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PRESTON'S PRIORITIES

An Insider's View of Retirement Regulation

New Pooled Employer Plans
How Deep is the PEP Pool?

Annuities in 401(k) Plans
Set to Soar Post-SECURE Act?

CONTENT

VOLUME 7 — ISSUE 1 2021

Features

Columns

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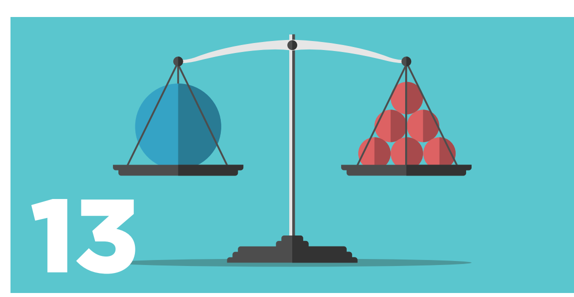

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401(k) POD(K)AST: Don't miss our next 401(k) Pod(k)ast!
Remember to check out the latest 401(k) Specialist Pod(k)ast for exclusive, timely insight on the issues that matter to 401(k) advisors from the biggest names in the retirement market. A few recent guests? How about Morningstar's David Blanchett, Empower Retirement's Ed Murphy, NAPA's Nevin Adams and noted retirement expert Alicia Munnell. Access all the pod(k)asts from the 401(k) Specialist website or wherever you listen to podcasts!

401(k) PRACTICE MANAGEMENT

Why Recent CAA Legislation is a MAJOR Opportunity for 401k Advisors

The Consolidated Appropriations Act of 2021, signed into law at the end of December, brings significant changes with it—for health insurance brokers.

A Feb. 10 article posted on *401(k) Specialist* shows how this provides a big opportunity for 401(k) advisors who can take their knowledge of ERISA and establish processes and the same kind of framework around the health care space.

"Top tier retirement advisors have perfected running a fiduciary procurement play. This is exactly what the future of healthcare consulting will require. The aggregators with proper execution have a huge opportunity to gain market share," said Hugh O'Toole, CEO of data analytics firm Innovu.

It could be a new business line for retirement plan advisors who take their knowledge of ERISA and establish processes and the same kind of framework around the health care space.

401(k) FIDUCIARY

How Employers Can Tackle the Student Debt Issue

The pause on federal student loan payments has been extended into September 2021, and this past December's stimulus package included the extension of a provision for employers to help their employees pay down student loan debt.

Originally introduced as part of the CARES Act in April, the provision was slated to expire at the end of 2020 and has been extended for five years, until December 31, 2025. It allows employers to contribute up to $5,250 tax-free to an employee's student loans each year, meaning the money paid is considered tax-free to both employee and employer. The provision modernizes a longstanding tax exclusion for tuition reimbursement by now offering the $5,250 as a combined tax-free limit, one that can be applied for student debt repayment, tuition reimbursement—or both.

Fidelity's benefits team, which adopted the new tax treatment in April 2020, estimates the provision will save each Fidelity employee participant an average of about $500 in tax relief, totaling more than $2 million in estimated annual savings cumulatively across approximately 4,500 employees.

401(k) INVESTMENTS

Few 401(k) Plans Currently Offer Alternatives Within TDFs

According to recent research from PGIM, only about one in 10 401(k) plans offer alternative investment options as part of their target-date funds (TDFs) and just about one-quarter (24%) of plan sponsors have taken action to incorporate environmental, social and governance (ESG) investing into their plan over the last three years.

Why aren't plan sponsors choosing to bring in more sophisticated investment options at institutional pricing? The research found the most common reason for not including alternatives as an investment option is the need for enhanced participant education (67%). This is followed by operational challenges (34%), the perceived litigation risk (33%) and cost (27%).

Almost one-quarter (24%) of plan sponsors indicate they have taken action to incorporate ESG approaches into the plan over the last three years, while more than half (52%) said they have not. An additional 23% were neutral on the matter. Directionally, there is greater interest in incorporating ESG approaches among mid-sized plans with $500 million to $999 million in AUM.

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401(k) Specialist is exclusively dedicated to equipping retirement plan advisors with the vision, specialized knowledge and cutting-edge technology that are vital to their success in a dynamic marketplace, in order to ensure a secure retirement for hardworking Americans through the 401(k).

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Rational Actors

NOBEL LAUREATE AND *401(k) Specialist* cover subject Richard Thaler responded to a recent tweet from his *Nudge* co-author and Harvard Law professor Cass Sunstein about new auto-enrollment research from Wharton's Olivia Mitchell and others.

The brainpower in that one sentence had us hooked and redeemed the shout-fest cesspool Twitter had become after a rough election cycle.

Mitchell and her colleagues took a close look at OregonSaves, the first-of-its-kind, state-sponsored auto-IRA program for employees not covered at work.

"Who opts out of automatic enrollment?" Sunstein asked. "Evidence [demonstrates] that those who opt out are often doing so rationally."

"Why we prefer nudges to mandates," was Thaler's characteristically blunt reply.

A bit of a dig at the Beaver State solution, but it's just one aspect of the findings, and the others appear promising.

"We find that the program is serving employees across a range of industries, but primarily those with low wages and high turnover," the authors note—in other words, exactly who it should.

They report that over 67,700 accounts had account balances totaling $51.1 million in assets as of April of last year.

"While participation rates are lower than in other settings," they note, "only 11% of OregonSaves participants have existing retirement assets. For everyone else, the counterfactual retirement saving rate is near 0%."

They put a positive spin on the low participation/high opt-out rate, calling the choice "reassuring in a sense because they are likely to reflect an optimal decision to prioritize current consumption (for which the marginal utility is high) over savings."

Unfortunately, the program is subject to the same pandemic-related withdrawal rates seen in its private sector counterparts. But again, more optimism about the value defined contribution plans provide in a crisis overall:

"This is not to undermine the value of the saving program; rather, it highlights the key role that OregonSaves accounts are playing for lower-paid workers in times of earnings and employment volatility."

So, despite skepticism from players like Ted Benna and Andrew Biggs, who believe the program is partly offered in a cynical bid to reduce expenditures for state aid, it appears to work—a bit of good news that is sorely needed. K

Here's How Much the Average Retiree Has Now (Hint: It's Not Enough)

ACCORDING TO A recent report, the average retiree has $177,787 in retirement funds, which is just 39% of the report's stated "recommended amount" of at least $465,000.

The report from real estate data company Clever, "The State of Retirement Finances: 2021 Edition," finds that *despite expecting to have expenses for 20 more years, two-thirds of retirees reported they have less than $50,000 in retirement funds.*

Sparse retirement funds leave many retirees heavily reliant on Social Security income to cover their expenses. In fact, nearly 60% of older adults' household wealth comes from Social Security, which is less than ideal considering SSI is only about $1,514 per month on average—much less than the typical spending of about $3,900 monthly.

Another key finding in the study is rising retiree debt. According to the report, the average retiree now holds nearly $20,000 in non-mortgage debt, with their debt more than doubling in 2020 due in part to the ongoing COVID-19 pandemic. K

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Could the 401(k) Be a Social Security 'Bridge' to More Income?

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WE ALL KNOW how much more retirees get in Social Security benefits by waiting until age 70, but how do they get there?

The Center for Retirement Research at Boston College floated the idea of using 401(k)s as a "Social Security bridge," which they argue is a way to further defer Social Security benefits to a later age to thereby maximize the amount received.

"Introducing such an option as the default in 401(k) plans would require no legislative or institutional changes and would greatly enhance the welfare of participants," according to the issue brief.

Their proposal would introduce a default into 401(k) plans that would "use 401(k) assets to pay retiring individuals ages 60-69 an amount equal to their Social Security PIA – the monthly benefit at an individual's full retirement age."

Replacing Social Security in early retirement years with this type of temporary income stream would "break the link between retiring and claiming. As a result, retirees could delay claiming Social Security in order to maximize this valuable source of annuity income." K

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401(k) Firm Merger Mania Will Continue: M&A Expert Darian

SPEAKING WITH DICK DARIAN is always a master's education in industry M&A, and the environment he currently describes only adds to the excitement.

"The deal flow is off the charts," Darian, partner and co-founder of independent consulting firm Wise Rhino Group, says with a bit of wonder. "If you think about fear and love ruling the world, there was definitely a lot of fear out there. The pandemic gave people a chance to stop and reflect, but it also incented them to figure out what to do next."

He counts 2018 as the beginning of the recent M&A frenzy, kicking off with firms like Sheridan Road and a few others. Still, he believes 2020 was the first move towards significant deal flow on the retirement side when compared with what's traditionally seen on the wealth and benefits side.

"I thought after last year the multiples would settle back down, but they actually went up this year," Darian conduces. "If you look at the multiples right now, they are at an all-time peak and have gone up from the end-of-year-deals last year." K

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Reason No. 643 Not to Time the Market

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IN 2020, 401(K) INVESTORS were busy trading out of equities as stocks were falling and slowly returned to them after their rebound.

This unfortunate behavior is shown in the recently released full-year 2020 observations of the Alight Solutions 401(k) Index, which found net transfers for the year as a percent of balance was 3.51%, the highest level since 2008.

The year had 47 days of days of above-normal activity, with 26 of these days occurring during a six week stretch from the end of February to early April when the world was coming to grips with the COVID-19 pandemic.

"In some ways, there was a full market cycle in 2020," said Rob Austin, head of research at Alight Solutions. "There was a steep drop in March followed by a sustained recovery throughout the remaining months of the year. Unfortunately, we saw many investors repeat the unfortunate trend of selling low and buying high that has been shown repeatedly throughout the more than 20-year history of the Alight Solutions 401(k) Index." K

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The 'World's Best Place to Retire in 2021' is…

ACCORDING TO THE *International Living's* 30th Annual Global Retirement Index, Costa Rica is the world's best destination for retiring overseas in 2021. The Central American country reclaims the top spot it also held in 2018 after falling to second in 2019 behind Panama and the third spot in 2020 behind both Portugal and Panama. Panama remains in the second spot in 2021, while Portugal dropped to fifth in this year's rankings. Mexico and Colombia took 2021's third and fourth spots.

The annual index—created through a combination of statistic crunching and on-the-ground input from in-country correspondents—ranks and rates the world's top 25 countries for retirement across 10 categories, including cost of living, retiree benefits, climate, healthcare, and more.

High marks in healthcare, fitting in, development, visa and residency, and cost of living categories propelled Costa Rica to the top spot, and it also benefitted from its pleasant tropical climate, friendly and welcoming locals, vast real estate options and its natural beauty. K

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How 401(k) Planning and Saving Differs with Remote Workers

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REMOTE WORKING HAS an impact on retirement planning, specifically in the way employees understand and decide how to invest and save for retirement. It differs in the absence of in-person meetings or guidance from HR or benefits staff.

According to Morningstar:

- Remote workers invest differently from local workers in 401(k) plans and are much more likely to be interested in a personalized advice option such as managed accounts (also referred to as robo-advisors).
- Remote employees are 7.4% less likely to use the plan default investment in target-date funds, and 1.3% more likely to use managed accounts, seeking personalized advice.
- While some of these changes may be due to demographic differences, the effects persist even after controlling for demographics.
- Participants who use managed accounts tend to save more for retirement, according to a growing body of research, despite the use of managed accounts options historically having been relatively low.
- Defined contribution plans expecting an increase in remote workers may want to consider adding managed accounts options to their plans if they have not done so. These can typically be added at no cost to the plan sponsor. K

