THE ROSENBAUM LAW FIRM P.C.

ADVISORS ADVANTAGE
A Publication for Retirement Plan Professionals

As a Retirement Plan Provider, Don't Turn Into A Bureaucracy.

Don't become like government.

They say that if Con is the opposite of Pro, then Congress is the opposite of progress. Nice joke, but Congress is known for its bureaucracy and the idea that nothing gets done, regardless of which political party is in control. Too often businesses start to become bureaucracies and the things that need to get done don't. I know; I've worked for a few of these businesses including third party administration (TPA) firms and law firms. So this article is about how as a retirement plan provider you could avoid the mistakes that turn your business into a bureaucracy.

To read the article, please click here.

An RFP Process should not be a sham.

It should be on the up and up.

Year ago, as a na?ve associate at a semi-prestigious law firm, I got the short end of the stick to attend a quarterly Taft-Hartley meeting in Staten Island. If you ever have to drive from Long Island to Staten Island, you know what a short stick it is.

The head of the union wanted recommendations for an actuary for part of their request for proposal (RFP) process. I thought of a few actuaries I could recommend, based on my 9 ? years working for third party administrators. I mentioned it to co-counsel and was pulled aside, the whole RFP process was a sham because the Taft-Hartley plan had absolutely no interest in hiring another actuary. They were happy with what they had.

The RFP process or the less structured process for reviewing plan provider including getting competing proposals from other providers is about a process and a process that is a sham is not a real process. The current provider should partake in the RFP process or at the very least, the plan sponsor should treat all providers as potential providers instead of just deciding that they will keep the status quo because the status quo may not be sufficient

A Great Idea isn't Everything.

Execution is more important.

I always say that when I have a good idea, it's despite the fact that most of my other ideas suck.

Having been in this business for almost 17 years and in my practice for almost five, I hear lots of ideas from other retirement plan provider that is going to be great for them and the retirement plan business. While many of these ideas are good, many of them go wrong.

The reason that these great ideas go wrong is because usually they were planned wrong. A good idea isn't everything, but the execution of that idea is. I remember working with a plan provider who was going to make a huge splash in the multiple employer plan (MEP) business that was going to make them a ton of money. The problem is that they acted so slowly that eventually the Department of Labor killed off 95%of the open MEP market with an advisory opinion. So a year of planning, working, and getting billed by ERISA attorneys went to waste.

You may remember I was touting a company that was going to be the UPromise of 401(k) plans by giving money back in the form of a salary deferral to plan participants for online shipping. I thought it was a can't miss, but it did. They spent too much money in developing the idea that the slow rollout to plan participants couldn't support it.

So if you come up with a great idea to expand your business, just realize that the idea isn't everything, how you execute it is.

Sometimes, Networking can be bad.

Or just a waste of time.

When it comes to building a retirement plan practice, networking is an important component. Whether you are a financial advisor or a third party administrator or an auditor, placing an advertisement in the local newspaper or the yellow pages (if they still have them) will be costly and less

likely to bring in clients. Fact is cultivating a close network of referral sources and spheres of influence will be more productive in netting clients than any advertisement or Google search analytic.

While networking is important, the right kind of networking is more important. What is the right kind of networking? Pretty simple, it's about reaching the audience of potential clients and referral sources. Believe me, 3 years in to building my practice, I know the good and bad of networking.

The good networking is developing relationships with other professionals who can refer you business. Those can be accountants, attorneys (forget my old law firm, I had better luck networking with dead people), or other retirement plan professionals. Bad networking is networking with groups of people that can rarely bring you business. That can be networking with sole proprietors, networking with people who can not serve as a referral source for potential clients, or people who right off the bat, claim they can get you clients. I have been in business in one form of another for 14 years and I have never received a client from someone who claimed they can get me clients.

Networking is all about building relationships and building trust and it takes time. But there is a time, when you have to realize whether networking with particular groups or people are worth your while. I used to network with a small business group on Long Island for years. Nice people, attended a lot of events. Just never got a client, it wasn't the right fit. People who are struggling in business have no money for 401(k) plans and if they do, a simplified employee pension plan is great because you don't need an ERISA attorney or TPA for that. Funny thing is that I network a lot less than I did when I started my practice 3 years ago and I have more clients, only because I no longer concentrated time on the networking that wasn't working.

Trust is an important thing when working with other providers.

It's the main thing most times.

When working with other retirement plan providers, the most important word is trust. You must have trust in the providers you work with and trust in the providers that you refer business.
Trust doesn't happen overnight and it certainly takes time. That's why I would always laugh when I was at a networking meeting and I would bump into a stockbroker or insurance salesman who thought I would start referring them business then and there. It doesn't work that way,

Trust takes time to develop and it can be broken in an instant. I know of so many circumstances where a provider that was referred business did such a poor job that it caused the referrer business or a producing third party administrator that would take business from the financial advisors that referred them work.

When you refer work to a plan provider and they violate your trust in them, it's sort of like having a spouse who cheats on you. How can you ever trust them again and how can you repair the damage? Unlike a cheating spouse, it's easy to get rid of the provider that stabbed you in the back. However, is it really wise to chuck a provider you devoted so much time to? There is no easy answer. All I can say is that trust is the most important thing you have in other providers and hopefully, you don't have to make the call if it's betrayed.

Divorcing that TPA can be a problem.

The bad TPAs take it personally.

The MTV reality series The Real World ends their opening intro by stating the show tries "to find out what happens... when people stop being polite... and start getting real." As an ERISA attorney working with retirement plan clients I often find that what determines a good third party administrator (TPA) from a bad one is when we find out what happens, when the TPA gets fired, and we start getting real.

TPAs get fired for a multiple of reasons and for a good chunk of the time; it's not for a lack of competence. TPAs can get fired for higher fees, change of advisors/brokers (who want to make the change), or because the brother of the law firm's partner works for the mutual fund company that will now be the new TPA. So it's business, not personal.

Again, it's easy to determine who the good TPAs are from the bad ones. The good TPAs will not take it personally and will try to make the transition to a new provider as seamless as it can be. I think reputation means everything and since it's such a close-knit industry, making it easier for a former client to transition business away from you will only help your reputation. Also, there is always the chance that the former client maybe your client once again, especially if the new TPA fouls things up. I always believe in the concept of paying it forward; that making it easier for former clients to leave will only make it easier for new clients to come in. The good TPAs will also spell out in their original service agreement with the client, the exact cost (if, any) of the de-conversion when the TPA is replaced.

The bad ones are easy to spot out. They take things so personally and they feel the need to take out the frustration of being fired on the former client. Again, it's business, not personal. I had a client who changed TPAs a few years back. During the change to a new TPA, an IRS audit discovered that the Top Heavy test was done incorrectly because a couple of law firm partners were misidentified as non-key employees. Rather than admitting the error, the TPA placed blame on the client for the error and then whined that the client still did not pay all their invoices, forgetting that the client had spent thousands in legal representation to correct that Top Heavy error.

Divorce can be difficult, changing TPAs should not. I think it's important for TPAs should maintain a high level of professionalism, especially when it comes to the time when the TPA is being replaced because it's at those times that delineates the good TPAs from the bad ones.

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The Rosenbaum Law Firm Advisors Advantage, April 2015
Vol. 6 No. 4

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