

THE  
ROSENBAUM  
LAW FIRM P.C.

## ADVISORS ADVANTAGE

A Publication for Retirement Plan Professionals

### Mistakes A Retirement Plan Provider Should Avoid Making.

Quite a few potential mistakes to avoid.



The history of business is littered with big companies making huge mistakes that either forced them out of business or made them quite smaller. Just ask Kodak, who did nothing with the fact that they invented the first digital camera because they were afraid how that would impact the bread and butter of their business, camera film. Excite, which is now ask.com could have bought Google for \$750,000 when it was a small company. Montgomery Ward was one of the nation's retailers and didn't want to build larger and more locations after World War II because of a fear of a depression while Sears did. So when it comes to being a retirement plan provider, there are many mistakes they can make with severe consequences for their business. This article is about which

mistakes a retirement provider should avoid making.

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

### ...And 403(b) Plans are next on the litigation hit parade.

Coming to a Federal courtroom near you.

The landscape for the retirement plan business has radically changed since when I first started in 1998. Normal courses of business such as revenue sharing and non-transparency of fees were the order of the day. No one cared when the stock market was rolling in the returns.

The stock market in 2000 and the dot.bomb mess as well as the financial crisis in 2008 brought 401(k) fees to the





(74%) said would be confident in making investment decisions with the

help of a financial advisor.

70% of plan participants said they would like personalized investment advice for their 401(k) account, and 58% wish there was an easier way to know how to choose investments.

What does it all mean? Plan participants need help and they want help. So like the core belief of one of my business idols, Vince McMahon, give people what they want. They are aware that they might not be able to make the best investment decisions, so it's incumbent on the plan sponsors and their providers to offer something more than just basic investment education. I understand financial advisors don't want to offer investment advice on their own because of the regulatory hurdles they have to pass, but there are great service provider like an [rj20.com](http://rj20.com) that can offer that investment advice service on their part without stepping on the feet for the current advisor.

## Don't ignore your client's complaints.

**The client is always right even if they're wrong.**

In my personal life, I think that many people think I'm a pain in the rear end. As someone who used to be passive-aggressive, I try to tell people what bothers me and what I want, so there is no more guessing on how I feel and there is less shock when I make a move or decision. On the flip side, I'm always generous in offering thanks for excellent service and quality of work.



For the past 6 years, my daughter has gone to the same summer camp. The summer camp is family owned and I have always been very honest with them in what I have liked about the camp and what I haven't and what I've liked far outweighs the one or two things I complained about in the past 6 years.

The camp hires many parents for the summer to work as barter for their kids going to summer camp. My wife has been working there for the past two years. The camp is very big on social media and promotion, so they have hired three parents to serve as their media team. The only problem is that the media team is busy taking pictures of their own children, essentially escorting their children from event to event and taking professional quality photos that other parents who aren't working at the camp can't get. Even other parents who work for the summer camp are told that they can't stalk their children on campus to take photos. So I heard from a number of parents who were upset and I'm not shy to complain while they are because if I don't complain, they won't know how I'm disappointed.

Rather than listening to my complaints, they're ignoring me and ignoring the stream of photos of the media team's children. They've even suggested that my three courteous emails is some sort of harassment. They wonder how I know who are the media team's kids except the fact that my wife works there and there is something called Facebook and narcissists such as members of the media

team post pictures of their children everywhere. Now I ask you, is that the way to treat a customer for the past 6 years especially one who has made referrals that has gotten them paying campers?

The customer is always right and even when they're wrong, you need to listen to their complaints whether they are justified or not. It is far easier to lose a client than to gain them and when people complain and you ignore them, they will take their complaints and business elsewhere. The retirement plan business is very competitive, unhappy clients will leave especially when they feel that their complaints and concerns are ignored. I worked for a third party administrator who I thought didn't do such great work and I can tell you that we had someone who was at the helm who would always listen to the client's complaints whether they were justified or not (most of the time, it was justified). As far as whether the complaints are justified or not, the complaints need to be investigated as to whether they are fact, fiction, or just opinion. Dismissing a complaint out of hand without looking at it first is just a sign that you don't care how the client feels.