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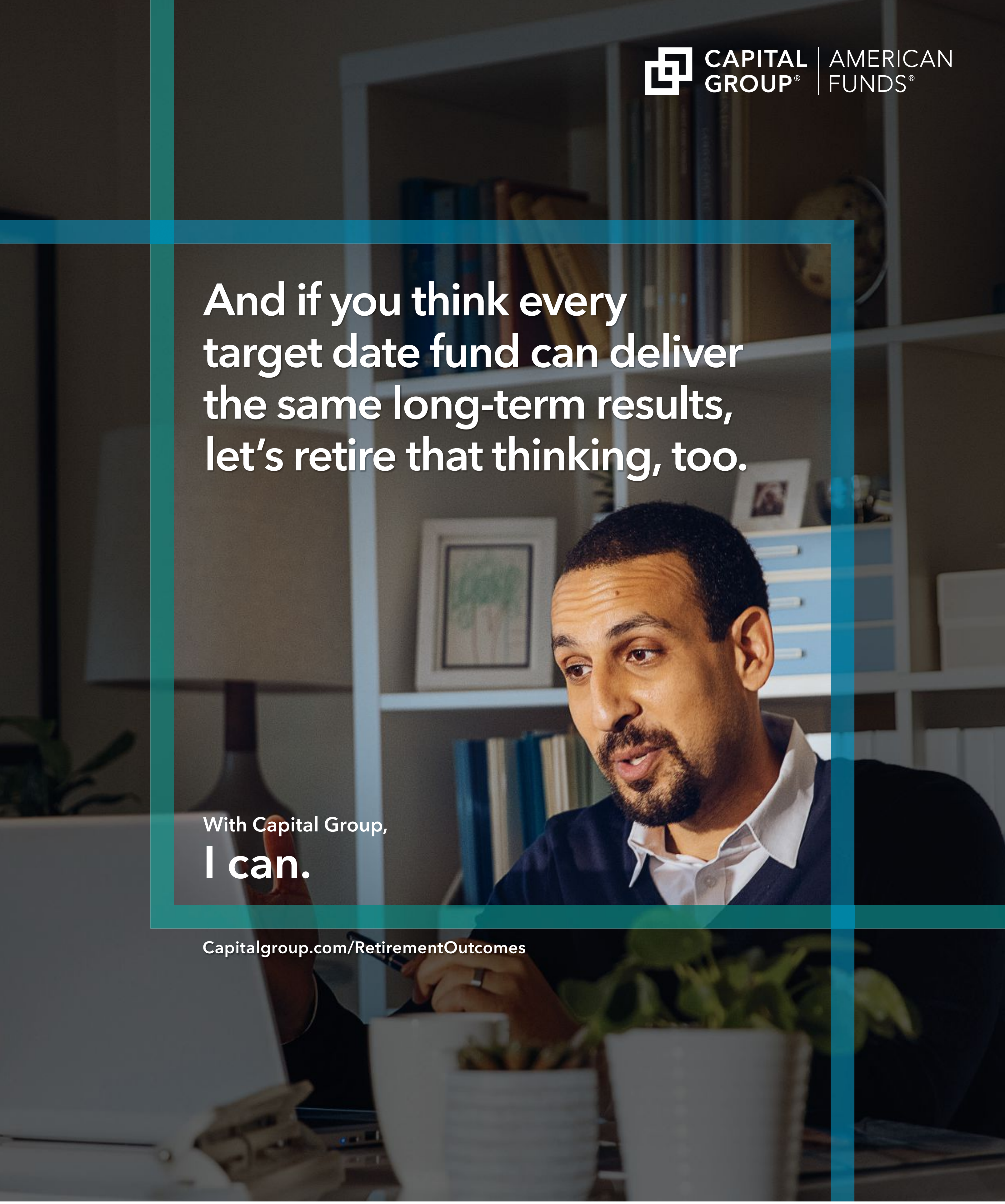
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Good and Bad News About Women and Retirement Saving

GOOD NEWS—four out of five older women report having a plan for retirement income.

Bad news—there is a "staggering gap" between women with an idea about retirement income options and the ones who have a formal, written retirement plan in place.

New research also reveals nine in 10 women with partners or spouses equally share or lead financial decision-making for their households, with female retirees and pre-retirees (ages 50-75) more open to financial advice than men.

These findings are part of the Retirement Income Literacy Survey from The American College of Financial Services.

"Advisors need to understand that women may come to the table with different approaches to retirement planning, with many thinking about finances holistically and maybe more conservatively than men," Hilary Fiorella, Executive Director of the Center for Women in Financial Services at The American College of Financial Services, said in a statement. "Whether that conservatism is based on fear or misinformation is an ideal place to start a conversation with an advisor."

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An Effective Strategy to Drive Financial Wellness Engagement

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THE RETIREMENT ADVISOR Council finds that rewards and points systems are particularly effective in driving employee engagement with employer-based financial wellness programs.

In "Advisors Take Steps to Measure Employee Engagement in Financial Wellness Programs," it states that rewards programs have been quite successful on the healthcare front, where employees earn points for having regular medical checkups or going to the gym. They make just as much business sense in helping employees achieve and maintain financial wellness.

Indeed, the advisors surveyed say that, on average, 19% of their clients with a financial wellness program use a rewards or points program to stimulate participant engagement.

The report notes that employees usually access services one of three ways:

- Self-service portal (Web, app, automated phone, automated assistant)
- Group meeting (education)
- One-on-one coaching (counseling, planning, or even advice)

"Multimodal programs allow employees to select the point of entry that best fits their needs," it explains. "The selection of metrics to include on the dashboard will vary depending on the points of entry available in the program."

New Year, New Rules: 3 SECURE Act Changes

By Allison Brecher

LAST YEAR WAS unpredictable, at best, but as we move into 2021, there is one thing we can be certain of: more change is coming. The SECURE Act included a number of provisions to retirement plans, several of which went into effect in January. To best plan for these imminent changes, here's a look at what lies ahead.

Long-term part-time employees

There is a growing workplace trend of employees taking leave or changing from full-time to part-time status. To account for this, the SECURE Act provides employees who are 21 or older that have worked more than 500 hours for three consecutive plan years, with an opportunity to participate in their employer's 401(k) plan.

Previously, part-time employees had to work more than 1,000 hours during each plan year, which, by definition, precluded many new mothers or employees caring for a sick relative from being able to participate.

Starting in 2024, there will be a whole new group of employees who become eligible for the plan, which in turn may impact the total amount an employer matches, vesting schedules, and compliance tests because these part-time employees will now become eligible sooner than they would under previous rules and need to be accounted for in those calculations.

We are awaiting regulatory guidance as to whether these employees must also be counted for purposes of determining whether the plan is a "large plan" and therefore required to undergo an audit.

Disclosure of lifetime income

Starting in August, the SECURE Act will require that all participant benefit statements include a lifetime income disclosure. The disclosure must express a participant's total accrued benefits listed as monthly payments that a participant or beneficiary would receive if the account balance were to provide a lifetime income stream.

"The 'one bad apple' rule no longer applies, thereby protecting PEP members from liability risks for other employers' noncompliance."

Two sets of lifetime income stream illustrations are required: one a qualified joint and survivor lifetime income stream based on the assumption that the participant has a spouse of equal age, and the other as a single-life annuity. The Department of Labor issued model disclosure language last September.

Benefit statements for self-directed plans must also contain certain explanations about the participant's plan investment rights and the importance of a well-balanced and diversified investment portfolio, as well as furnish a notice of a DOL website providing information about investing.

Aggregated plans

At long last, the much-awaited concept of "open" Multiple Employer Plans (MEPs) has become a reality. The SECURE Act allows unrelated employers to band together in Pooled Employer Plans (PEPs), with the promise of reducing the costs and administrative burdens that each participating employer would otherwise bear alone.

A PEP allows unrelated employers to agree to a single plan document, file a single Form 5500, and participate in one plan audit. The "one bad apple" rule no longer applies, thereby protecting PEP members from liability risks for other employers' noncompliance *(see related article on page 22)*.

Still, a PEP may not be appropriate for all employers, including small businesses that would now have to bear some of the cost for a potentially expensive plan audit. Not to mention that index funds and technology have made 401(k) plans highly efficient and possibly less expensive than a PEP.

While we're still awaiting guidance on some of the nuances of these SECURE Act changes, it's important for advisors and sponsors to understand the impact they can have on both new and existing plans. We all know 2021 will continue to bring with it new regulations and challenges, so the best thing we can be is prepared by understanding the impact of these changes.

Allison Brecher is General Counsel and Chief Compliance Officer at New York City-based digital retirement platform provider Vestwell. She has more than 20 years of legal and regulatory experience having handled high-profile and complex litigation involving employee benefits, ERISA, regulatory matters, data privacy, and electronic discovery.

DOL Issues Missing Retirement Plan Participant Guidance (Finally)

THE DEPARTMENT OF LABOR issued long-awaited guidance on missing retirement plan participants in January, calling it part of its effort to help plan fiduciaries meet their obligations under ERISA to locate and distribute retirement benefits to missing or non-responsive participants.

The guidance is in three forms:

- Best Practices for Pension Plans describes a range of best practices fiduciaries of retirement plans, such as 401(k) plans, should consider as steps their plan could take to help reduce missing participant issues and ensure plan participants receive promised benefits when they reach retirement age.
- Compliance Assistance Release 2021-01 outlines the general investigative approach that will guide all of EBSA's Regional Offices under the Terminated Vested Participants Project and facilitate voluntary compliance efforts by plan fiduciaries; and
- Field Assistance Bulletin 2021-01 authorizes, as a matter of enforcement policy, plan fiduciaries of terminating defined contribution plans use of the PBGC missing participant program for missing or non-responsive participant's account balances.

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4 Reforms to Stem Fiduciary Lawsuits

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FOR ANYONE SICK OF Jerry Schlichter and his shenanigans, insurer Euclid Specialty suggests four reforms to "restore fairness and balance to the fiduciary liability regulatory framework for retirement plan fiduciaries:"

1. The DOL should establish a uniform standard of care. "Ad-hoc negligence standards was not the intent of ERISA. To the contrary, ERISA was enacted to replace state-by-state regulation with a comprehensive regulatory framework."
2. Federal courts must apply consistent legal standards across all cases. "Plan sponsors deserve a consistent and predictable standard for weeding out the many copy-cat meritless cases in which new law firms are chasing a business model of suing defined contribution plans to leverage an easy settlement."
3. Courts should cap damages and limit attorney fees. "The damages model of \$25 million to \$200 million in most lawsuits is not congruent for a claim of simple negligence," and "Attorney fees should be capped."
4. Recordkeepers and investment providers should accept responsibility if they do charge excessive fees and refund participants. "If there was any wrongdoing … it is the recordkeeper or investment manager that should bear the burden of reimbursing plan participants for alleged excessive fees."

Are PEPs ‘Instrumental’ in Closing the 401(k) Coverage Gap?

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PUBLIC POLICY ADVOCATES and market practitioners believe Pooled Employer Plans (PEP) could be instrumental to helping close the retirement plan “coverage gap” by enabling small business owners to achieve costs savings through economies of scale and offload some of the administrative burdens associated with offering a stand-alone retirement plan.

For providers, PEPs may represent an opportunity to achieve a stronger presence in the small plan market, according to a Cerulli report, U.S. Retirement Markets 2020: Exploring Opportunities in the Small Plan Market.

It finds one-quarter (26%) of 401(k) plan sponsors indicate they are at least somewhat interested in joining a PEP. Although many industry stakeholders, including the Department of Labor (DOL), suggest PEPs are well suited for smaller entities, plan sponsors with less than $5 million in assets exhibit less interest than plan sponsors in other asset segments—and more than one-third (36%) of plan sponsors in this “micro” segment indicate they have no opinion on the topic. K

No Improvement in Pension Funding Despite Record Stock Market

THE FUNDED STATUS of the nation’s largest corporate pension plans started and finished 2020 at the same level. Declining interest rates caused pension obligations to grow, offsetting gains from investments in equities and bonds, according to an analysis by Willis Towers Watson.

The company examined pension plan data for 366 Fortune 1000 companies that sponsor defined benefit pension plans.

Results indicate that the aggregate pension funded status is estimated to be 87% at the end of 2020, unchanged from 87% at the end of 2019.

The analysis also found the pension deficit is projected to be $233 billion at the end of 2020, slightly higher than the $230 billion deficit at the end of 2019. Pension obligations increased 5% from $1.75 trillion in 2019 to an estimated $1.83 trillion in 2020. K

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PRESTON’S

We asked the former EBSA head for his take on hot-button issues, and what they mean for your business. He didn't disappoint.

By **JOHN SULLIVAN**

Photos by **DAVID JOHNSON**

PRIORITIES

An Insider's View of Retirement Regulation

The SECURE Act, ESG, missing participants, private equity, the fiduciary rule—there are A LOT of issues with which the retirement plan industry currently wrestles.

"It's going to be a very interesting year legislatively and with the new administration," Preston Rutledge said matter-of-factly.

Specific to plans, he's bullish on ESG, proud of electronic delivery, pro-PEP and private equity and thinks lifetime income is a long time coming. He wants more opportunity and options to combat both low interest rates and high fees.

He jokingly refers to himself as a "swamp creature" and lives and works within sight of the Capitol, affording him a bird's-eye view of the legislative and regulatory architecture on which it rests. It's the reason now, with a new administration, he's so sought after.

Arriving at The George Washington University in the summer of 1980, Rutledge's impressive Beltway notches include working with top political players. A sample:

- As senior counsel to Republican stalwart Sen. Orrin Hatch, R-Utah, he drafted the Retirement Enhancement and Savings Act (RESA), considered to be the SECURE Act's precursor.
- Early on, he clerked on the United States Court of Appeals for the Fifth Circuit, recently famous for striking down the Department of Labor's fiduciary rule.
- Speaking of the DOL, he capped his most recent government tenure as Assistant Secretary of Labor for the Employee Benefits Security Administration (EBSA).

We'd continue but for space. Rutledge's hand in developing, if not actually writing, important retirement plan regulations means he's extremely valuable in determining what's next.

It's a reason he formed the Rutledge Policy Group, which provides "non-partisan, business-centric knowledge of current legislative and regulatory trends and their future implications in the areas of retirement savings and employee benefits."

Free from political constraints, he offered practical answers and professional advice. Yet mindful of D.C. diplomacy, he carefully avoided criticizing, or even commenting on, his regulatory peers; for example, politely refusing to discuss anything SEC- or Reg BI-related.

