THE ROSENBAUM LAW FIRM P.C.

ADVISORS ADVANTAGE

A Publication for Retirement Plan Professionals

Avoid Mistakes Other Plan Providers Make.

Learn from the mistakes of others.

Being a retirement plan provider is tough. I know because as an ERISA attorney, I am one and I play on TV. There are many mistakes to be made as a retirement plan provider, so the point is to try to avoid as many mistakes as possible. One way to learn from mistakes is learning the mistakes of what other plan providers have done in the past. I always say that I work on my own because I worked for others and saw the glaring mistakes they made in running their business as retirement plan providers. So this article is about mistakes to avoid that other plan providers have made and based on the 11 years I worked for other retirement plan providers.

To read the article, please click here.

Inject life in enrollment meetings.

It doesn't have to be like a funeral.

When it comes to oral or written communications, it's important that you play to your audience. Any communication that is above or below the audience's comprehension is going to be a missed opportunity to communicate your message.

When it comes to 401(k) plan meetings with plan participants for enrollment or reenrollment, the fact is that most of them suck.

The greatest education I ever received wasn't at law school and it wasn't working as an ERISA attorney for 9 ½ years working for third party administration firms. My greatest education was being involved in student politics and journalism at the State University of New York at Stony Brook (which is now called Stony Brook University).

One of the simplest lessons I learned was from Ron Nehring, who has been a friend of mine for over 25 years and he basically told me that the goal of any organization in recruiting new members is getting them involved. I joined Ron's political organization because they got me interested, got me involved, and kept on contacting me about other events. The Jewish students organization that I was going to be heavily involved had a barbecue the weekend before freshman year started. I arrived 15 minutes late and there wasn't anymore food available. I was offered a bagel and people who certainly weren't Jewish were enjoying a nice Kosher hot dog or hamburger. Needless to say, I didn't get involved much there.

The point is that most 401(k) plan meetings suck because they really aren't geared towards plan participants. The advisor conducting the meeting is giving the basics of investments and plan features that isn't interesting or inspiring. The meetings tend to be really dry when they don't have to be. I've been at funerals that have been more livelier than enrollment meetings.

How would I liven up an enrollment meeting?

1) Raffle off a $25 gift card at every enrollment meeting. People like free stuff and if they know then can win something by attending, they will. Of course, have the raffle at the end of the meeting, so it ends on a good note.

2) Presentations need to be clear and crisp. Less is more. Powerpoint presentations and slide handouts shouldn't be overloaded on details. Illustrate the important points.

3) Add humor and cultural references. With apologies to my former managing attorney who wouldn't know good marketing if it was standing behind her, adding humor and cultural references goes a long way. My articles aren't widely read because of my rugged good looks or lack thereof. They are widely read because the humor and cultural references engage the reader into reading what should be a dry topic, i.e, the ins and outs of retirement plan sponsorship.

4) Break it down. Again, my writings are written in easy to understand English, not what I call ERISAese. The easier for plan participants to understand what you're saying, the more likely they will remember what you're saying.

5) Keep it short. Spend more than a half hour or hour, you will lose your audience. Again, less is more.

They can't see it, since they caused it.

So don't be offended.

A few years back, I had the worst call with a prospective client in the 19 years I have been an ERISA attorney.

This 401(k) plan sponsor was like many prospective clients, poor participation and paying too much in fees. The plan sponsor was using a reputable provider, but a provider that would be a better fit for plans 10 times their size. Client was paying $100 or so a head plus what looked like an additional 3% in an asset based fee. Clearly, this wass a plan that was paying way too much.
Why the call was such a disaster was because the person on the call was the one who designed the program with this expensive provider and he basically stated that he had absolutely no interest in changing providers.

Funny, the call with the interested advisor who was also on the line was not concerned with changing the third party administrator at the time because you can always have the discussion with the current provider about reducing fees.

I am provider neutral, heck if the current third party administrator is charging a decent fee and doing a good job, I have no issue with that.

So why was this underling in the human resources office so serious? Well, if he designed the program and we had issues with its cost or poor fund lineup or poor participation, he was obviously going to take any criticism as an attack. While plan fiduciaries don't necessarily have to change their providers, they certainly have a fiduciary duty to check whether the fees being charged are reasonable or not.

I know what I know in life, but if I made a technology decision or a financial decision that an expert may question or offer suggestions for it, I'm not going to take offense. But then again, I'm my own boss.

So if we are a plan provider or a plan sponsor's decision maker, we should understand that sometimes people are so resistant to change or just considering so constructive criticism, because they get defensive as if there job depends on it and maybe it does. That is why we should always consider who we contact about looking at their plan and doing a review.

Plan Design Consultants try to Kickstart 401(k) plans for employers.

New program offered for smaller plans.

My friends at Plan Design Consultants have created a new program called KIC(k)START, which is an approach for them to garner more plans and help out the advisors they work with.

The program offers 401(k) plans with safe harbor plan design. What's unusual is that as a third party administrator (TPA), Plan Design Consultants waives the installation fee and offers a flat $1,000 fee, when the industry usually charges per head or by assets.

I contacted J.D. Carlson at Plan Design Consultants and asked him about the program. Carlson said that he was trying to find creative ways to help their advisor partners and they are going to try to utilize this program to grow their client base.

As for the elimination of the installation fee, Carlson said: "We wanted to create an incentive for start-up plans and make this thing really, really easy. So eliminating the one-time set-up costs was a no-brainer. The provisions for KIC(k)START are mostly pre-set with some choice in a few areas, this template approach minimizes our time and creates the opportunity to remove the install fee."
As far as the flat fee, Carlson said this approach was best for the KIC(k)START program and he didn't see this as something that will catch on in the industry as the new standard. "I'm not sure that flat fee is really the future of 401(k) Administration. I still believe that TPAs bring immense value and expertise when it comes to compliance and administration work. The beauty of 401(k) plan design is that there are so many options, so many different ways to build/design a plan, therefore one flat fee doesn't really mesh well with 401(k) Admin. However, KIC(k)START is a creative approach that utilizes simplicity and the ability to take advantage of a low, flat fee structure", said Carlson.

More information can be found at http://www.plandesign.com

The Retirement Advantage buys a TPA as the business further consolidates.

More consolidation,

As discussed with purchases by Ascensus, there is further consolidation in the third party administration (TPA) business. The Retirement Advantage, Inc. (TRA), purchased Retirement Planning, Inc. (RPI), a Grand Rapids, Michigan TPA.

The business is heading towards consolidation because of narrowing margins in the business as fees are more competitive and TPA owners have tried to learn how to do more work for less money.

It's a hard proposition, so that's why many are bailing out so that they could be bought out by a bigger firm who has more flexibility with narrowing margins.

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