How Retirement Plan Providers Can Avoid Having A "Communication Breakdown" With Their Clients

By Ary Rosenbaum, Esq.

One of the most important jobs in having clients as a retirement plan provider is retaining them and the fact is that happy clients rarely leave. Too often, plan providers lose clients over a lack of communication. As Led Zeppelin said, "Communication Breakdown, it's always the same". This article is about how retirement plan providers can avoid a communication breakdown with their clients because a lack of communication with clients often turns them into former clients.

A Seat at The Table

The retirement plan business is a very competitive business and the last thing you need is to lose clients. Being a retirement plan provider for a client means you get a seat at the table and since it's such a highly competitive business, there are so many competing providers that want your seat. As you know, the worst thing you can do is leave your seat. Having a relationship with a client is a lot like dating and if you leave your date unattended at the bar long enough, you end up losing your date to someone else. So the point of trying to maintain your current client base is to make sure that your clients know you are always there and they are never unattended because the most likely clients to bolt are the ones that feel neglected. Constant communication between you and your client will go a long way in maintaining that client.

The Buck Stops With You

Mistakes happen in this business. As plan providers, we always try to make sure that they never happen, but there is always something beyond our control. If we make a mistake on our end, the worst thing we do is to not accept responsibility and make every excuse in the book. The best thing to do is to note the error, accept responsibility, and move on. Even if the error is as a result of something that the client filled out, you need to bear some of the responsibility if you didn't follow up on their error. Whoever said the client is always right was right because unhappy clients rarely leave. Making excuses about why something went wrong isn't going to make your client happy, just accept the responsibility and move on. Your client will respect you for jumping on the grenade.

Why didn't you tell me that?

Being a retirement plan provider isn't just about providing a service. A good part of it is keeping the client in the loop. Too many times, I would meet a potential new client and their top question would be: "why didn't they tell me about that?" The beauty of the retirement plan industry is that it isn't static; it's constantly changing. So as a retirement plan provider, you need to keep up to date on these changes. Not only do you need to be updated with these changes, you need to let your clients know. Too many retirement plan providers are reactive, but the best plan providers are pro-active. When I was working as an attorney for two third party administrators, too often the only time that we informed our clients about any changes is when we were about to charge them for a plan amendment or restatement. So put aside the desire to make some bucks and let clients know any changes that could impact their retirement plan. Letting your clients know of any changes in the retirement plan space that can affect them will go a long way in letting them know that you care.

Review the client's plan design

Another major reason that retirement plan sponsors change providers is that they find a new provider that informs that through a change in the retirement plan's formula, the plan sponsor can either save on employer contributions or augment contributions to their highly compensated employees. So many 401(k) plan sponsors change TPAs because the current one failed to address plan design issues that the incoming TPA brought up. Too many TPAs and other plan providers fail to stress the value of retirement plan design to their clients, so they let the competition do that for them. I often complain that too many plan sponsors have a set it and forget it mentality about their retirement plan and one of the reasons is because their plan providers have the very same attitude. Every plan sponsor is unique and their business every year does not tend to be fluid especially if there is a huge infusion or contraction of employees. Any change in a plan sponsor's business will likely have an impact on their retirement plan, so it's necessary to have a continuing conversation with the client about their business and whether any change in business or demographics requires another look at plan design. One of my favorite clients is a small employer that consistently failed their 401(k) salary deferral discrimination test (the ADP test) and their payroll provider never bothered to tell them about the merits of a safe harbor 401(k) plan design which didn't break the bank for them and spared their highly compensated employees (especially the owner) from having to receive a refund of their salary deferrals, which got added back for taxes. Going over retirement plan design is a lot like housekeeping, but it's an important element in maintaining clients because it shows them that you are on top of the game.

The connection between plan expenses and value

As a retirement plan provider, you spent a good chunk of time in 2012 to come up with fee disclosures for both plan sponsors and plan participants. The problem with rushing out these disclosures is that most of these disclosures are in legal jargon and the fact is that plan providers didn't have time to start a conversation with their clients about them. While plan providers were legally required to provide fee disclosures to plan sponsors, it is a business requirement that they communicate with their clients about them and the conversation needs to include something about value. The problem with the fee disclosure regulations is that plan sponsors have been consistently reminded that they must pay reasonable expenses. They forget the second part of the sentence because they have the duty "to pay reasonable expenses for the services provided." Plan sponsors are under no obligation to pay the lowest in plan expenses, they can pay more if they receive more in services. The problem is that many plan sponsors don't understand what their plan providers do for them and that's the fault of the plan providers. Plan providers need to stress the value that they provide plan sponsors especially if the services provided by them are better or more extensive than what the competing plan providers are doing. Plan sponsors aren't going to understand that you are providing them with a good bargain if you don't let them know. Concisely, you need to let your clients exactly what you do for them for the fees you charge, so there is no misunderstanding or lack of understanding when they benchmark their fees. If you are a financial advisor, your clients needs to know you do more than just pick out investment options on the plan's fund lineup and if you are in the TPA and/or recordkeeping business, clients need to know you do a lot more

than just reconcile assets and perform compliance tests. Plan sponsor clients need to know your value as a service provider and that what someone is offering across the street for a nickel less isn't a good value if they are going to provide less in services than what you provide. Any relationship I ever had that ended badly, all had a common thread, a lack of communication and in this business, your clients need to understand your role and value as a plan provider. In addition, check your current fee disclosures to see if they are too "legalese" and whether there is a chance to break it down in English. My national, flat fee ERISA practice (shameless plug) succeeded because I was able to break down difficult concepts into a language, which plan sponsors, could understand. So take an opportunity to review your fee disclosures for clarity because easy to understand fee disclosure will go a long way in protecting your competitive advantage as a client's current plan provider.

Cost effective means of communication

Now that you know why you shouldn't have a communication breakdown with your clients, now you need to know how to do it. Again, communicating shouldn't just be about the next bill or a letter explaining changes in the law before you hit them with a fee for a new plan amendment or plan document. As a one-man law practice, I am very concerned about cost and from experience, using a newsletter through the postal service is a waste of time, energy, paper, and money. I have a local TPA who sends me two copies of the same newsletter a month in two separate envelopes. It's a waste of postage and paper and I believe that the envelope open rate for these newsletters delivered by mail is quite low. So that is why I recommend using an online newsletter delivered by e-mail through a company like Constant Contact. It saves paper and postage, but it also cuts down of having to use a printing company to design the newsletter because they have an easy newsletter tool to use. Using an online newsletter is much more cost effective in getting your message out and the turnaround time in disseminating relevant information is a lot less than a printed newsletter. As far as content, clear and concise articles with some photos to break up the text. I'm sure there are books out there that can do a better job of explaining it, but these online newsletters are a cost effective way of getting your message out and avoiding a communication breakdown.

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