Everything else was on the table, and he began with EBSA's recent guidance on missing participants.

Missing Participants

The guidance isn't so much about finding missing participants, he noted, rather best practices for not losing them in the first place.

"That's better than a more prescriptive approach," Rutledge said. "But the missing participant issue will continue to evolve."

Meaning a possible next step might involve the Social Security Administration or PBGC's help.

"The PBGC already has a missing participant program for terminated 401(k) plans. Perhaps they could expand it to plans that are still up and running. There are possible initiatives the administration could implement around this, and there have been legislative proposals, as well."

Would missing participants be a primary concern for Rep. Richard Neal, D-Mass., powerful chairman of House Ways and Means and a retirement policy point person?

"He has a laser-like focus on the three automatics: automatic retirement plans, automatic enrollment, and automatic escalation," Rutledge countered. He instead identified Senators Steve Daines, R-Mont., and Elizabeth Warren, D-Mass., as major proponents of missing-participant legislation, a more of a realistic possibility "post-Georgia runoff."

Missing participants were an EBSA priority during his tenure. He bluntly told 2019 NAPA 401(k) Summit attendees that if assets aren't available for workers when they retire, what's the point?

"We do all this work to get plans set up and people into them," he said when asked about the remarks. "We also do so much to get them to accumulate assets. If we can't find participants when they hit retirement age, it's a faceplant, and I use that term deliberately. It's something we don't want."

Electronic Delivery

His second point directly connects to his first. The rule to permit electronic delivery of retirement plan disclosures was a significant win for Rutledge, and part of his EBSA legacy.

"It's well-received in the planning administration community," Rutledge beamed. "Electronic disclosure received a kickstart in the spring of 2020 because of the COVID crisis, when EBSA allowed electronic disclosure to be broadly used by both health and retirement plans in light of the closure of many businesses, including commercial printers."

Operations under the rule are "ramping up and well underway" and will be utilized more heavily in 2021.

"And I have every confidence we will realize the estimated cost savings," he predicted, referencing the DOL's claim that electronic delivery would save an estimated $2.4 billion net cost over the next 10 years for ERISA-covered retirement plans by

"The guidance isn't so much about finding missing participants, rather best practices for not losing them in the first place."

eliminating materials, printing, and mailing costs associated with furnishing printed disclosures.

He added a surprising caveat; a possible return to a paper disclosure default, something for which two major trade groups are lobbying.

"That would be bad policy. We utilize improvements in technology in every area of our lives, and we should do the same with 401(k) administration."

Notably, electronic delivery potentially helps with the missing participant issue. He reiterated that the best way to avoid missing participants is simply to not lose them. If an email address is invalid and bounces back, employers are immediately aware that the participant is missing. The electronic disclosure rule then requires the employer to promptly remedy the defective address.

"People also tend to keep their personal email addresses much longer, even after they've changed their physical address," Rutledge explained. "So, it all comes together in a way that helps not just participant disclosure, but also helps employers not to lose track of their employees once they've left employment."

Environmental, Social, and Governance

The outlook has brightened substantially for the inclusion of ESG investment options with qualified plans, especially when comparing the new administration's attitude on the subject with its predecessor. Indeed, *The Washington Post* reported in January that President Biden has ordered a review of a "recent Labor Department rule preventing environmentally sustainable mutual funds from being default retirement investments."

"The Biden administration will approach ESG in a way that accommodates the use of ESG-themed funds, perhaps as the plan's qualified default investment," Rutledge agreed. "That's the one line that the last administration would not cross."

A complicating factor is that the Trump administration's ESG rule is final and effective and, therefore, cannot be pulled back quickly and easily. How the Biden administration accomplishes its ESG goals,

"When I was at the DOL, we would roll out a proposed rule and sometimes get a blizzard of criticism and public comments. I always took it as a positive."

and the extent to which it will go is yet to be determined.

"If they issue a new rule, they will certainly rewrite the preamble, which is the narrative that precedes the actual regulatory text", Rutledge explained. "They certainly could rewrite the preamble with a more pro-ESG tone. I think one of the things that drove a lot of folks to oppose the [Trump administration's] rule was the fairly negative preamble about ESG. The department had a lot of skepticism about it. However, I very much doubt you'll see any more ESG enforcement letters, at least for a while until the Biden administration settles in on its position."

Pooled Employer Plans

Top of mind for implementing the SECURE Act will be whether the DOL publishes prohibited transaction exemptions to provide clarity around fees and proprietary products for pooled plan providers.

The department predicts significant interest in the use of pooled employer plans, or PEPs. Even without much guidance, around 60 companies have already signed up, with the establishment of many more expected.

"People are waiting to see how the other regulations roll out before they jump in, and 2022 might be the big year," Rutledge said. "I consider it an opportunity as well as a challenge; a challenge in terms of when we see proposals from the DOL, will they be overly prescriptive, or will they leave gaps? Do they leave participants and employers vulnerable in ways that they should not?"

The opportunity is obvious; to be part of the 401(k) system of the future, one with much larger plans, better scale, lower fees, and higher returns.

We pushed back, noting the controversy surrounding the plans. Critics contending coverage options for smaller companies already exist, and there's a potential for abuse by unscrupulous retirement plan professionals.

"The system has to evolve and adapt," he calmly answered. "The criticism is useful in that we see warning signs of things to *not do* from the get-go. It means PEPs will eventually be established and operated, and in a better way, and people can see around the corner a little bit."

The fees are dramatically higher for small- to medium-sized employers with assets under management below a certain threshold. Scale is needed to lower costs and expenses, and in that regard, PEPs will prove useful, he added. Having so many experienced people examining PEPs helps in the long run.

"When I was at the DOL, we would roll out a proposed rule and sometimes get a blizzard of criticism and public comments. I always took it as a positive. We would look at the comments and see the expertise outside of Congress and the administration. We needed their input, thoughts, and warnings to avoid pitfalls. I don't remember a single proposed rule where a change wasn't made to improve the final rule based on those comments, so they're helpful."

Specifically, with PEPs, the informal comments he's seeing are helpful, and when rule proposals begin, those comments will be formalized.

"I think we're on the right track, and I'm very optimistic."

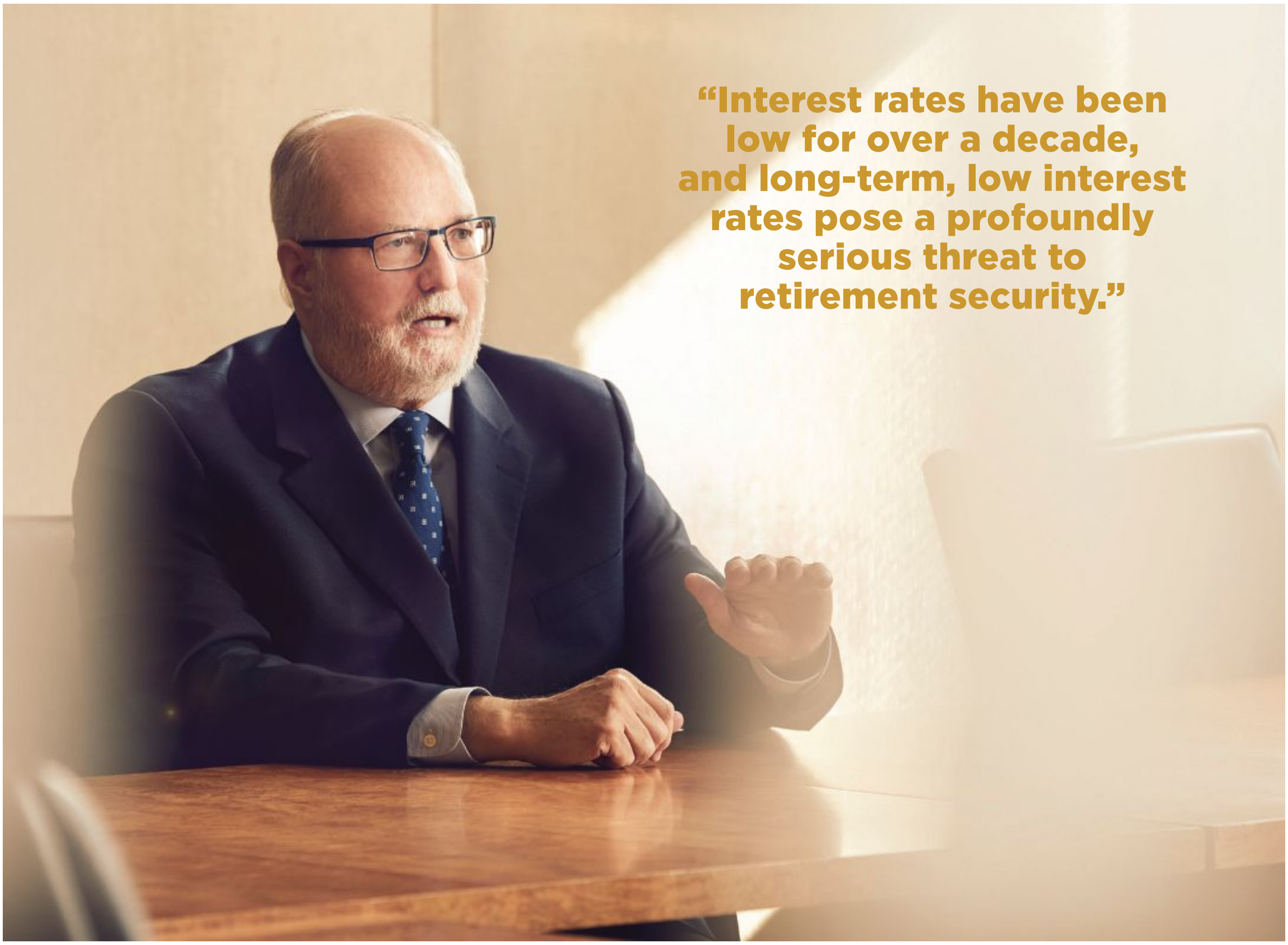
Lifetime Income

The potential SECURE 2.0 legislation championed last year by Rep. Neal and Rep. Kevin Brady, R-Texas to include safe-harbor, deferral-only "automatic 401(k)s" brings with it a possible guaranteed life income provision, which Rutledge believes will "push the envelope" on decumulation provisions.

"It would require that at least 50% of a participant's vested account balance be available for a guaranteed lifetime income product of some kind," he noted. "That could be a lifetime income game changer for defined contribution policy in the United States. It's been a long time coming."

Mentioning the demise of defined benefits and the rise of defined contributions, he argued that lifetime income "is one of the biggest things we've lost." The legislation's thrust is to implement automatic 401(k)s to improve access, automatic enrollment to improve coverage, and automatic escalation to improve asset accumulation.

"It's the trifecta. Throw in lifetime income provisions for decumulation, and it would cover the waterfront."



Private Equity Menu Options

Controversy has swirled for some time over allowing private equity investment options in 401(k)-plan menus. Proponents argue it provides the potential for much-needed yield, while opponents object that private equity's complicated nature could expose participants to undue and misunderstood risk with the potential for abuse.

Count Rutledge in the former, and an information letter released by the DOL in June 2020 (after his departure) appeared to open the door to private equity's qualified plan use.

"Retirement security is what ERISA is all about," he said. "Interest rates have been low for over a decade, and long-term, low interest rates pose a profoundly serious threat to retirement security. In my view, the policymakers must do something to help 401(k) plans find higher returns."

Private equity has the potential to be part of that solution if, in the context of a 401(k) plan, the relative lack of liquidity, longer investment horizons, and the need for transparent asset valuations can be accounted for.

"The DOL letter responsibly tackled all of these challenges and provided a beneficial roadmap for utilizing private equity in 401(k) plans in a prudent manner," he continued. "Beyond private equity, employers need as many options as possible, not fewer options, to help their 401(k) plans earn higher returns for their workers."

The Fiduciary Rule

When asked about the fiduciary rule and its many (many) iterations, he was mercifully brief.

"The fiduciary rule was published last July with the historic five-part test. The fiduciary exemption was finalized but not published in the Federal Register before the new administration took office. I expect the Biden administration will decide to begin a new 'notice and comment' regulatory effort."

Positive Outlook

Rutledge was amiable and easy-going throughout the discussion, and true to form, he ended on a positive note.

"As of yet, we don't know who will be nominated as the next assistant secretary of EBSA, but we know the new principal deputy assistant secretary is a man named Ali Khawar. I know him well; he's a great choice. He's a former career EBSA attorney who knows the agency inside and out in both the regional and the national offices."

Khawar, along with two extremely competent career deputy assistants, means EBSA has "an incredibly talented trio at the top," something he believes bodes very well for EBSA under the new administration.

"I will also say that I envy the next assistant secretary in having a team like that with whom to work."

Student Loan Benefits 2021: What Advisors Need to Know

By Gregory Poulin

THE FEDERAL GOVERNMENT recently made it significantly easier for employers to help pay down their workers' student loans. Here's what else you need to know about student loan benefits for 2021.

