How a Financial Advisor Can Add White Glove Service to Their 401(k) Plan Book of Business

By Ary Rosenbaum, Esq.

I often talk about my time at a semi-prestigious Long island law firm because I like talking about traumatic events. Heck, I'll have enough Hurricane Sandy stories to last a lifetime. My experiences at that law firm reminds me of Rodney Dangerfield's character in Caddyshack "Al Czervik". Like Judge Elihu Smails, I had a Managing Attorney at the firm who clearly thought that I didn't belong in her country club of a law firm. My idea of catering an ERISA practice to assist financial advisors and small to medium sized plan sponsors wasn't a good fit for her snobbish idea of what a law firm should be. She saw the practice of law as something greater than what it is; she saw it as something that should be delivered with white gloves. My opinion was a bit different, legal services are delivered with white gloves if it's quality legal services because quality of services implies quality of delivery. Law firm clients don't care if you have fancy offices or Mets season tickets; they want quality legal services at a price they could understand. As a financial advisor, you understand that quality of your services is paramount and the illusion of white glove service is secondary. However, you need to stand out in a crowd and giving the illusion of white glove treatment will make you stand out in a crowd of your competition. So this article is how financial advisors can add a white glove treatment to the delivery of retirement plan financial services without breaking the bank

Hire a Marketing/Social Media Company

This probably is the only item in this article that will set you back a few shekels. The fact is that you are a financial advisor; your expertise is probably not in marketing. Marketing is an essential business function because good marketing can get clients and bad marketing can scare them away. So if you are like 99% of most financial advisors, you will need to hire a marketing company and it should be one that has actual social media expertise. I have found social media marketing to be the most cost effective, proof is the fact that you are reading this article It's more cost effective for me to deliver this article via social media than if I mailed this article to thousands of advisors with a good chunk throwing the article in the trash. My friend from college, Ron Nehring, who is a political guru, said it best when he said: "Quality of presentation implies quality of content." That means that any marketing materials that your office puts out should look like it was professional because marketing materials that look like it was made in 1985 using PrintShop on an Apple 11e is going to scare away potential clients. Whoever said never judge a book by its cover, never hired a financial advisor for their retirement plan.

Offer ERISA §3(21) services

A financial advisor who lost business to a financial advisor offering ERISA fiduciary services claimed that this proliferation of independent ERISA fiduciaries is just marketing. Read above about good marketing. Kidding aside, being an ERISA fiduciary is more than marketing; it's about assuming additional liability. Aside from investment manager's discretionary authority as an ERISA §3(38) fiduciary (as well as the increased liability that goes with it), you can serve as a limited scope ERISA §3(21) fiduciary and I implore any financial advisor with retirement plan knowledge to take on that role. Why? Being an ERISA §3(21) fiduciary isn't that much more liability and responsibility that you are currently assuming as a registered investment advisor to the plan because you are currently serving in a co-fiduciary capacity. As an ERISA §3(21) fiduciary, the discretionary and a good chunk of the liability still rest with the plan sponsor. While assuming a fiduciary role that is defined under ERISA is more responsibility than one set out in your contract, it isn't that much more than what you are currently providing (unless you're like an old boss of mine who thought he could disclaim any fiduciary role as a registered investment advisor). If you are interested in taking your retirement plan practice to that next level in sophistication, I know a good ERISA attorney who can help you upgrade your practice at a very affordable price (cough, cough).

Have a team of All Star Retirement Plan Providers

Morgan Freeman played Ellis "Red" Redding in the film, The Shawshank Redemption. While Red was a contraband smuggling inmate, he was known as the guy who can get things. As a financial advisor, you should be known as a retirement plan advisor who can get "things". The things you should get are a Rolodex (people don't use them much anymore) of the best retirement plan providers out there. You can augment your services as a financial advisor and impress your clients by partnering up with third party administrators (TPAs), ERISA attorneys (cough, cough), and auditors in creating an all-star team. Having an all star team at your disposal, allows you to augment your practice because you can rely on these retirement plan experts to help you handle retirement plan issues that are well beyond the scope of your practice which is pretty much limited to issues involving the plan's fiduciary process. Look at it from the plan sponsor's perspective, who is more impressive? A financial advisor or a financial advisor who can get you answers to the questions you have about retirement plans by simply picking up a phone and calling their team of experts? As they often say in sports, you are only as good as your team; so find the best team possible.

Offer ERISA §3(38) services or partner with someone who will

As discussed, being an ERISA §3(38) fiduciary means that you have discretion in the selection and replacement of investment options as a defined "investment manager", so you would be assuming the bulk of the liability that goes with handling the fiduciary process. Again, this service is a great addition to any practice and it may be a good fit for many retirement plan sponsor clients, the problem is that being in the space isn't for the faint of heart, so it should only be pursued with financial advisors who have the dedication and experience to assume the responsibility and liability that goes with being an ERISA §3(38) fiduciary. So if you are new to the retirement plan space or have the trepidation in taking on the liability, you can always partner with an advisor who will function as the ERISA §3(38) fiduciary, while you can serve in a co-fiduciary role or as a limited scope ERISA §3(21) fiduciary while your partner takes on the load of the liability. These ERISA §3(38) fiduciaries serve two roles for you, they help you offer a service you wouldn't do on your own and most of these §3(38) fiduciaries in this space act as a great resource to help you develop your practice as well as in client recruitment. James Holland from MillenniuM Investment & Retirement Advisors, Steve Kane from AEPG Wealth Strategies, Heather Hooper from Loring Ward, and Scott Pritchard from Advisors Access are just some of the great investment managers in this space who can be a great benefit in augmenting your practice.

Offer investment advice or hire someone who will

At the very least, participants in a participant directed 401(k) plan should receive investment education because that will help plan sponsors minimize their liability under ERISA Section 404(c) for losses incurred by participants if they direct their own investments. Investment education is general education about investments. Until late last year, plan providers such as a financial advisor were not allowed to give investment advice, specific investment selection advice tailored to a participant's specific retirement goals. Thanks to a change in the regulations, you can now give advice as the plan's investment advisor. The only problem is that you will assume a fiduciary role and you need to get an audit done of your practice to make sure that your fees are leveled, so that you don't make more money on any investments you recommend. Thanks to the burdensome cost of offering investment advice, many advisors have decided not to offer it. So if you decide that it's not cost effective for you to offer investment advice, it is certainly a good idea to engage a company who could offer investment advice and serve in a non-competing fiduciary capacity. Companies like rj20.com and Smart 401(k) are just some of the companies that offer investment advice to participants at a very competitive per head charge (usually borne by the participant). Investment advice companies such as these offers a great service, so I recommend checking them out.

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