

HICKS NOTES

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UNDERSTANDING 401(K) SALES AND SERVICE ISSUES

After spending over 30 years in the retirement plan industry, I have seen the evolution of plan design, providers and sales techniques. The way my father did business is very different than the way I do business and the way my children will do business. The only constant is change. This article will address some of these changes and give you ideas on how to adapt and take advantage of this change to stay one step ahead of your competition and sell more plans.

The biggest changes over the last few years have come about because of disclosure regulations and recent case rulings. These rules are requiring trustees and sponsors to review all fees and benchmark them for reasonableness against industry standards. This has driven competition as prices for administration and investments have fallen. Third party payments, or kick backs to administrators from investment companies, should be offset by any payments received from investment companies. Are your clients getting this credit?

In addition, the recent [Tibble Supreme Court ruling](#) is requiring at least an annual review of all plan aspects. No longer can Trustees, “set it and forget it”. This requires diligence of the financial planner to review the plan investments and hold employee educational meetings. When reviewing these fees, many are realizing that they and their participants are paying too much for the investment accounts and service they are receiving.

Another area of change is the type and quality of competition that has entered the market. Some of the big Payroll Providers have entered this market claiming ease of administration and reduced fees, but they are delivering the exact opposite. 401(k) administration has very little to do with payroll. Besides the salary reduction component, 401(k) administration is more complicated and fundamentally different than payroll.

There is proper plan design, discrimination testing and government reporting supposedly being done by these payroll companies. Often, the burden is shifted back on the employer to complete forms and testing through unattended websites. In addition, there is nobody to call

to get answers as the administration is outsourced or the client is simply being passed from one person to the next. Clients are getting horrible service as the payroll consultants don't understand the complexities of ERISA law. The client and participants' suffer because of this poor service. I have called on the DOL to investigate these practices as I have had to deal with them directly. Because of this issue, these companies are ripe for the taking. They deserve better and have a duty to provide better to their owners and participants. The opportunity is there. Just find these clients.

Quick start-ups and unqualified people are other areas of competition. A good employer will surround themselves with a qualified and competent team. An ERISA attorney insures the client is getting competent advice. Too many administrators are either out for themselves, uncaring, have turnover or are just incompetent. Many will tell their clients their plans are fine until a letter from the [IRS](#) or [DOL](#) arrives. A good advisor will review client files and make sure they are prepared for these audits.

In addition, some advisors don't understand their role as fiduciaries and provide substandard products or service. Check references, client reviews and qualifications of the people you bring to your clients and make sure they are the best. When done right, these plans bring tremendous value to clients and their employees.

Plan design and timing is another area. Most plans are taken over or installed between September and January of each year due to the flowing deadlines: September 30th – safe harbor plans, October 15th – Form 5500 filing, December 31st – new plans and January for beginning new plans for next year. My Dad always said, “Timing is everything”. Understanding the selling cues and issues having to do with this time of the year is important when discussing plans with potential new and takeover clients.

I have only touched on these various issues. We are presenting a free one-hour webinar designed to discuss these and other sales issues. The economy is improving and we want to help you get and service more clients. [Click here](#) to join us at our webinars to learn more and be ready for the next six months.