The CARES Act allowed exclusion of up to $5,250 from an employee's gross income for employer payments to principal or interest on student loans. This provision was originally set to expire at the end 2020, however the $900 billion coronavirus stimulus package passed at the end of 2020 extended this tax break for five years, through Dec. 31, 2025. While still a temporary measure, it is widely expected to be made permanent.

The tax exemption allows employers to pay down their employees' student loans on a pre-tax basis, similar to a 401(k) match. Both the employer and employee can save on federal payroll and income taxes if employer payments are made to a "qualified education loan," defined as a student loan in the name of the employee and used for their education with federal, private, and refinanced student loans all being eligible. Education loans for spouses, children or other dependents do not qualify.

Employers have increasingly come to recognize that if they are going to require a college degree as a prerequisite for employment, then they must play a role in solving the student debt crisis. Employer-sponsored student repayment has been a growing trend in employee benefits in recent years with one in 10 employers offering it as a post-tax benefit. That figure is expected to increase by 300% in 2021 to one in three employers now that student loan benefits are pre-tax, according to the Society for Human Resource Management (SHRM).

In total some 47 million Americans carry $1.7 trillion in student debt, a figure that is expected to surge to past $2 trillion by

"One of the reasons student loan benefits are so appealing is because of their profound impact on an employee's ability to become debt free."

2024. With 30% of employees carrying student loan debt, it should not come as a surprise that forward-thinking employers are looking to capitalize on this new tax exemption as a powerful recruiting and retention tool, as well as a means of improving financial wellness for their workforce.

Every year 70% of college students are graduating and beginning their careers with an average of $40,000 in education debt that will take 22 years to pay off. As a direct result of their student loans, employees are often forced to delay saving for retirement.

Student loan borrowers report significantly higher levels of financial stress that has been shown to directly impact their performance in the workplace, according to Willis Towers Watson.

When one takes the tremendous impact that student debt has on employees into consideration, it is obvious why workers are drawn to employers that help with their student loans. When young adult job seekers were asked in an American Institute of CPAs study, "What percentage of your benefit compensation money would you allocate for student loan debt repayment vs. an alternative benefit?" respondents chose more money going toward student loan repayment, ahead of all other benefits, including 401(k) match, health insurance, and paid time off.

One of the reasons student loan benefits are so appealing is because of their profound impact on an employee's ability to become debt free. Most student loan benefit programs require employees to continue making their regular payments. This allows employer contributions to be applied on top of that as a secondary payment, directly to the principal of the student loan.

From our experience at Goodly working with hundreds of clients on student loan benefit programs, the median employer contribution is $100 per month, but can range from $50 to $200 per month. It's also not uncommon for employers to start with smaller contributions of $25 per month and increase those payments as budgets allow. With the help of a $100 per month employer contribution, the average employee student loan borrower can become debt free 25% to 30% faster.

Gregory Poulin is the CEO of Goodly, a leading provider of student loan and college savings employee benefits. He can be reached at greg@goodlyapp.com or on Twitter @GregoryMPoulin.


HOW

DEEP is the PEP Pool?

Pooled Employer Plans are here, and some 401(k) recordkeepers are jumping right in, believing they can be a true game-changer. But is the Pooled Plan Provider route right for RIAs?

By **BRIAN ANDERSON**

There's an old saying in the insurance business: *"Life insurance is sold, not bought."*

And it can be a tough sell at that, with many consumers not understanding it, thinking they don't need it or can't afford it. These objections have long frustrated life insurance agents.

Will a brand-new type of retirement plan, the Pooled Employer Plan (PEP), made possible by the SECURE Act, bring similar frustration to 401(k)-focused advisors by also having to be sold, not bought?

Maybe … particularly when pitching them to smaller employers or those without an existing retirement plan.

A 2020 Cerulli report found at least one quarter of 401(k) plan sponsors are at least somewhat interested in joining a PEP, but more than one-third (36%) of small 401(k) plan sponsors (with less than $5 million in plan assets) expressed "no opinion" on the topic.

"This may be the sign of a knowledge gap related to PEPs in the lower end of the market," said Shawn O'Brien, a senior analyst with Cerulli. "When addressing smaller employers, more educational discussions related to the costs and benefits of PEPs may be in order."

These new 401(k) structures, which became available as of Jan. 1, 2021, allow unrelated employers to cut red tape and costs by "pooling together" to participate in a retirement plan without the old "common nexus" requirement that was standard for traditionally underused Multiple Employer Plans (MEPs). So new, in fact, that they are still largely an unknown in many respects.

How many small- and medium-sized businesses, recordkeepers, asset managers, third-party administrators (TPAs) and intermediaries are ready to jump into the PEP pool, especially when they don't yet know how deep it is?

"It is quite possible there will be very few stand-alone single-employer defined contribution plans in 20 years—all but replaced by PEPs."

- 2020 Aon Whitepaper

While a Registered Investment Adviser (RIA) can become a Pooled Plan Provider, early indications are that most—with PPP duties not among their core competencies—will see too many risks and drawbacks, and that TPAs and recordkeepers are more likely to jump in first as PPPs.

"Providers considering the role of PPP need to be aware of the 3(16) fiduciary responsibilities involved," O'Brien added. "Recordkeepers and TPAs are seemingly a natural fit for this role."

Many have already jumped in, including Aon, which launched its PEP on Day 1—Jan. 1, 2021. Aon, in a 2020 whitepaper titled *"Pooled Employer Plans: The Start of a New Era for Retirement Plans,"* predicts that by 2031, roughly half of all U.S. plan sponsors will have transitioned to PEPs.

"It is quite possible there will be very few stand-alone single-employer defined contribution plans in 20 years—all but replaced by PEPs," the report states. "Aon believes the PEP can help employers deliver better retirement outcomes to their employees with lower fees, less staff time and involvement, and better fiduciary governance (i.e., less fiduciary risk)—allowing the employer to better focus their energy on running their business and taking care of their people."

Such statements show how much some in the industry believe in the potential this new "pool" has to significantly transform the employer-sponsored retirement plan market.

"The demand is increasing, and so is the interest," Wendy Von Wald, Fiduciary Product Manager for Travelers, told *401(k) Specialist*. "We've had more discussions with our agents and brokers who are asking about fiduciary liability coverage for an employer interested in joining a PEP. We've also had brokers and agents submitting requests to cover newly formed PEP plans."

The New Kid In Town

Pooled Employers Plans were born out of Congressional efforts to make employer-sponsored retirement plans available to more workers to help solve the retirement savings crisis. The SECURE Act, signed into law at the end of 2019, essentially created PEPs to address/solve a pair of longstanding issues that kept Multiple Employer Plans from achieving widespread adoption: the "one bad apple" rule and "common nexus" requirement.

The SECURE Act removed these regulatory roadblocks, with retirement reform backers hoping that PEPs—without these problems—can gain mainstream adoption and help more Americans gain access to a retirement plan.

"The intentions behind this addition to the Employee Retirement Income Security Act (ERISA) are good, so we'll have to see how everything plays out," Von Wald said. "The lack of employer oversight of PEPs, as noted by recent Department of Labor comments, might give employers something else to consider when choosing to join a plan. The concern is that some small employers might not look into everything before making the decision to join a PEP, or in choosing which one to join."

While some PEP critics have voiced concern that they could lead to some providers "churning" existing clients from perfectly sound 401(k)s into a shiny new vehicle that may or may not be better for their participants, there are definitely some things about them that figure to attract employers currently sponsoring their own plan.

For one, removing administrative burdens. A PEP means only one Form 5500 filing for the entire plan instead of each employer, and only one plan audit. Many other administrative requirements are done just once for the plan as well, which is purposeful on the part of regulators with a goal of reducing overall costs of 401(k) plans for employers.

"Lower costs are appealing and available to employers because the PEP would have incurred the expenses needed to set the plan up, such as the administrative tasks involved that now wouldn't fall on the company," Von Wald said. "Another way a company's costs can be reduced by joining a PEP is the lower fees for things like investing and recordkeeping with a larger plan when compared to something smaller.

By pooling together, small plans can finally enjoy the same economy of scale larger defined contribution plans have always enjoyed.

Since the PEP has already been established, Von Wald noted an employer wanting to join wouldn't have to incur the legal costs and other fees that come from establishing a plan, so there is a lower barrier to entry. The PEP provider has already selected the investment advisor, recordkeeper and funds being offered.

There would also be a reduction in fiduciary liability if an employer joins a PEP because the provider will carry the liability for the selection and monitoring of the individual funds. "However, the employer would still carry liability for the selection and monitoring of the PEP plan and provider," Von Wald said. "This is not as clear-cut as it might seem, leaving some employers to question whether they are shedding as much liability as they originally thought when considering a PEP."

"With the rise in excessive fee lawsuits and how costly those can be, it's important that companies do their due diligence."

- Wendy Von Wald, Travelers

Early Adapters

Pooled Plan Providers must register with the Secretary of Labor and the Secretary of the Treasury before they begin operations as a PPP, and are then statutorily required to serve as the 3(16) Administrative Fiduciary.

In addition to previously mentioned Aon, Rochester, New York-based Paychex, Inc. and Des Moines, Iowa-based Principal Financial are among the early recordkeepers wanting to test the PPP waters.

"Our new PEP will provide business owners with a cost-effective plan option that relieves the compliance and administration burdens of a traditional 401(k) plan, giving their employees access to a robust retirement plan benefit and allowing them to confidently prepare for their financial future," said Tom Hammond, Paychex Vice President of Corporate Strategy and Product Management, in announcing the move last December.

Paychex aligned with two other retirement industry leaders to provide services for the PEP offering. Mesirow Financial serves as the 3(38) investment manager of the PEP and Mid Atlantic Trust Company serves as the Trustee.

"Over the last five years, we have seen a shift from 3(21) to 3(38) fiduciary services, particularly at the smaller end of the retirement plan market. These small and mid-size employers appear to be signaling an openness to fully outsourcing fiduciary duties and will likely be interested in the fiduciary support afforded in a PEP," said Mike Annin, Senior Managing Director of Fiduciary Solutions at Mesirow Financial.

Meanwhile, Principal is teaming up with National Benefit Services as the TPA and Wilshire as the investment fiduciary to introduce a PEP called Principal EASE. It is designed for employer plans up to $10 million in assets under management.

"By shifting liability to designated fiduciaries with specific knowledge and skills, employers benefit from investment management as well as reduced administrative tasks and risks," said Jerry Patterson, Senior Vice President of Retirement and Income Solutions at Principal.

But that doesn't mean employers are in the clear by joining a PEP. Plans can be set up differently, so employers need to pay close attention, Von Wald said. The provider might not remove as much of the administrative burden as initially thought by the employer, and the company might have administrative exposure for tasks such as transferring PEP contributions in a timely manner and filing forms with the Internal Revenue Service and the Department of Labor.

"With the rise in excessive fee lawsuits and how costly those can be, it's important that companies do their due diligence," Von Wald said. "One smart step is considering fiduciary liability insurance, which can cover the costs of defending an excessive fee lawsuit and protects the company, its directors and officers and any administrators serving in a fiduciary role."

What's In It For Advisors

As previously mentioned, RIAs and broker-dealers are less likely to take on the PPP role, at least at the outset and under current guidance from the Department of Labor. The biggest reason is that serving as both the Pooled Plan Provider and an investment advisor to the plan may be a prohibited transaction.

In a Dec. 30, 2020, white paper on the topic from Kitces.com, *"The New Pooled Employer 401(k) Plan And The Hazards Of Advisor-Led PEPs,"* author Jeffrey Levine writes: "Absent some sort of Prohibited Transaction Exemption, it would appear as though an RIA serving as a Pooled Plan Provider may very well be prohibited from hiring themselves as the investment advisor to the plan in order to manage the plan assets for an AUM fee (which is presumably the primary reason that an RIA would want to serve as a Pooled Plan Provider in the first place!)."

Internal Revenue Code Section 4975(c)(1) disallows a plan fiduciary from dealing with the income or assets of a plan for their own interest, or from receiving compensation from the plan in connection with transactions involving the income or assets of the plan.

Even if the DOL eventually provides favorable guidance, Levine says the fact that the PPP is statutorily required to serve as the 3(16) Administrative Fiduciary is another reason RIAs may want to steer clear from registering themselves as a Pooled Plan Provider.

So where does that leave 401(k)-focused advisors when it comes to PEPs?

Given the various business, regulatory, operational and other challenges, one has to wonder whether the vast majority of RIAs won't be better off sticking with what is essentially the status quo, Levine wrote in the Kitces.com white paper, "which would mean letting the administrators be the Pooled Plan Providers and administrate, while the RIAs continue to focus on investment advice and participant education—a system that has worked so well, for so many, for so long." K

Brian Anderson is the Managing Editor of 401(k) Specialist.

Fintech Launches Financial Literacy Platform for Kids

THE NEED FOR financial education at younger ages is by now well-documented, and certain states—Rhode Island for instance—have developed curriculums for public schools to incorporate money matters into their teaching.

