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The Long Terms Effect Of COVID On 401(k) Plan Providers

The COVID pandemic is probably the most challenging thing we have gone through in our lifetime. I wasn't alive during World War II nor have I ever served in our armed forces, so I would have to say the most challenging part in my role as an ERISA attorney has been the last 13 months since a good chunk of my business was deriving income and referrals from in-live events (hoping to go back live in September). While COVID has certainly been challenging, it has certainly opened up my eyes as to where the retirement plan industry is headed and the profound and long-term effect that COVID will have on this business (both good and bad).



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Well, its used to be worse.

When I was younger, I was a pessimist. Everything to me, like a bad grade in Civil Procedure I was the end of the world and I realized eventually, that it wasn't. I learned optimism is easier to manage than pessimism.

A recent survey by Rebalance shows that almost 75% of Americans surveyed do not know how much they are required to pay in fees to manage their retirement accounts. Over half of Americans surveyed (57%) falsely believe that they pay either no fees or very low fees, to maintain their retirement investment accounts. Also, nearly one-quarter don't even know how much they pay in fees.



Being now an optimist, while their numbers aren't great, it was worse when plan sponsors didn't think they paid anything for plan administration. Plan sponsors now get fee disclosures and plan participants also get fee disclosures on daily valued 401(k) plans. The survey clearly shows that we still have a job to do in terms of education and communication, but it's better than it used to be.

It's amazing how bad administration can be



Most administration conducted by third-party administrators (TPAs) is quite good, but the juicy and scary stories are about the terrible TPAs and the havoc they create.

What is amazing are not the errors in the definition of compensation or a screwed-up compliance test, what is amazing are the catastrophic errors. I'm talking about the 5500s that weren't filed or the missing restatements that weren't made. I just talked to a potential client over 15 years of documents and Form 5500s that were not done. While I can scratch my head about how a TPA can get this so wrong, I also think about the plan sponsor that was taken for a ride and just didn't realize their fiduciary duty to get these things done.

Employees don't need to see that

I always jokingly say that the reason I try to avoid hiring employees is that I once was an employee too. However, part of the problem is that I worked for many employers who didn't understand their role and the role of their employees.

Too many employers don't have the ability to censor



themselves especially when it comes to the sometimes disgust of running a business and employees really don't want to hear that.

If you're complaining about billing and the employees know you're going on a luxurious trip in the not too distant future, employees don't want to hear your complaints.

If it's snowing badly and employees can't get in because of traffic or public transportation issues, employees don't want to hear how if you came in the morning, you should too because an owner has more dedication to showing up.

Employees don't want to hear about how you had to use your credit card to pay something for the client when you're throwing a lavish wedding for your son.

Too many employers think their employees want to know everything and they really don't want to hear your complaints. Trust me, I was an employee once too.

TPAs need clear contracts



As an ERISA attorney, my retainer agreements are pretty straight and clear. Governed by the laws that govern attorney behavior, I have no choice. Yet, Third Party Administrators (TPAs) don't have guidelines to live by.

While fee disclosures have made fees a little more clear, they haven't done that much for contracts for TPA services. TPAs should offer clear contracts for their services, as well as some formulas for fees that they may not be able to easily calculate, such as deconversion fees and other ancillary work. They also need to be clear on what services they will provide and when, as when they will get paid.

One of the biggest disputes is when a client fires their TPA and there is a discrepancy on what work still needs to be done and what is being charged.





Registration open for live events.

We have finally rescheduled our
2020 events for 2021.

**Our St. Louis event is scheduled for Friday, September 10th with a Cardinals
game that night. To sign up, please click [here](#).**

Our Minneapolis event has been rescheduled for Friday, September 24th with a Twins
game that night. To sign up, please click [here](#).

Our Houston event has been scheduled for Wednesday, September 29th with a game
that night. For more information and to sign up, please click [here](#).

For more information on sponsorship, please contact [me](#).





We will do it again virtually in 2022.

That 401(k) National Virtual Conference this January was such a hit, we will do it again for 2022. It's far easier to have dozens and dozens of advisors to show up for an event virtually, instead of asking them to take 4 days out of their life and thousands of dollars to attend an event elsewhere.

That 401(k) Virtual Conference will be Thursday-Friday, January 27-28, 2022.

This virtual event will have it all: great presentations to help grow your 401(k) business and a couple of celebrity guests.

Attending the event for two days will start with start at an early bird fee of \$20.22. That price will increase by 50% in the Fall.

To sign up for the event or get more information, click [here](#).

For information on sponsoring the event, click [here](#).

To see some my interview with Walt Frazier from the past Conference, click [here](#).

To see some of my interview with Dwight Gooden from the past Conference, click [here](#).

For a video of Day 1 from the 2021 conference, click [here](#).

For a video of Day 2 from the 2021 conference, click [here](#).

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