



Chris Ressa

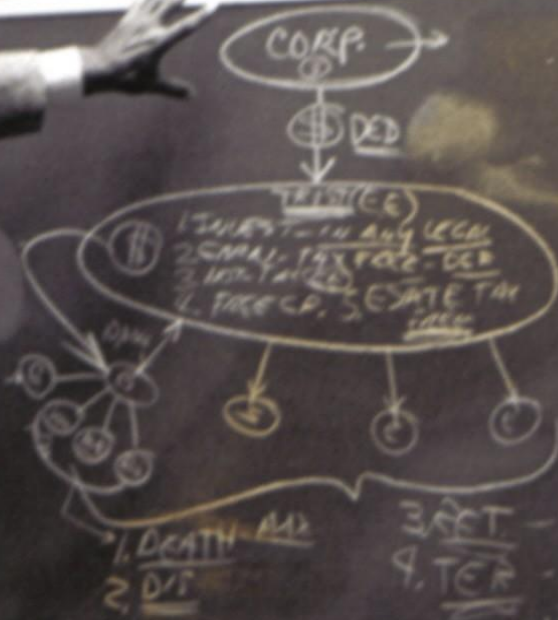
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Legal and Pension Consultants

How To Build A Successful Retirement Plan Business

May 2025

People Matter & Experience Counts



Building A Successful Retirement Plan Business Agenda

- Why Sell Retirement Plans
- Small Plan Market Opportunity
- How To Win & Retain Business Retirement Plans
- Warning – Proper Set Up Is Required
- Decision On Best Investment Provider
- Why Partner With A TPA
- Advisor Value Proposition
- Evaluating Recordkeeper Partners
- Efficient & Effective Plan Reviews
- Insights From Recent Retirement Plan Litigation



Why Sell Retirement Plans?

- **Enhance Business Owner Relationship**
 - Introduction Conversation
 - Existing Client in Other Lines of Business
 - Become part of the Business Owner's Succession Planning
- **Continuous Asset Growth by Monthly Contributions**
- **Established Trust Relationship with 401(k) Participants to Market Other Business Opportunities**



Small Plan Market Opportunity

*Clippings from planadviser article on
January 9, 2025*



Micro-401(k) Plan Market Ripe for Non-Specialist Adviser Growth

The market for 401(k) plans with less than \$5 million in assets is poised to hit 1 million plans by the end of the decade, with wealth advisers poised to capitalize

the micro-plan 401(k) market—those with less than \$5 million in assets—will rise to more than 1 million plans by about 2029, driven in part by state mandates and federal tax incentives, according to a [retirement markets](#) report

Non-specialist wealth advisers, in particular, may particularly benefit because they will “capitalize on existing relationships with small business owners to sell retirement plans to these clients,”

* For this webinar defining “**Small Plan Market**” as start-up to \$5 million of plan assets.

How To Win Retirement Plan Business Starts With The Business Owner Relationship



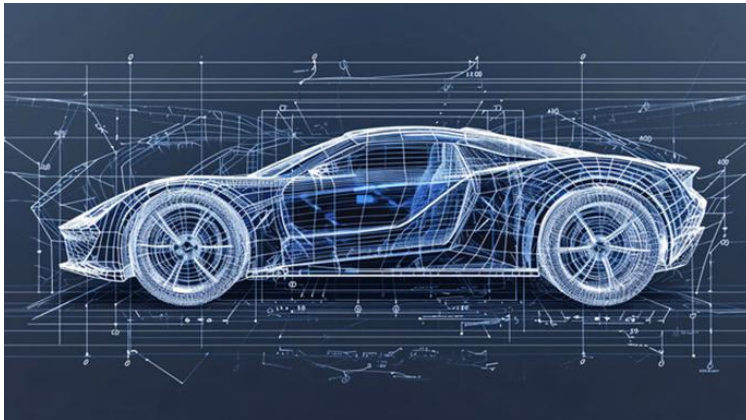
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How To Win Retirement Plan Business