For parents that want to do more at home, Greenlight Financial Technology, a fintech company "on a mission to help parents raise financially-smart kids," announced Greenlight Max, what it says is the first educational investing platform designed for kids.

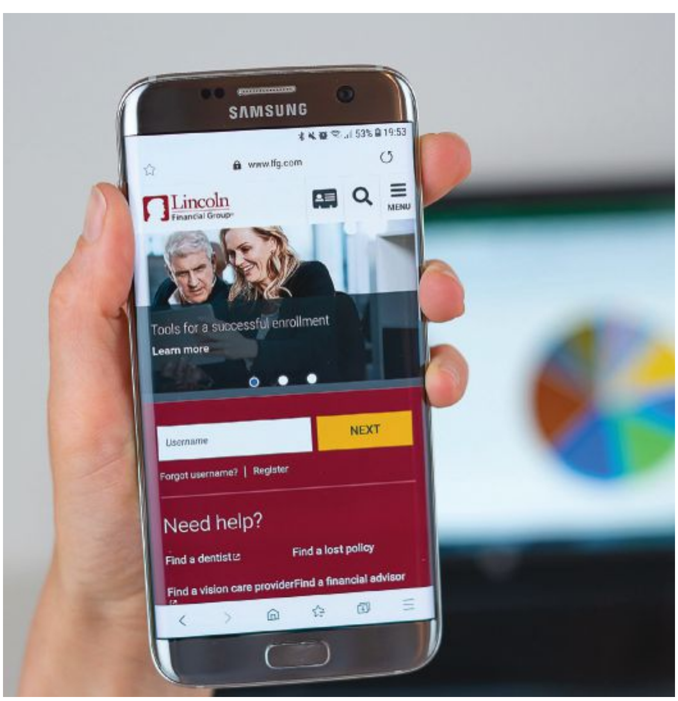
In 2017, the company launched a parent-managed debit card and app for kids to teach money management skills and now claims to serve more than 2 million parents and kids, who have collectively saved $90 million. With the launch of Greenlight Max, the company is "now shining a light on the world of investing for parents and kids alike."

The difference in the amount of retirement assets for a worker who begins saving at age 25 versus age 35 is roughly $1 million, so anything earlier can only help. K

ONLINE EXTRA

Photo by Greenlight Financial Technology

Lincoln Financial Adds Advisor Managed Accounts Service



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LINCOLN FINANCIAL GROUP has added an Advisor Managed Accounts service, which gives a retirement plan's registered investment advisor (RIA) the ability to create the underlying plan-specific investment portfolios and leverage the proprietary portfolio assignment process from Morningstar Investment Management LLC.

These personalized investment programs, introduced on Jan. 11 and offered through the Lincoln Alliance program, enable the RIA to use information about each plan participant—such as age and plan balance—to create the portfolios used by the program.

"The Advisor Managed Accounts service complements and builds on our suite of custom asset allocation products, such as YourPath," said Ralph Ferraro, Senior Vice President, Retirement Plan Products and Solutions, at Radnor, Pa.-based Lincoln Financial Group. "All participants are different, and financial professionals and plan sponsors are looking for innovative products they can further personalize to help their participants reach their individual retirement goals."

Currently, more than half of plan sponsors include a managed account option in their plans (according to Cerulli Associates research), and this number is likely to increase, as research shows that these services have the potential to help participants save more for retirement. K

Top Advisor

by PARTICIPANT OUTCOMES

By John Sullivan

We're proud to introduce the first group of this year's "Top Advisor by Participant Outcomes" designees. As in year's past, they continue to demonstrate creativity, enthusiasm and genuine concern for the financial futures of the plan sponsors and participants whom they serve. They act in the best interests of their clients, while raising the bar for the industry as a whole. While unsurprising, it's nonetheless still inspiring that they're able to do so during the COVID-19 pandemic and social and political unrest, another testament that their techniques (and business models) endure and are there when needed most.

Simply put, they're making an impact on their clients and communities, and we're honored to feature this next group of monthly selections.

We look forward to hearing about how innovative professionals are solving for successful outcomes with clients. We're therefore always looking for great entries and ideas.

To be considered for a feature in the magazine, on the website and in the running for our "Top Advisor by Participant Outcomes" for the year, send nominations and/or submissions to John Sullivan at jsullivan@401kspecialist.com.

Brian Hartsen (January)

Steven Glasgow (February)

Brent Sheppard (March)

JANUARY

BRIAN HARTSEN, Bayntree Wealth Advisors

Top Advisor
by PARTICIPANT OUTCOMES

Raised in Retirement Plans

"I'M AN INTENSE GUY from New Jersey, so I speak very quickly," Brian Hartstein notes before launching into his retirement plan business background.

We've featured many experienced TAPO advisors, most with track records going back decades, but Hartstein, Director of Corporate Development with Bayntree Wealth Advisors, is unique. A third-generation pension practitioner, he was raised in the industry, starting in the seventh grade.

"It's a good thing I like what I do because I wasn't trained for much else," Hartstein explains. "My father, grandfather, and one of my uncles had a TPA they started in New Jersey before ERISA. We sold that company in the late 1970s. My dad took a partnership in another TPA in Arizona, so we moved here, and I started working at the firm part-time."

Yes, he's a fast-talking East Coast transplant now in Scottsdale, but his demeanor reflects a genuine enthusiasm and excitement for what he does, which is to ensure successful retirement outcomes for the plan sponsors and advisors with whom he works.

Specifically, the firm prides itself on the quality and effectiveness of its participant communication. Comprehensive doesn't begin to describe it; client-centric videos, face-to-face meetings, email campaigns, webinars, custom videos, and everything from offering basic financial planning services to debt management.

He emphasizes that Bayntree is "platform agnostic," and says technology is employed both for scale and to help participants reach personal milestones.

"We have one particularly large group of participants that are all contract employees," Hartstein says. "They won't allow company time for education. Therefore, we have to find ways to get it done outside of the work environment. It can be tricky because it's at night or on their own time. That's why videos are great, and they can access them on-demand."

It's cliché to say what gets measured gets managed, but it's particularly relevant to Hartstein and the Bayntree team.

"We want specific and customized goals for retirement readiness. We measure both the number of participants who set a goal and the number who are on track to reach that goal. We can then determine if we're making an impact."

They drill down to the number of interactions monthly with employees and, importantly, how they're interacting with each, which provides better insight to committees (and Bayntree) about how future programs should be tailored. Absent tracking of this type, most employees won't have the needed income to maintain their retirement lifestyle, Hartstein adds matter-of-factly.

"In the end, that's who we're helping, and unless you're doing these things or something similar, you're not really helping the people these plans are designed to help," he notes.

It's that extra mile, willingness to do what others won't, and knowing what works and what doesn't that's earned Bayntree the respect of even the most seasoned—and at times cynical—CFOs.

"I asked a plan sponsor for a recommendation on a large plan prospect," he concludes. "They said no other advisor was willing to go to the lengths we did. The CFO mentioned that, for the first time in 20 years, every employee said it was a wonderful experience." K

"We measure both the number of participants who set a goal and the number who are on track to reach that goal. We can then determine if we're making an impact."

Brian Hartstein, MSFS, CLU, ChFC is Director of Corporate Development with Scottsdale, Arizona-based Bayntree Wealth Advisors.

FEBRUARY

STEVEN GLASGOW, Tower Circle Partners

Top Advisor by PARTICIPANT OUTCOMES

Defined Contribution Contrarian

"Everybody's tired of hearing auto-enrollment and escalation, but the reality is that it has moved the needle."

Steven W. Glasgow is Executive Vice President/Wealth Management with Tower Circle Partners of Janney Montgomery Scott in Franklin, Tennessee.

STEVEN GLASGOW ISN'T AFRAID to contradict conventional wisdom in the service of successful outcomes. His "it is what it is" attitude might ruffle industry feathers, but it's appreciated by his clients and the results they achieve, which is all that really matters.

"It's hard for me to trust retirement readiness metrics," Glasgow, Executive Vice President with Tower Circle Partners of Janney Montgomery Scott, admits. "If the average participant has been with five employers, most haven't gone through the rigmarole of moving accounts or consolidating assets, so we don't really know what they have."

But he pushes back when described as a disbeliever and notes that the problem (as always) is scale when determining how to effectively engage participants to influence behavior and truly make an impact.

"As a practitioner, I wrestle with offering one-on-one meetings in a way that doesn't dig deeply into profitability," he says. "I have several plans that are fairly large, one of which has 75,000 employees scattered around the country. If somebody sits across the table from you and says, 'Here's my situation,' and you say, 'I think this is what you need to do,' most of the time, they will do it. It's just tough for me to promise one-on-one meetings to a very large employer."

What can be done, Glasgow emphasizes, is to get the plan design right.

"Everybody's tired of hearing auto-enrollment and escalation, but the reality is that it has moved the needle."

A longtime client initially engaged Glasgow and his team because they were concerned about their fund lineup. While it only needed a "nip and tuck," the company's participation rate lagged, as did its average deferral rate. It was creating testing issues for senior executives.

"We were able to sit down with them, and for a little increase in cost, we found them a new recordkeeper, we did a complete refresh of the target date funds with an automatic 6% enrollment and an auto-escalation," he says.

The biggest hurdle was convincing committee members, something with which presentation material from behavioral economist Shlomo Benartzi was able to assist.

"As we went through the behavioral finance statistics, we saw the light bulb go off. We finally told them we had other clients that did this, and we could show not only anecdotal but actual evidence from plan sponsors in other industries that were a whole heck of a lot lower than theirs in terms of average earnings. At that point, there was zero pushback, and frankly, they were thrilled with the outcome."

That outcome was 90% participation, a doubling of the deferral rates, and a significant cut in recordkeeping and investment costs.

"That's not all that heroic," Glasgow modestly concludes. "We didn't drag every single participant through snow and ice to achieve a huge increase in participation, but it reinforces the power of what we've been saying for a while. You can do things from an auto perspective that absolutely work, but you must be cognizant of the CFO sitting on the other side of the table. They have their pressures, so you have to be therefore creative about the way you implement these initiatives and not always default to the simple answer." K

MARCH

BRENT SHEPPARD, Cadence Financial Management

Top Advisor
by PARTICIPANT OUTCOMES

Private Equity Opportunity

PRIVATE EQUITY IS KNOWN for taking over, cleaning house and making the targeted company more efficient to increase profitability. Therefore, retirement plans and planning aren't pressing priorities, but a fiduciary responsibility still exists, which means opportunity for Brent Sheppard.

"We have a strategic program focused on partnering with middle-market private equity companies, particularly the ones taking majority control of a company," Sheppard, a partner with Marlton, New Jersey-based Cadence Financial Management, explains. "We provide fiduciary guidance and support through and after the M&A process when they're acquiring new portfolio companies."

Plans range from $1 million to $40 million in size, with an average of approximately $10 million.

"It helps the private equity firms in knowing they have someone competent protecting their partners and their board," he adds. "But importantly, it's a good thing to get the employees of the portfolio companies saving for retirement and having somebody in there to advocate for that benefit."

In 2018, Sheppard and the Cadence team assisted a private equity firm with an asset purchase of a manufacturing company, which resulted in a spin-out of certain employees and their retirement plan balances.

"After due diligence on the larger plan, we realized that the smaller subset of employees under the new entity could benefit from a new vendor and overhauled investment line up, resulting in significant fee savings when compared with the larger plan from which they were spun out," Sheppard explains.

A year of employee group and one-on-one meetings did little to increase participation, and a lack of employer match once the spin-out was complete also didn't help.

However, in late 2019, Sheppard was notified that the company saved some money on their health benefit spend, which they now wanted to apply to their retirement plan.

"We ran several plan design optimizations for a new match and settled on a formula that maximized the targeted employer spend while incentivizing employees to save a higher percentage of their pay. The employer also took on all retirement plan expenses, such as recordkeeping and advisory fees."

They also implemented automatic enrollment with an automatic escalation to capture the full match, spread across 6%, and an employee education campaign was rolled out a month before the changes were implemented.

"We could feel some initial push back from employees," Sheppard notes. "But once they were taken through a full education program on retirement savings, coupled with employer dollars and direct financial advisor support, the changes caught on."

The results were impressive, to say the least—the plan went from a 36% participation rate to over 97% participation in the month following the changes. Roughly a year later, it's holding steady at a 95% participation rate.

"Profitability is up for this year, which is more good news, and the company will likely increase the match and add a profit-sharing component as well," Sheppard concludes. "The partners and board of the private equity firm can sleep well at night, knowing there are proper delegation and oversight of the company's fiduciary obligations to sponsor a retirement plan." K

"Once they [employees] were taken through a full education program on retirement savings, coupled with employer dollars and direct financial advisor support, the changes caught on."

Brent Sheppard is a partner and financial advisor with Marlton, New Jersey-based Cadence Financial Management.

