16) space for 7 years now with over $175 million in assets under administration and growing.

Whether it's a pooled employer plan, multiple employer plan, or a single employer plan, there might be the right fit in a fiduciary solution for your retirement plan practice by hiring me.

Sign up for a bunch of virtual events.

That 401(k) Virtual Conference 7, That 401(k) National Virtual Conference this January.

We know that while many of you are working from home, many of you crave content to help your practice and so many national events have to be cancelled.

So we've decided to take what we have done with the National and Regional events with an online virtual event that is free of charge. Just no lunch, stadium tour, and athlete appearances.

Please join me for the seventh edition of That 401(k) Virtual Conference on Friday, October 23rd at Noon EST. Since many of us are returning to the office, this event will be shorter in duration. Recordings of the webinar will be available on demand afterwards. Both the live and recorded events will be free.

To sign up, please click here,

To sponsor the event and speak to plan attendees for 30 minutes, please contact me. It's just $500. Free if you sponsor That 401(k) National Virtual Conference wile slots remain.

You can sign up early for That 401(k) Virtual Conference 8 on Friday, November 20th at Noon. To sign up, please click here.

To check videos of previous events, click here.

While the inaugural That 401(k) National Conference this past March at Disney World was a lot of fun, it was the last major 401(k) industry event before the COVID-19 turned our world upside down.

Whether the pandemic will abate by 2021 or not, the fact is that business travel is going to be curtailed by many plan providers for the foreseeable future. Thanks to the success of That 401(k) Virtual Conference, it is a no brainer to host an online-only edition of That 401(k) National Virtual Conference Thursday-Friday, January 21-22, 2021.

This virtual event will have it all: great presentations to help grow your 401(k) business and a couple of celebrity guests.

Attending the event for two days will start with an early bird fee of $20.21. There will be a VIP admission for anyone wanting autographs from our celebrity guests.

To sign up to attend, please click here.

For more information, including sponsoring the event, click here. Sponsor the National event in January, get a sponsorship to the smaller Fall events for free, while slots remain.

Further details will be divulged over the next few weeks including the signup page.

401(k) Virtual Bunch is our interactive 45 minute Zoom meeting has been a lot of fun in talking with different plan providers on the topic of the day.

The next Virtual Bunch will be this Friday, October 8th at 4pm EST with guest Bill Schories, National Sales Director DCIO from Invesco. To sign up, click here.

On Thursday, October 22 at 4pm EST, our guest will be Theresa Conti, President of Sunwest Pensions. To register for that event, click here.

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The Rosenbaum Law Firm P.C.
734 Franklin Avenue, Suite 302
Garden City, New York 11530
516-594-1557
Fax 516-368-3780

ary@therosenbaumlawfirm.com
www.therosenbaumlawfirm.com