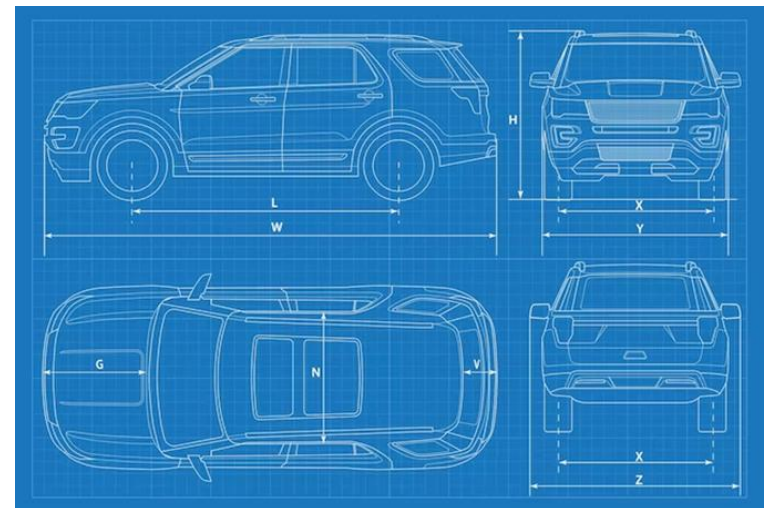
Followed Up By Consulting On Plan Design

Critical 1st Step Is Design ... Not Accessories

Designed For Speed



Designed For A Family



Employer Plan Design Considerations

Ask The Questions

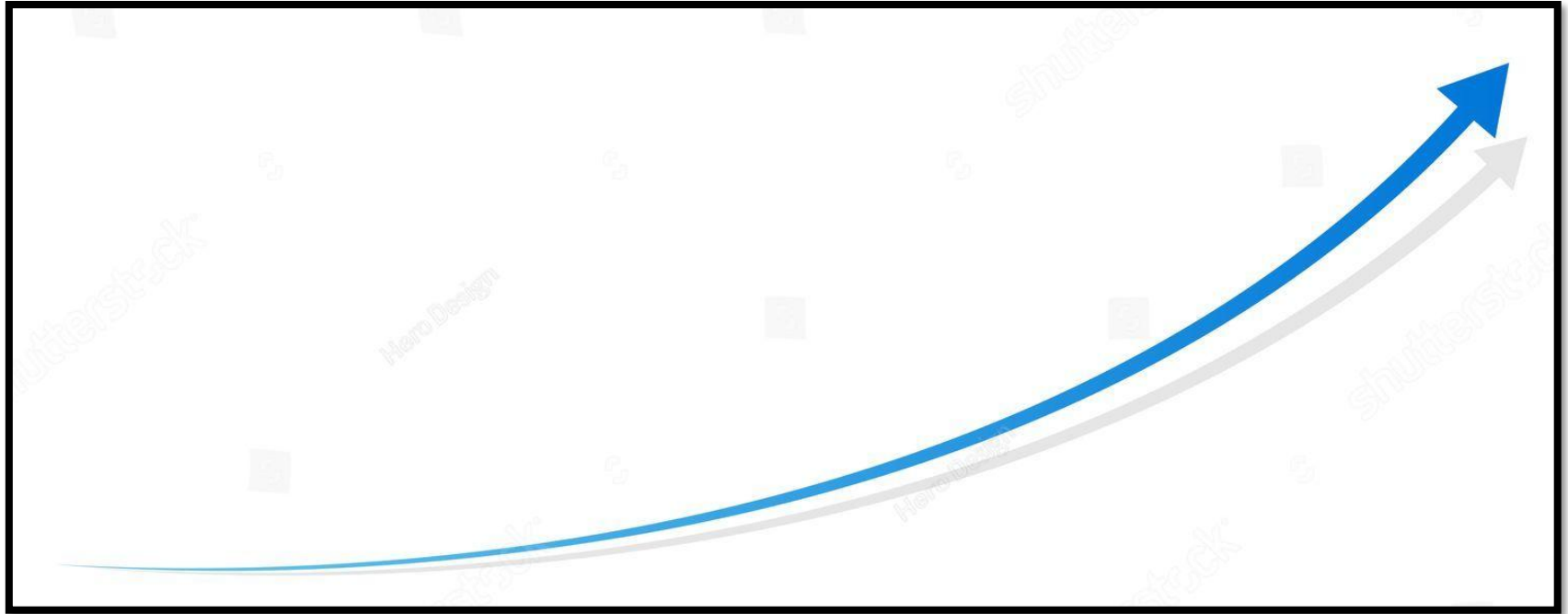


SCENARIO 1		
Only active employees		
ID	# OF EMPLOYEES	
1		29-Nov-2012
2 Baker		22-Mar-2014
3 Clark		19-Jul-2018
4 Davis		18-Jun-2002
5 Evans		04-Mar-2021