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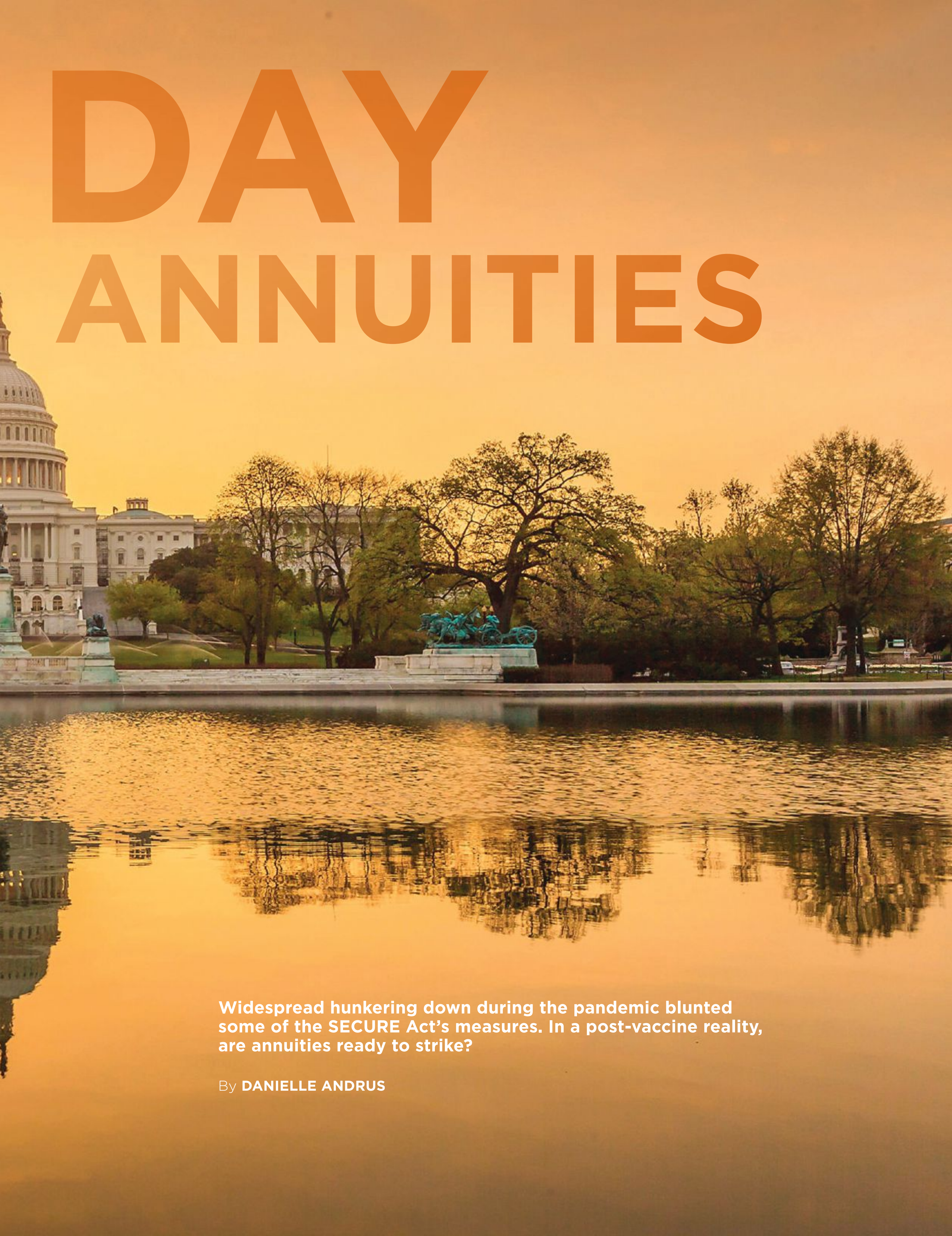


DAY ANNUITIES

Widespread hunkering down during the pandemic blunted some of the SECURE Act's measures. In a post-vaccine reality, are annuities ready to strike?

By **DANIELLE ANDRUS**

The SECURE Act was passed in December 2019, paving the way for substantial changes in the retirement industry. A few months later, COVID-19 struck the United States, and suddenly, everyone had much bigger priorities than retirement planning.

"Most of 2020 was lost to a chilling effect of people saying, 'Well, this is important, but there's a lot of other urgent issues that need to be addressed now,'" Sri Reddy, Senior Vice President of retirement and income solutions at Principal Financial Group, said.

Many businesses had to focus just on their day-to-day operations to stay afloat, Ralph Ferraro, Senior Vice Ppresident of retirement plan products and solutions at Lincoln Financial Group, said. Maintaining sales, covering expenses, keeping employee health and morale up, and making sure employees could be paid were more important to plan sponsors than deciding if maybe they should think about introducing annuity solutions to their defined contribution plans.

As businesses look forward to a post-vaccine reality, there may be more appetite for considering plan innovations that increase income options for participants.

"I'm really hopeful that now with the introduction of vaccines, some level of normality, that both the SECURE Act and the innovation will proliferate to annuities, and in-plan offerings will start to happen more robustly this year," Reddy said.

Ferraro is also optimistic about the impact the SECURE Act will have on retirement outcomes, particularly around annuity adoption.

"The safe harbor for plan sponsors for the selection of an annuity provider has really lifted some of that [fiduciary] burden ... in regards to having to evaluate these types of solutions," he said.

SECURE Act

Principal's Reddy said the SECURE Act "was meaningful for a number of reasons," but in terms of supporting lifetime income for retirement plan participants, there are three key elements.

"When rates are this low, these types of products also start becoming more expensive to offer."

One is requiring lifetime income illustrations. "That's a good starting step because you want people to reorient from thinking about their 401(k) balance, to thinking about what that means and how does that translate to lifetime income," he said.

Portability is another valuable benefit for participants, he said. "If your employer chooses a different provider, or your recordkeeper no longer offers a product, that would become a distributable event for a rollover to an IRA, so that benefit that you paid for could sustain itself."

Creating a safe harbor for annuities was important, Reddy said, "because plan sponsors often didn't understand what their fiduciary responsibility was with insurance."

The SECURE Act absolves plan sponsors of liability if an annuity provider they select later becomes insolvent. That's particularly important in today's low-interest-rate environment, Reddy said.

"This is something that I don't know if your readership fully understands, but when rates are this low, these types of products also start becoming more expensive to offer. There's a direct correlation between interest rates and insurance companies' ability to hedge and provide these guarantees 10, 20, 30 years out," he explained.

Improving Outcomes

"You have to offer people the ability to participate; give them access," Reddy said. Lawmakers can do that by simplifying the administrative burdens for plan sponsors, like with Pooled Employer Plans (PEPs), he continued.

"In a nation where we're forced to save on our own, if you have to plan for the unexpected tail events—will I live to be 90 or 95?—you have to either save 20% to 25% more, or you have to live on about 20% to 25% less income every month. Why do that when I can pool that risk [and] offer you a vehicle, whether it's a deferred income annuity or a life-type solution, that can immunize your tail risk so that you only have to worry about managing money for a predefined period of time?" he said.

Principal commissioned a study in 2019, conducted by Michael Finke, professor of wealth management, and Wade Pfau, professor of retirement income, at The American College. The study found income annuities in retirement portfolios helped retirees get the same or higher income as an investments-only approach, with lower risk of outliving savings.

"Annuities are essentially a pension provided by a private company," Finke said in a statement announcing the results of the study. "If you're the type of retiree who wishes they had a pension, you can buy one through an income annuity that will provide a regular income as long as you live. If the reason you saved for retirement was to provide a secure lifestyle, there's no more efficient way to create lifetime income that through an annuity."

Annuity Misconceptions

"We need to start with basic education. Most participants either don't know what annuities are or they have misconceptions about them," Reddy said.

He continued, "Not all annuities are created equal. They don't all deliver the same type of guarantees, and they're priced differently."

The industry needs to address those barriers to make annuities more palatable to savers, but Reddy also believes sponsors and advisors should address plan design from participant's perspective so that the products they use to convert savings to income work seamlessly with the plan.

"When you look for a mutual fund or something that's for guaranteed income, it feels clunkier than it needs to be," he explained. "How do you get annuities as part of either the QDIA, part of managed accounts or part of the auto programs that you implement, and how do you make it so that it feels natural and intuitive for them?"

One way to help sponsors test the annuity waters with participants is to invest the employee match in a guaranteed solution, Reddy suggested.

"If I make that money liquid, you're not fully getting the benefits of the annuity. If I make it illiquid, it feels like an irrevocable decision," Reddy explained. Investing just the match "feels less like you're making [a decision] on behalf of the participant, but you're still creating good habits and good behaviors that will benefit them in the long term."

"The income solution needs to be embedded into a default option."

Finding ways to integrate products seamlessly into participants' retirement plans is an important step in achieving broad adoption.

Ferraro agrees. He suggests "the income solution needs to be embedded into a default option, into a qualified default investment alternative. By doing so, that's going to provide the scale needed to secure the most advantageous institutional pricing, but it's also going to help participants because that is the ideal retirement savings vehicle to really help them make the transition from savings to income."

He added that in educating retirement plan participants, Lincoln focuses on three outcomes: protecting savings during accumulation, turning it into protected income in retirement, and providing liquidity so participants can access their money.

"It's not so much you're having to explain to them how everything works as much as helping them understand how this can help them help them achieve those outcomes," he said. He compared annuities to iPhones. "I use my iPhone every day ... but I don't understand all the technical details, how it works. I do understand what it can do for me and the benefits."

Guaranteed Income

The last decade of economic growth may have lulled participants into thinking they didn't need to worry about guarantees, Reddy said. 2020 likely disabused them of that notion, but "having some diversified solutions that provide annuity-like guarantees I think is really important for advisors to be thinking about as they talk to plan sponsors," Reddy said.

Ferraro believes that recent volatility has brought guaranteed income front-and-center for investors. He cited a study by the Alliance for Lifetime Income, which Lincoln co-founded, that found "Americans with a source of protected income in addition to Social Security are significantly more confident about their retirement income."

Over three-quarters of those investors expect their income to last as long as they live, he continued. 🅺

Lifetime Income for Longer Lives

In October 2020, Rep. Richard Neal, chairman of the House Ways and Means Committee, introduced with Ranking Member Rep. Kevin Brady bipartisan legislation that doubles down on retirement saving incentives passed in 2019's SECURE Act.

"COVID-19 has only exacerbated our nation's existing retirement crisis, further compromising Americans' long-term financial security," Neal said in a statement. "In addition to meeting workers' and families' most pressing, immediate needs, we must also take steps to ensure their well-being further down the road."

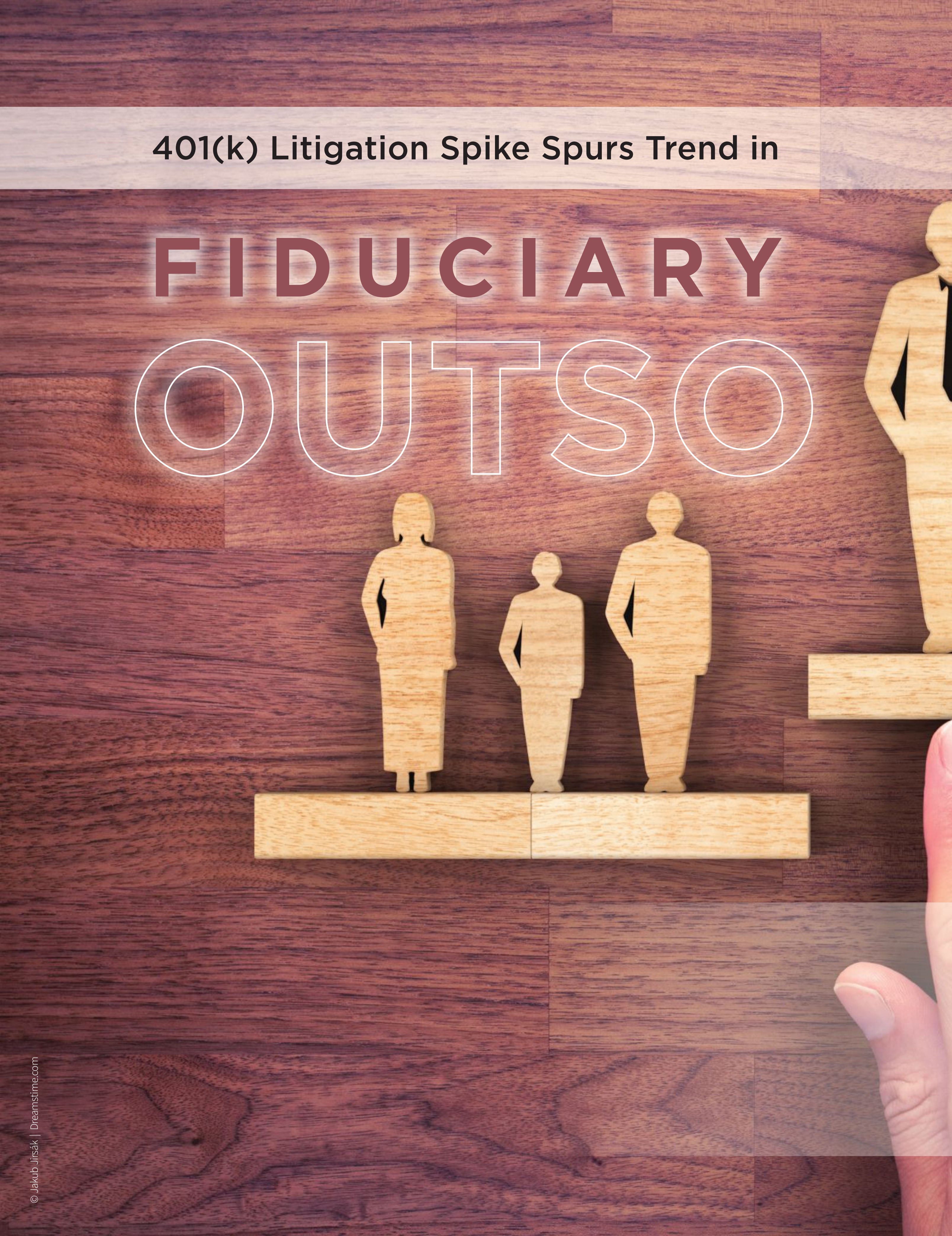
Notably, the Securing a Strong Retirement Act of 2020, or SECURE Act 2.0, increased the age for required minimum distributions to age 75.