## When you should step aside and let someone else speak.

Let the expert speak.



One of my least favorite days during the year is my birthday because I've been accustomed to it being a so-so to a bad day. I took my Criminal Law final on that day during my first year at law school and I was abandoned by my "friends" on the day I turned 21. That being said, my worst birthday is when I had to speak at a union convention in

Albany or at least I attempted to speak.

With all due respect to the people who live near Albany, New York, it's not my kind of town probably because of my continued disdain of our state government. That being said, the law firm partner in charge of this client couldn't make the union's annual conference, so I was asked to speak instead as well as a junior partner.

The topic was retirement plans and ERISA and the junior partner had limited knowledge. He wasn't a very good public speaker and he didn't have a great, friendly personality. He also didn't want to follow an outline, so he thought he could just wing it and talk for 30 minutes. He could have done the right thing and let an ERISA expert like myself to speak, but he let his ego and title get in the way. I learned close to the end at the firm that associates were seen, but not allowed to speak.

So I drive the 3 hours to Albany on my birthday and we go through the presentation. It was an absolute disaster. At one point, the junior partner lifts his ERISA book up like it's the Bible and he was a Minister. It wasn't the Bible and he certainly didn't sound like he could command a Church or Synagogue. Needless to say, the session we presented was the worst rated breakout session during the entire union convention.

The point here is that when you're the person in charge of an organization and there is someone better to speak, step aside and let someone who can do a better job do it. When I was working at a firm, a client down south needed expertise on adding a new feature to the plan. The partner who thought he knew it all and always wanted to be the face of the organization decided to speak instead even though he didn't practice ERISA for 20 years. Needless to say, the discussion down south was so good that the client fired us.

Getting clients is a hard thing to do, so getting your ego in the way when you have people in your organization that can do a better job is silly. There is no shame in letting the stars of your



organization shine; it doesn't mean your star gets eclipsed.

## Avoid Becoming Friends With Your Employees.

**It's a bad recipe.**

There are essentially two types of people at any company: management and the employees. I always say that I would never hire an employee because I was one (which will change in a few weeks, stay tuned). One of the biggest mistakes you can make in your business as a retirement plan provider is becoming friends with a couple of the employees.

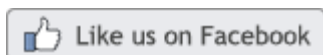
Boundaries are a big deal and there is a clear boundary between management and employees. Cross that boundary and you're going to have a headache on several fronts. When you become friendly with an employee, it changes the scope of the relationship and that change is always going to be to your detriment as management. Best similar example to that is when I was a Vice President of my synagogue, they wanted to hire a fellow member as a secretary of the office. I was the lone person who spoke out against it. Besides the fact that the member had no experience and has loose lips (which is a concern when it comes member dues and contributions), my biggest point is that it's hard to fire a member who's ineffective because they'll stop being a member after you fire them. If you don't fire them, then you have an incompetent secretary. Thanks to my big mouth, the decision was shelved because of my strong opposition.



So the point in being friends with an employee is that they stop being an employee and start being your friend. I can't speak for other people, but I always have strong, positive views of my friends and I always try to see them in the best light and it's hard to see a friend who is an employee in a negative light. If that employee is ineffective, you either have to get rid of them that will cost you a friendship or you'll just have a friend who happens to be an incompetent employee.

The other major issue is that having an employee as a friend is demoralizing to those employees who aren't so chummy with their bosses. Employees who are friends with their bosses are treated far better than those who aren't and let's just say that there is a different set of rules for those employees/friends. Having worked for a couple of third party administrators, I can vouch the resentment of those employees who aren't friends because I was always that employee who certainly wasn't part of that circle of friends/employees.

Empathy is all about trying to understand how other people feel, so you need to understand what becoming friends with some of your employees will do.



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