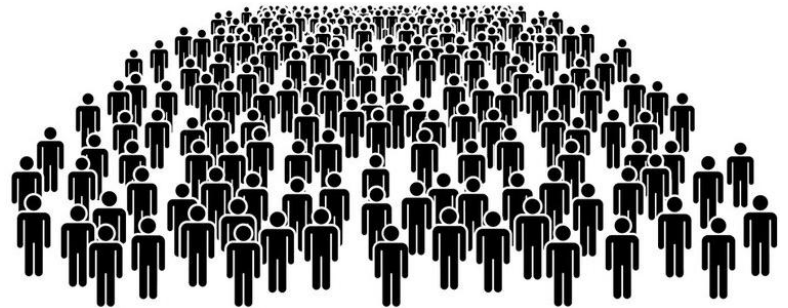


Plan Design Spectrum

Employer Costs to Employees (\$)



Number of Employees (#)



Business Owner Tax Plan

Employee Benefit Plan

Table of Limits



	2024	2025
<u>COMPENSATION LIMIT</u> - <i>plan year beginning</i>	345,000	350,000
<u>DC ANNUAL ADDITION LIMIT</u> - <i>plan year ending</i>	69,000	70,000
<u>401(k) DEFERRAL LIMIT</u> - <i>calendar not plan year</i>	23,000	23,500
<u>CATCH-UP DEFERRAL LIMIT</u> - <i>calendar not plan year</i>	7,500	7,500
<u>CATCH-UP LIMIT AGES 60 TO 63</u> - <i>calendar not plan year</i>	N/A	11,250
<u>DB ANNUAL BENEFIT LIMIT</u>	275,000	280,000
<u>TAXABLE WAGE BASE (EE 6.2% / ER 6.2%)</u>	168,600	176,100
<u>MEDICARE TAX RATE (EE 1.45% / ER 1.45%)</u>	No Limit	No Limit

Group Testing Classifications



HIGHLY COMPENSATED EMPLOYEE (ADP/ACP)

Employee is considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.

- 1) Over 5% owner
- 2) Any employee (may limit to top 20%)
- 3) Spouse or linear relation

2024

2025

155,000

160,000



KEY EMPLOYEE (Top Heavy)

Employee is considered key if meets definition in current plan year.

- 1) Over 5% owner
- 2) Over 1% owner
- 3) Officer (count at least 1)
- 4) Spouse or linear relation

150,000

150,000

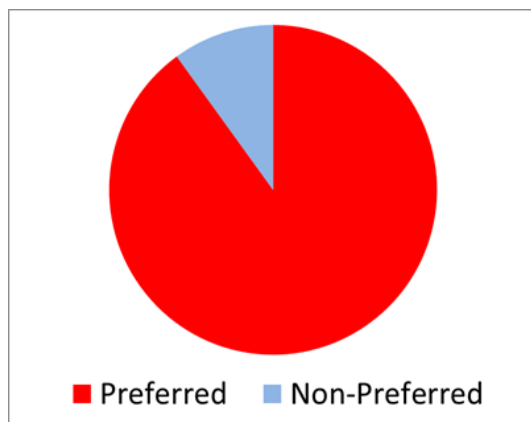
220,000

230,000

2025 3% SHNEC Max Illustration

Participant Name	Age	Pay	Elective Deferral	Safe Harbor	%	Profit Sharing	%	Total *
Preferred								
Owner 1	56	\$286,000.00	\$31,000.00	\$0.00	0.00%	\$46,500.00	16.26%	\$77,500.00
Owner 2	60	\$286,000.00	\$34,750.00	\$0.00	0.00%	\$46,500.00	16.26%	\$81,250.00
Preferred - Total		\$572,000.00	\$65,750.00	\$0.00		\$93,000.17		\$158,750.00
Non-Preferred								
EE 1	36	\$116,113.00	\$6,967.00	\$3,483.39	3.00%	\$2,322.26	2.00%	\$12,772.65
EE 2	60	\$98,040.00	\$25,500.00	\$2,941.20	3.00%	\$1,960.80	2.00%	\$30,402.00
EE 3	37	\$105,427.00	\$4,091.00	\$3,162.81	3.00%	\$2,108.54	2.00%	\$9,362.35
EE 4	34	\$84,840.00	\$2,915.00	\$2,545.20	3.00%	\$1,696.80	2.00%	\$7,157.00
Non-Preferred - Total		\$404,420.00	\$39,473.00	\$12,132.60		\$8,088.40		\$59,694.00