"The longer you leave the money working for you, the better off you're going to be," Sri Reddy of Principal Financial Group said.

Life expectancy in 2018 was almost 78 years old for the average American, according to The Centers for Disease Control and Prevention. The Insured Retirement Institute has lobbied for an increase in the age for required minimum distributions for years.

"By increasing the RMD age to 75, adjusting mortality tables to reflect longer life expectancies, and modifying and exempting certain annuity benefits and payments from the minimum income threshold test, the 'Securing a Strong Retirement Act of 2020' would provide workers with more time and opportunities to continue to accumulate and grow their savings, thereby improving their retirement security," IRI President and CEO Wayne Chopus said in a letter sent to Neal and Brady before the bill passed.

401(k) Litigation Spike Spurs Trend in FIDUCIARY OUTSO



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URCING

Plan sponsor fiduciaries who take a 'do-it-yourself' approach face huge potential exposure for underperforming investments and excessive plan fees. Noted ERISA attorney Carol Buckmann helps explain why outsourcing investment responsibilities to an investment manager or outsourced chief investment officer is trending.

By **BRIAN ANDERSON**

If it seems like just about every week you hear about another lawsuit being brought against a 401(k) fiduciary, the reality is it's actually much more than that.

Over 90 lawsuits were filed against defined contribution plans for excessive fees alone in 2020 according to fiduciary liability insurance provider Euclid Specialty, while a Bloomberg Law analysis found only about 20 were filed in all of 2019.

Groom Law Group found just over 200 new ERISA class actions were filed in 2020, an all-time record that represents an 80% increase over the number filed in 2019 and more than double the number filed in 2018.

"As 2021 begins, this trend shows no sign of slowing down, with important developing issues related to fee and performance litigation for smaller retirement plans," states a Jan. 3, 2021, Groom Law Group article on the topic.

The spike in cases, Bloomberg Law said, can be explained by the maturing body of law under the Employee Retirement Income Security Act (ERISA), an emerging blueprint for filing and litigating cases, new tools available to plaintiffs' attorneys, and even the global pandemic.

This growing threat of litigation is leading to another trend—one of fiduciaries outsourcing plan investment responsibility.

Fiduciaries are personally liable for losses caused by their fiduciary breach, and advice from their plan vendors about investments is not fiduciary advice required to be in their best interests, points out Carol Buckmann, a highly respected employee benefits and ERISA attorney who is a co-founding partner of Cohen & Buckmann in New York.

Buckmann recently wrote a blog about why fiduciaries should consider outsourcing plan investment responsibility, opining that plan sponsor fiduciaries who take a "do-it-yourself" approach to plan investments face huge potential exposure for underperforming investments and excessive plan fees, and should at least consider outsourcing their investment responsibilities to an investment manager or outsourced chief investment officer (OCIO).

She cited a recent survey by Callan that found 21.6% of surveyed 401(k) plans hired an investment manager described in Section 3(38) of ERISA to manage plan investments, up from 15.9% in 2018. A different survey by PGIM indicates that 15% of defined contribution plans and 24% of mid-sized defined contribution plans had outsourced chief investment officers (OCIOs). "There is a trend toward outsourcing, and the surprise is that more plan sponsors haven't chosen an outsourcing option in light of their potential liability if they adopt a 'do-it-yourself' approach," Buckmann said.

In an interview with *401(k) Specialist*, Buckmann said it's not only the biggest plans that risk litigation anymore.

"Plaintiff's counsel started with the largest plans, but their targets have moved down to smaller plans over time," Buckmann said. "Claims will typically go back six years (the usual statute of limitations for fiduciary breach), and claim damages for excessive fees and lost investment return, and these can be substantial amounts even for medium-sized and smaller plans."

Excessive Fee Risks

Lawsuits are being brought against 401(k) fiduciaries, primarily from a handful of law firms specializing in class action 401(k) lawsuits, for a variety of reasons.

They almost always fall into one of three categories—excessive fees, inappropriate investment options and self-dealing. But it's clear the recent rise in litigation has been particularly focused on fees.

"These lawsuits allege that defined contribution plan administrative and investment fees are too high, and that any investment performance that lags any plaintiff-asserted benchmark—a moving target—is actionable negligence that should generate huge indemnity payments and high attorney fees to the firms bringing these lawsuits," Euclid Specialty wrote in a December 2020 white paper, further stating the rise in cases is the result of opportunistic attorneys rather than true discontent among participants.

The finding for or against a plan fiduciary doesn't always hinge on whether fees are too high, but whether any decisions were arrived at following a prudent process and with participants' interests at heart. ERISA requires that fiduciaries follow a careful, prudent process to ensure that plans pay no more than reasonable fees for necessary services.

These lawsuits (and perhaps the mere threat of them) have been accompanied by an increase in the use of passive investment options and a fall in investment and administrative fees.

"Excessive fees can cover recordkeeping and service provider fees as well as investments, so I would say that is probably the biggest risk today. Plans that don't have passive index fund options are a target as both having excessive fees and being inappropriate investment options," Buckmann said. "But I think we are going to see more of a focus on target-date fund selection and claims that inappropriate target-date funds were picked in the future, both because these funds represent a large percentage of assets in most plans and also that they unfortunately often get selected without much investigation of their performance compared to peer target-date funds."

Why Some Resist Outsourcing

With 401(k) lawsuits surging and increasingly targeting smaller plans, why would a plan sponsor want to keep going the "D-I-Y" road and not take steps to better protect themselves against litigation risks?

Beyond some newer plan sponsors without

significant assets thinking their plan doesn't yet need the types of services outsourced investment fiduciaries provide, Buckmann cited two main reasons.

"One is the desire to retain control over decision making, and the second is a failure to understand the full scope of fiduciary responsibilities and fiduciary liability exposure, including personal liability for losses caused by fiduciary breach," Buckmann said. "In addition, some smaller plan sponsors may not know how to go about finding the right provider, or that they can hire people to help with RFPs."

Here's one place advisors can step in. Advisors could help with the request for proposal (RFP) to find the new providers and assist in reviewing and monitoring the outside providers, which many plan sponsors lack the expertise to do, Buckmann said. "If the advisor's organization provides investment management or OCIO services, the benefit of outsourcing should certainly be discussed with the advisor's clients. I think that advisors who put their client's needs first will have a competitive advantage."

The RFP should be designed to find candidates with proven experience in ERISA plans. Given the level of litigation and enforcement actions, hiring the right professional is crucial, Buckmann noted. Failure to do a good RFP or opting to hire social connections without investigating their qualifications could be a costly mistake.

If a company fiduciary or owner can't get comfortable giving up control, outsourcing may not be a good fit. An investment advisor will give professional advice while leaving the actual decision-making in the hands of the company fiduciaries, at the cost of remaining responsible as co-fiduciaries for investments.

"I think there is sometimes a view that advisors may be advising themselves out of a job if they recommend outsourcing and their firm doesn't provide it," Buckmann said. "However, if they encounter situations where the plan sponsor fiduciaries aren't on top of things, they would better serve the plan sponsor by recommending outsourcing. There may still be a role for them if there is an investment manager or OCIO."

One other consideration: Employers joining new Pooled Employer Plans (PEPs) debuting this year as a result of the SECURE Act (*see related article on page 22*) may have access to fiduciary investment services through their plans.

Why OCIOs?

What does an OCIO do that a 3(38) investment manager doesn't do? An investment manager will select a plan's investments and may construct model portfolios for the plan to use. OCIOs can help the plan obtain institutional quality investments, such as custom target-date funds, and they can leverage assets to obtain lower fees.

Buckmann notes that OCIOs can provide investment management services—as would a 3(38) investment manager—but an OCIO can be a "named fiduciary" of the plan and provide more extensive services. "OCIO arrangements vary, but in addition to helping the plan obtain institutional quality investments, an OCIO may take responsibility for functions such as plan design, plan communications, documenting plan investment decisions and plan governance," Buckmann said. "Many plan sponsors lack the time and expertise to handle these functions well." K

Brian Anderson is Managing Editor of 401(k) Specialist.

Fiduciary Liability Insurance Premiums Skyrocket

From the courts' perspective, the main responsibility of a plan fiduciary is to follow a prudent process in making plan-related decisions. But litigation-proof documentation isn't easy to accomplish.

That being the case, many companies look to fiduciary liability insurance to protect themselves. These policies, while not legally required by ERISA, are specifically designed to protect against the legal liability arising out of their role as fiduciaries. It typically covers associated legal costs to defend against claims of errors and a breach of fiduciary duty.

Unfortunately but understandably, the proliferation of 401(k) lawsuits has resulted in a serious spike in fiduciary liability insurance premiums—and the coverage is getting increasingly difficult to purchase. The policies are becoming more restrictive, with more exclusions, lower caps on coverage and higher retention fees to renew policies.

Pensions & Investments reported last October that fiduciary liability insurance premiums are up a staggering 35% as a result of costly awards and settlements.

As insurers adjust premium rates and coverage limits, many plan sponsors will likely face a gap between the coverage they need and what they can afford. Others will look to obtain coverage from multiple insurers to get around coverage limits—if they can afford to.

"I advise clients to purchase as much coverage as they can reasonably afford because litigation is expensive even if you win, and the required plan bonding coverage doesn't protect them," said Carol Buckmann, an employee benefits and ERISA attorney with Cohen & Buckmann.

"Some fiduciaries rely on corporate indemnification promises, but those may not mean much if the plan sponsor is in financial difficulty," Buckmann added. "Fiduciaries may also think E&O policies will protect them, but I often see E&O policies that specifically exclude coverage as a plan fiduciary. For all those reasons, fiduciary liability insurance has become a practical necessity, even though it is not legally required."

10 Ideas to Supercharge Your Retirement Plan Marketing

By Rebecca Hourihan, AIF, PPC

IF YOUR BUSINESS is looking to increase its prospecting efforts, gain new clients, receive more inbound referrals and/or keep more existing business, then this article is for you. Here are 10 ideas designed to help you enhance your digital presence, earn more business and strengthen important relationships.

Are you ready?

1 **Clean up your contact list.** Your contact list is one of your most important business-building assets. These people represent your pipeline; they are your potential buyers and referral sources, so treat this list with respect. First, download and review the information. Look for any typos, misspellings or other inaccuracies. Here are a few common things to look out for: case errors (john) or misspellings (Jon) or other inaccuracies (John S.). If you know the contact well, be sure to use the name they prefer (John vs Johnathan). Also, look for contacts that have hard bounced. A good question to ask is why did they bounce? Is there a new contact at the company? If so, identify that person and invite them to join your email list. Aim for over 1,000 contacts on your list. These people should include clients, quality prospects and centers of influence.

2 **Audit your marketing materials** because the cultural disruption caused by the pandemic has changed a lot of business normalcies. Actions from handshakes to face-to-face meetings are currently obsolete. Take an hour and objectively look at your brochures, overviews and pitch deck to identify any imagery that needs a refresher. For example, in your marketing content, do you show a big employee education meeting? If so, that might give viewers a flash of anxiety—too close! Six feet apart! We are hypersensitive to social distancing because we are conditioned by our shared pandemic experience. For an easy fix, switch out that image for a nine-panel Zoom video conferencing image. Little changes like this show that you are up to date with the times and culturally aware. When you review your pitch deck, look to see if you have information about emergency savings programs and financial wellness resources. These are two major areas of interest for participants. If you can show the employer how your firm has ideas to remedy participant headaches, it is another way to demonstrate your listening acumen.

