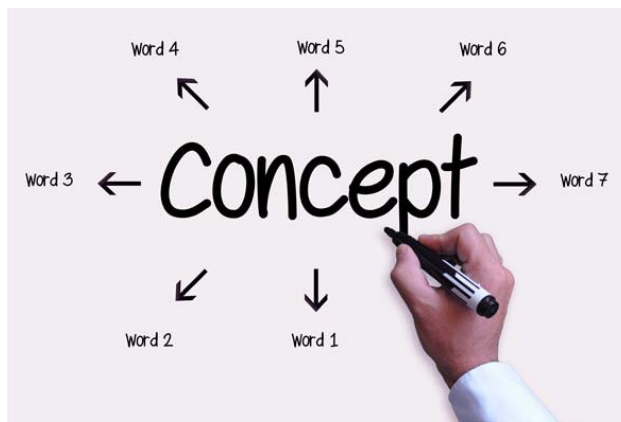


THE
ROSENBAUM
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ADVISORS ADVANTAGE
A Publication for Retirement Plan Professionals

Concepts That Retirement Plan Advisors Shouldn't Focus On.

It would be a detriment to focus only on this stuff.



Being a financial advisor isn't as easy as many people on the outside think. There are so many things you need to manage in terms of your practice and dealing with potential and current plan sponsor clients. There are so many pitfalls to avoid and one of them is relying on concepts that could spell problems for your practice because you'd be focusing too much on the wrong things. This article is about concepts you shouldn't rely on as a retirement plan financial advisor.

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

Don't blame the 401(k).

Defined benefit plans were always going away.

I've always been vocal about the need for a service provider to have good marketing if they really want to get ahead in the retirement plan business. While marketing is a great tool, what good marketing won't do is hide poor customer service.

Best example is this childcare institution that I was using for 6 years. They had some fantastic marketing and I would always make it a point to give the daughter of the owner kudos for some of the stuff they were doing on social media.



So 5 years, there was never an issue that wasn't resolved favorably. Year 6, I make some complaints about an employee. Instead of trying to see whether my complaints were justified or not, they did nothing other than send my complaining email to that employee who then proceeded to effectively mock my complaints. I complained again and again to the point where the daughter of the owner claimed that I was harassing her. I suppose complaining to someone who only wants to hear compliments is harassment. I come from the school where the customer is always right even when they're wrong. There is a way to handle customers, ignoring them or stating they're the

problem isn't a good way in retaining them.

Good marketing is really the sizzle, but you need the steak of good, quality service. Clients and potential clients will certainly pick it up that you're marketing doesn't justify the lack of competency in your customer service.

Schwab is the next defendant in Which Plan Provider's 401(k), we should sue.

It sounds like a game show.



Charles Schwab Corporation is the latest plan provider whose 401(k) is the subject of a class action Employee Retirement Income Security Act (ERISA) lawsuit. It's starting to feel like a game show.

The lawsuit claims that plan fiduciaries engaged breached their fiduciary duty over the plan by including Schwab's proprietary investment products as investment options within the plan and sale of their own services to the plan.

The complaint states that there was a 3 to 5 basis point difference in fees between the Schwab S&P 500 Index Fund and the other S&P 500 Index funds. While that's small, for a plan of that size, the complaint

alleges that Schwab reaped hundreds of thousands of dollars in extra fees because of that 3 to 5 basis point difference.

The lawsuit also says that Schwab included seven other Schwab mutual funds, ten Schwab target-date funds, a Schwab stable value fund, a Schwab money market fund, and a Schwab savings account as investment options. In 2015, more than \$500 million in plan assets were invested in Schwab proprietary funds.

What do I think? This is as easy as picking ripe fruit off the vine. As long as plan providers use their own proprietary funds in their 401(k) plan, these class action lawsuits will still pop up. Mind you, you know why Schwab had Schwab products in their own 401(k) plan? It's not to make money off their participants; it's about keeping up appearances because how would it look if the Schwab 401(k) plan for its employees only had Vanguard funds? It wouldn't look good, I'll tell you that.

The big winner for the Fiduciary Rule.

Some people are going to make a killing.

There are certainly going to be lots of losers when the fiduciary rule gets implemented and there is going to be one clear winner. I'm not talking about registered investment advisors or attorneys who made a mint in getting broker-dealers to comply.

The big winner is going to be benchmarking services. In order to meet the best interest exemption of the new rule, brokers are going to utilize benchmarking services a lot more to determine whether



their fees are reasonable because that's going to be one of the ways that brokers can show that what they did was in the best interest of clients.

It's just a shame these companies aren't publicly traded because that's a place I'd put some shekels in.

So if you have staff and they're not up to par, tell them. Give them an opportunity to get better because not having them see it coming is great on Survivor, it's not great in the workplace.

The backbench is your future.

They are the future.



In British-style parliamentary systems, a backbencher is a member of parliament who doesn't hold government office and isn't a spokesperson of the opposition. They're essentially a rank and file member. However, the backbencher is usually the future of the party. For example, British Prime Minister Theresa May had to start somewhere and it's not in the front bench as an opposition member when she joined parliament in 1997.

As a retirement plan provider, your backbench of employees is usually the future of your organization and it's best to take care of them and nurture them. I've been involved with one too many organizations where the backbench is ignored or treated so poorly that they decide to leave. Best example is that semi-prestigious law firm I belonged to which was loaded with some of the best associate attorneys I've ever known. Every one that I know were rising legal stars and for one reason or another went to greener pastures where their talents could be appreciated.

As a plan provider, you spend so much time in training your employees that you can't afford to have a revolving door of employees, especially talented employees. I've seen too many plan providers lose talented employees who actually join the competition or become a competitor. I can recall a certain third party administrator where their backbench was stacked with such seasoned plan professionals that it's an all-star list of professionals that many in the business would know.

The backbench is your future, nurture it or it goes away.

DOL puts out another Fiduciary FAQ.

More guidance as we get closer.

With an April 2017 deadline fast approaching, the Department of Labor (DOL) issues another frequently asked questions (FAQs) concerning the fiduciary rule which is always nice to get their interpretations of the rules with certain hypotheticals.



The FAQ addresses general communications with plan participants, investment education and exemptions for independent fiduciaries. Other areas in the FAQ cover mandatory distributions, revenue sharing when plan fees are offset, and marketing platforms.

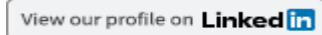
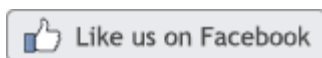
There was nothing earth shattering in the FAQs, but here are some things that piqued my interest: The FAQ clarifies that an adviser charging clients a level asset-based fee for providing advice on 401(k) fund offerings may use revenue-sharing payments to offset part or all of that level fee, without worry about the fiduciary regulation.

The FAQ clarified that investment advisers won't be considered fiduciaries for investment decisions made by their clients if those decisions are against the adviser's recommendations. The FAQ stated that employers can recommend that plan participants increase their contributions to a suggested percentage of compensation to maximize the employer match without that communication being treated as fiduciary investment advice.

It's now clear that financial service providers' interactive investment tools will be treated as investment education and not as fiduciary investment advice.

The FAQ also made clear that if a representative of a recordkeeper meets with a fiduciary advisor to a plan and with the plan committee, the recordkeeper is entitled to the 'wholesaler exception' to the fiduciary rule, so that means the recordkeeper would not be considered a fiduciary.

All in all, nothing earth shattering.



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