Net Allocations to Preferred – 88.7%



Owners Tax Summary

1. Employer's Combined Marginal Tax Rate:	35.00%
2. Total Deductible Employer Contribution:	\$178,971.17
3. Tax Benefit (1x2) :	\$62,639.91
4. After Tax Cost of Contribution (2-3) :	\$116,331.26
5. Total Allocations to Preferred:	\$158,750.17
6. Net Economic Benefit <Cost> (5-4) :	\$42,418.91

* SHNEC plan automatically passes ADP Test and satisfies Top-Heavy Requirements.

** Illustration passes both Minimum Gateway Contribution 5% corridor and Average Benefits Test.

*** Discretionary Profit Sharing of \$8,088 can have up to a 6-year vesting schedule (0%,20%,40%,60%, 80%,100%).

How To Win Retirement Plan Business

Know When You Need Your Specialist Team



Plan Specifics For Retirement Plan Advisor Interviews

- \$5 Million of Plan Assets
- 15 Participants
- Multiple Advisors Being Interviewed

“50% split of your advisor fees is better than 0%”

How To Retain Retirement Plan Business

Valuable Service Deliverable To All Company Groups

CEO / Owner(s)



CFO / Accountant



COO / HR Director



Plan Participants



Warning – Proper Set-Up Is Required



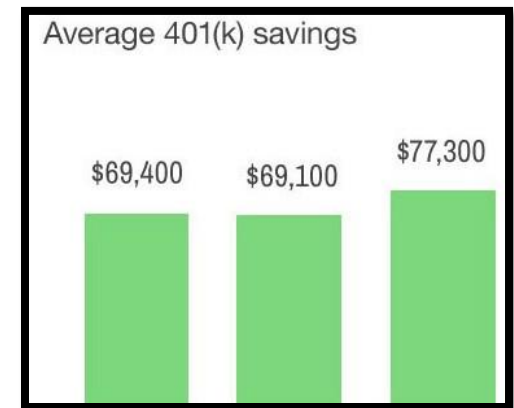
Decision On Best Investment Provider

Important Factors To Consider

- Number of Employees



- Anticipated Average Account Balances



- Desired Company Investment Sophistication



- Estimated Advisor Time vs Compensation



Why Partner With A TPA



- **Creative Plan Design** For 401(k) And Combination 401(k) / Defined Benefit Plans
- TPA Consultant **Helps You Sell The Plan Design** and can **Pivot Between Personal Wealth Custodian** and **Traditional Recordkeeper**
- TPA Helps You **Manage The Ongoing Plan Administration** and **Ever-Changing Regulatory Environment**



Why Partner With A TPA

Accurate Definition of “Unbundled”

“Specialist Provider Team with Accountability”

Advisor



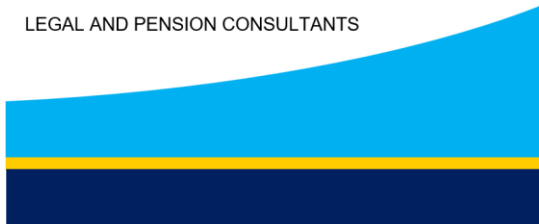
Client



TPA – Administration Specialist

NH HICKS

LEGAL AND PENSION CONSULTANTS



Investment Provider



* For this webinar defining “Small Plan Market” as start-up to \$5 million of plan assets.

Why Partner With A TPA

Description of “Bundled”



Why Partner With A TPA

Accurate Picture of “Bundled”

Advisor



Client



Investment Provider

Not An Administration Specialist



Investment Provider



* For this webinar defining “Small Plan Market” as start-up to \$5 million of plan assets.

