

How To Operate A Retirement Plan Provider Practice on a Shoe String

By Ary Rosenbaum, Esq.

I decided to start my own practice when another law firm stated that I could earn \$150,000 if I brought them \$450,000 billable work. I thought if I could bring in \$450,000 of business, why would I need them and waste \$300,000 on their overhead? I'm not a big fan of overhead because it cuts into my profits and I don't like my profits to be cut. When you run a business as a retirement plan provider, there are so many ways to waste your money because there are so many other service providers willing to waste it for you. So this article is how retirement plan providers can operate their business on a shoestring.

Have the minimal amount of employees you need

When I worked at a certain law firm I have been making jokes of for more than 5 years, I always felt it was run like a country club. For some reason, we had four employees in human resources (while mismanaging the 401(k) plan, sorry Pat) and we had another four people in billing. It just seemed we had a lot more clerical workers than we had attorneys. I'm not saying that employees aren't needed; I just think that if you're in the business of being a retirement

plan provider, you know that margins in this business are only getting smaller. So hiring too many employees necessary to effectively run your office is going to cut into your margins. So you can hire four people in billing if you have so much bill-

ing that you absolutely need four people. Otherwise, it's just a waste of money.

Don't be extravagant with appearances

I had a dear friend who was the greatest salesman for a third party administrator (TPA) I ever met named Richard Lau-

he could afford a car like that. Sadly Rich got sick right around the time he didn't get much time to use the Porsche before he passed away. I worked at a law firm with dumpy offices by the dreaded Port Authority Bus Terminal and I worked at a law firm at garish offices in Long Island. My work

didn't improve with the nicer digs and it was useless when clients never come to visit. I'm not suggesting that your offices be a dive or in the worst part of town, I'm just saying that expensive offices might be an unnecessary expense especially when most retirement plan clients never visit the offices of their plan provider. I've been in practice for 5 years and I've never had a client come visit to see all my Mets and Pop Vinyl figure collectibles. Fancy looking offices cut into profits and again, this is an industry with low margins.

Don't go overboard with marketing

You need nice stationary and a good looking website. However, there will always be marketing specialists who will try to sell you the world and charge for it. When they see a business that started or growing, these

marketers smell blood in the water and will attempt to sell you services whether you need it or not. I know that because that's what I went through. While I needed supplies and a nice website, there was just things that I knew were a waste of money. I



rita. Richard or Rich as everyone called him once bought a Porsche and I thought it was a bad idea. I told him that if I was a 401(k) plan sponsor and I saw the TPA salesman drive up in a Porsche, I'd think the fees he'd be charging were too much so

remember when two people interested in networking were only trying to sell me their search engine results service. Now boasting a business' presence on search engine results like Google, an ERISA attorney practice wasn't something I thought people would be searching Google from. Most of my clients come from referrals and through the many articles I have written in the past. So it makes sense to pay for marketing in spots where you know you will probably get no clients, it's just a waste of money. I should know, I spent the first six months in business sending time on small business networking events and I never got a client. So when you think about marketing, think about the audience you're going to target to get clients and wisely spend your money in targeting that audience. Charity begins at home and wasting money in unfocused marketing is just wasting money.

Social Media is your friend

When I worked for that law firm that I always joke about, I met the brain trust at Brightscope when not many people knew who they were. A year or two later when I just started my own firm, I went to meet them again while they were at a conference. I was a little distraught that business wasn't doing so well and they offered me a valuable suggestion. They told me that I should participate in the LinkedIn groups and they said that is that what really helped grow the word of mouth about their services and website. I took their suggestion and spent a couple of dollars on my own desktop publishing software. Coupled with finding about jdsupra.com and how they store articles like this, I was on my way to actually build a viable practice. Some of my most important business relationships started just with banter in the group discussions. When it comes to LinkedIn and other social media websites, just remember that the posts should be about building your reputation as service provider. Too often I

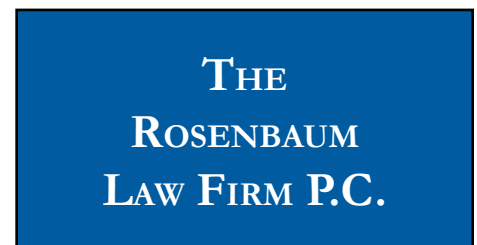


see plan providers who post on LinkedIn that is nothing more than sheer advertisement. I even have providers commenting on my posts to sell their services, so they are affectively trying to trade on my work. Quite honestly, I don't think that kind of posting works. I remember out of the blue, someone I never met sent me a LinkedIn message and asked me when I could sit down with him and talk about how he can help my clients. I ignored him, but I wanted to ask: does that kind of talk ever work? The problem with social media is that it won't get instant results. Relationships are all about building trust, so other retirement plan providers won't partner with you just because you posted a great commentary. Building trust takes time, so any social media campaigns won't bring instant results.

Delegate what you can

You can't be everything for everybody and you can't handle everything that a client may throw at you especially when it's outside of your scope of services. While every TPA may want to have attorney on staff or a financial advisor may want to offer advice on their own, there are many times when it's best to outsource parts of your business that don't fuel the growth of your business. It's like when a company like Proctor and Gamble sell brands that don't have high growth like Pringles and Folgers. Does every TPA need an attorney on staff? No. Should financial advisors offer financial advice to plan participants and abide by the service provider financial advice

regulations? No, if the cost of compliance is prohibitive as compared to growth in offering it. People outside the business ask me all the time if I offer TPA services and the answer is a clear no. Being an attorney offering up TPA services would kill off all the relationships I built with TPAs since I'd be the competition. Why overburden yourself with the costs and headaches with side businesses that may only distract from your main job as a retirement plan provider. You can possibly build more relationships and improve your profit margins by dumping side work that is ancillary to your main core business. If an ERISA attorney on staff is too much, hire one as an independent contractor (cough, cough) to do work. If you are a financial advisor and want to offer financial advice, consider using a service like rj20 to handle it for you. Through joint ventures and hiring independent contractors, you can still offer these ancillary services for profit without the headache of doing the work yourself or by staff you had to hire.



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