"The internet is your biggest center of influence. Use that to your advantage and become friends with Google."

3 **Make Google your friend.** The internet is your biggest center of influence. Use that to your advantage and become friends with Google. To get started, you need to understand what is said (or not said) about you online. Open an incognito browser and type in your name. Look at your search results. Ideally, you want the first three results to return:

1. Your business's website
2. Your LinkedIn profile
3. An article that you wrote and/or were quoted in

Additionally, you want your Google Business profile to appear on the right-hand side of the results. This profile should show your company's website, phone number, address and images. If you do not see this—no worries—Google "My Business" and set up your account page (it takes about 15 minutes). These results are either going to produce accurate information, making it easy and convenient for prospects to contact you or very difficult by highlighting out-of-date or wrong information. Put yourself in the prospect's shoes; which experience do you want them to have? Work towards optimizing your search results so when your clients, prospects or centers of influence are seeking you out for your retirement plan expertise, they can easily find and contact you.

4 **Revamp your LinkedIn profile.** Ask a friend, colleague, wholesaler and/or trusted peer to review your LinkedIn profile. Find your savviest social media relationship and ask them for their feedback. Do they see any areas for improvement?

Top 3 areas for improvement:

1. Headshot (less than 3 years old)
2. Outdated contact information
3. Vague career information

5

Freshen up your website. Your website is the face of your business. It makes your strongest impression. Think of it like this, if you are referred to a company, what do you do first? You look them up, right? You look at their website. It creates an immediate gut-level reaction that either boosts your confidence or sours your impression. This is why your website needs to always instill confidence, support your professional reputation and showcase your retirement plan expertise. If you believe your website does this—great work! If you are unsure, set up a call with your technology team and ask them to provide constructive feedback. Ask what other firms are doing? What are the 2021 website trends (yes, this is a real thing)? You want your website to impress, confirm confidence and help your site visitor take the next step (contacting you).

6

Expand your digital outreach. One of the most effective ways to communicate is via email. Aim to send information that helps your contact list stay informed of retirement plan trends on a bi-monthly basis. Use email to regularly educate your contact list. Share best practice guides, regulatory updates, e-newsletters, explainer videos and other educational content to teach them how to efficiently oversee their company's retirement plan. Your contact list wants to hear from you. They want to learn how to become better fiduciaries. And who better to teach them than you?

7

Make a mobile-friendly business card. Ditching traditional business cards reduces the spread of germs and is eco-friendly. To make your own mobile business card, use this simple tip: Open your phone and add your full contact information including your email, professional headshot, business phone number, cell phone, business address and any other relevant contact information. Then the next time you connect, you can easily "share contact."

"Your website is the face of your business. It makes your strongest impression."

8

Work your network. The pandemic has impacted everyone's social life and without networking, work can feel a little lonely. Reach out to your professional relationships because they want to hear from you. They miss you. Email one of your favorite clients, wholesalers or partners and invite them to a virtual catch-up session. They will probably be excited to connect with you and learn how you are doing. You're probably looking forward to learning how they are doing as well. So much has happened in the last year, so there will be ample topics to catch up on. Two easy meeting suggestions are either a virtual coffee catch-up (7-9 am) or a virtual Happy Hour (4-6 pm). Both are slightly outside the normal workday so the conversation should feel more relaxed and personal.

9

Host a webcast. Virtual events are breaking attendance records. With most people in front of their screens, you could host a webcast to talk about a pertinent retirement plan topic (e.g. SECURE Act, Benefits of Financial Wellness, Cash Balance plans, regulatory changes, et al). To get the word out about your virtual event, here are a few promotion tips.

Invite your entire contact list. We recommend four rounds of invitations:

First invitation: 14 days before
Second invite: 7 days before
Third invite: 1 day before
Fourth invite: the morning of the virtual event

Also, post about your webcast on social media. Use the same invite schedule and post four times about the event. You can also set up an event on LinkedIn and one-click to invite your network. By combining both email and social, you are informing your network and could pick up some additional social interest. As a best practice, during your webcast, ask the attendees to submit their questions. Then at the end of the presentation, answer those questions. Your audience will feel like they have been heard and will get specific value from your great presentation.

10

Thank you and thank you. The next time you want to show sincere appreciation, send a handwritten "thank-you" note. These tokens of gratitude go a long way to making the recipient feel special. Think of the last time someone sent you a thank-you card. How did it make you feel? Pretty good, right? Well, wouldn't you like to spread those good feelings to your closest and most cherished relationships?

Returning to something normal

It's going to take time, but eventually life will resume to some sort of normal. By following these 10 ideas to enhance your retirement plan marketing, you will find that your business is positioned for supercharged success.

Thanks for reading and Happy Marketing!

Rebecca Hourihan is Chief Marketing Officer with 401(k) Marketing. Our clients are the best professional retirement plan advisors, TPAs, and industry partners in the business. They care deeply about saving America's retirement future. We are proud to share their voices through industry writings, professionally designed marketing materials (including websites), and expert content collateral. We lend support by promoting businesses through ongoing awareness campaigns. 401(k) Marketing is based in San Diego.

Lights, Camera, Action! The Dos and Don'ts of Virtual Presentations

By Randy Fuss

I CONSIDER MYSELF an accomplished speaker in front of audiences big and small, but that was before I experienced stage fright last year.

As 2020 was kicking off, the calendar was chock full of national and regional retirement plan industry conferences, most of which I would be presenting at on stage in a breakout or general session. But as the pandemic took hold, all these events were cancelled and, in their place, came a wave of virtual meetings where the stage now became a room in my house. No problem, as I considered myself an experienced webinar speaker as well, except for one small detail — I had never turned on the webcam before.

Like most of my public speaking peers, webinars for years have been conducted primarily with a conference call and a PowerPoint deck. A new expectation emerged last year for speaking professionals that these virtual meetings now needed to include a camera. Certainly, financial advisors are doing more Zoom or WebEx meetings with plan sponsors, and a best practice is that they should add the webcam in order to increase engagement and connectedness.

So, I stepped out of my comfort zone and started presenting with the webcam on, but quickly realized a unique set of challenges speaking to a small dot on my computer versus a live audience. What does it take to be good (or bad) in front of a camera? What other elements make for an effective virtual meeting?

After extensive research on the topic and some trial and error, I have developed some best practices that advisors can use to raise their performance in virtual interactions with plan sponsors. It starts with viewing your workspace as a studio and, if necessary, making a small investment into some specific AV equipment. Like a director filming, I refer to these best practices as: Lights, Camera, Sound, Action!

Halo lighting systems are an effective way to adjust lighting and light color in front of you.

Starting with lighting, attendees have all experienced the extremes. The bright window in the background making the shadowy presenter appear to be in the witness protection program. The presenter with a brightly lit face and a dark background looking more like kid in a dark closet with a flashlight on their face. The solution requires balance and adjustments.

Certainly, more lights and all windows need to be in front of you, but you still need some lighting behind as well. Dimmers are key, as are shades. Being able to adjust lighting allows you to experiment until you find the proper balance. Halo lighting systems are an effective way to adjust lighting and light color in front of you. They have been flying off the shelves ever since the pandemic took hold and everyone was forced into a home office.

Webcams can pose some challenges as well. We have all been on a recent webinar where the presenter's appearance is a grainy resolution that looks like a TV show from the 1960s. Or how about the constant freezing of the live action? There may be some Wi-Fi bandwidth issues, but more times than not the culprit is your computer's webcam, which was never intended for movie production, let alone a high-quality advisor virtual presentation.

To make matters worse, most presenters are looking down at their webcam, which really highlights the extra chin or two. The answer almost universally is an external webcam. Like halo lights, they will set you back a small amount, not a small fortune. Not only will the video quality be dramatically better, but it can be positioned at eye level, which is where it needs to be. Now you can look directly into the birdie and present like a pro!

The visuals are not the only challenge; there can be sound issues as well. The presenter whose voice is garbled. The voice that suddenly goes silent mid-sentence but then returns five seconds later. What gives? Many times, the culprit is the microphone, which, like your computer's webcam, was never designed to produce top notch quality. An external microphone or even a sound "puck" can be plugged into a USB port that should take care of the problem.

Another school of thought for audio is the importance of "uncoupling" sound from the webinar, and involves dialing

Will the massive spike in going virtual decline once travel and social gathering restrictions get lifted in the future?

in to virtual meetings in which you are presenting. Dialing in by cell phone can be hit and miss, so everyone should assess the quality and reliability of their specific cell service. Your landline is your best bet if you still have one. If not, VOIP (Voice Over Internet Protocol) providers can do the trick at a very reasonable cost. Mix in a good Bluetooth or corded headset, and you're good to go!

As the action begins, these best practices, coupled with a small investment in technology, can help raise your game, but not all the way to great. The best presentations have an effective opening, middle and close. What makes each of these sections compelling and memorable from start to finish goes way beyond the lights, sound and camera. In fact, the fundamentals of organizing and delivering your content are similar whether you're in front of a webcam, on a conference call or in front of a live audience.

One lingering question has to do with the future of web-based meetings. Will the massive spike in going virtual decline once travel and social gathering restrictions get lifted in the future? Without question nothing replaces being face to face, however, many advisors are realizing how much more efficient their practices have become without the travel time necessary to visit clients and prospects. Plan sponsors as well are experiencing similar efficiencies using virtual meetings, especially as more of their workforce and decision makers work remotely.

No doubt, virtual meetings will be conducted more often than they were pre-pandemic, some of which will be with plan sponsors deciding whether to hire you or retain you on a retirement plan. The question is, can you afford to invest some time and money in your "Lights, Camera, Sound, Action" plan? More importantly, can you afford not to? K

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Potentially the Biggest Retirement Change in (Several) Decades

By Brian Anderson

IT'S AN IDEA THAT could take 70 years to pay off. But taking a leap of faith now—or at least in the not-too-distant future—could end up being the most consequential decision lawmakers could make to stabilize retirement income for future generations.

What if the federal government seeded a savings fund with a nominal amount for every American child born moving forward, and then let compound interest work its magic, allowing the money to grow untouched and untaxed for the next 70 years? Then the money would be distributed to Americans as they hit 70 by virtue of a monthly allotment, supplementing their Social Security and any other retirement savings?

Call them "baby bonds," "birthright funds," or whatever else you like. It's not a new concept, but it does seem to be gaining momentum of late.

In December 2020, *401(k) Specialist* wrote a website article about the birthright funds idea after high-profile hedge fund manager Bill Ackman responded to an open-ended request from *The New York Times'* DealBook, asking for one idea the country could act on right now to make it a better place.

Ackman put forth the idea of "birthright funds" as a potential solution to the wealth inequality problem by creating a way for those with no investment assets to participate in the success of capitalism.

"To do so, we need a program that makes every American an owner of the compound growth in value of corporate America," the chief executive of Pershing Square Capital Management said.

The basics:

- Birthright funds would be invested at birth in zero-cost equity index funds.
- They would compound tax-free for approximately 65 years and unavailable to recipients until retirement age. At historical rates of returns for equities of 8% annually, Ackman calculates a $6,750 at-birth retirement account would result in more than $1 million at age 65, or $2 million at age 74.
- The cost to the government would be $26 billion a year based on the average number of children born in the U.S. each year.

Then in January, *The Washington Post* covered a new proposal called "RISE" (Retirement Income Security for Everyone) from Ric Edelman, founder of Edelman Financial Engines.

Edelman's proposal, available in full at a dedicated website, www.wecanrise.com, would provide all future generations of Americans a new source of retirement income, starting when they hit age 70, sufficient to place them at the median of U.S. personal income ($38,761 in 2020, per the Census Bureau)—essentially lifting all Americans into the middle class in retirement.

It would work like this: *"Starting next year, and every year thereafter, the U.S. Treasury Department would issue approximately $23.4 billion in RISE Savings Bonds, or $5,884 for each of the approximately 4 million children born each year. This figure represents 0.1% of the value of the federal government's marketable securities. The money would be managed by an entity established by Congress."*

RISE, Edelman projects, would provide more than $120,000 (median) to workers at age 70. "Total median lifetime retirement income from RISE would exceed $11.4 million, or 2.5x more than that provided by typical 401(k) plans plus Social Security," the website states, and RISE would make it happen with a single $5,884 Savings Bond and extremely minimal cost to taxpayers.

"I believe that the fundamental reason that we are in a retirement crisis in our country is because we don't allow people to save for retirement starting at birth," Edelman told *The Washington Post.* "Instead of trying to figure out how to get workers to save more, we need to get Americans to save sooner."

These kind of plans have been popping up more frequently in recent years, but to date lawmakers have shown no appetite (beyond N.J. Senator Cory Booker's proposed "American Opportunity Accounts" in 2019) to seriously consider something that wouldn't yield tangible benefits for decades.

Certainly not surprising, with the "kick the can down the road" rut Congress has long been stuck in. But with a little foresight and elbow grease on what should be a no-brainer bipartisan issue, kids born in coming years might actually look back as adults at whatever session of Congress gets it done with fondness for a change.

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