Why Partner With A TPA

Myth Busters of Big Bundled Cost Savings



Pricing Assumptions	
Total Number of Participant Account Balances	19
Total Number of Eligible Employees	26
Plan Assets	\$385,000

Current Bundled Pricing at RK	Asset %	Dollar \$
Asset Based Fee	0.96%	\$3,696
Flat Dollar Fee	0.78%	\$3,000
Totals	1.74%	\$6,696

TPA Pricing Proposal at Other RK	Asset %	Dollar \$
RK Asset Based Fee	1.03%	\$3,966
TPA Flat Dollar Fee	0.54%	\$2,090
Totals	1.57%	\$6,056

Price Difference Bundled vs TPA	-0.17%	-\$641
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* For this webinar defining “Small Plan Market” as start-up to \$5 million of plan assets.

What's The Different In Bigger Plan Market

Accurate Picture of “Bundled”

Advisor



Client With Experienced 401(k) Committee



**Investment Provider Team Is More Of
An Administration Specialist**

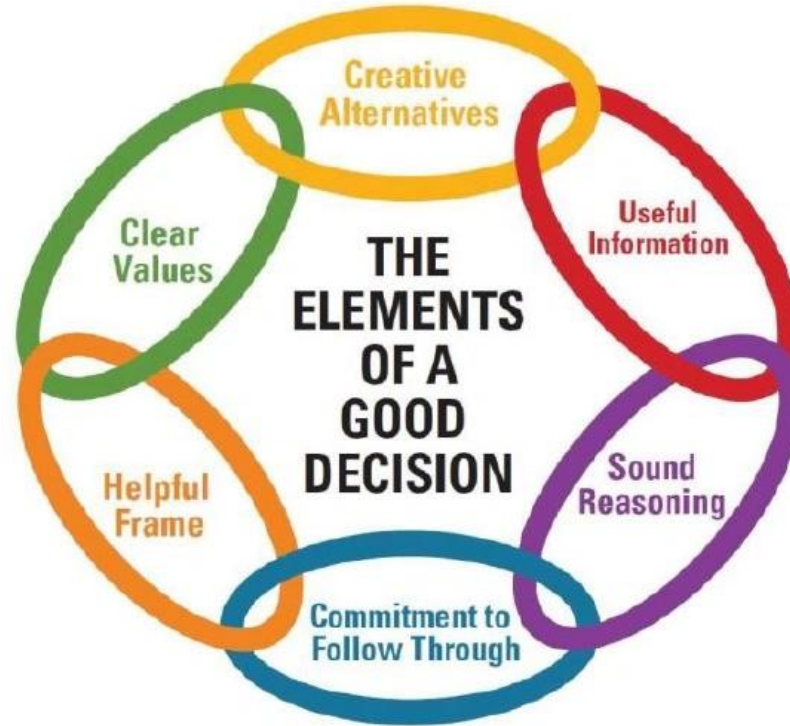


Investment Provider



* For this webinar defining “**Bigger Plan Market**” as plan assets of \$20 million or more.

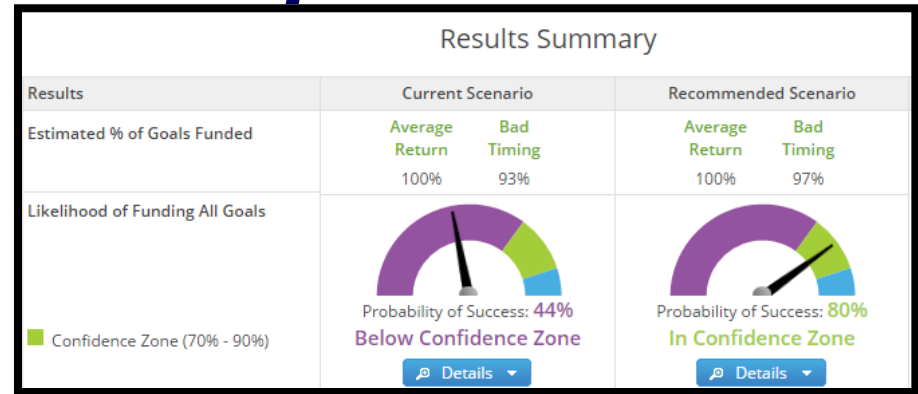
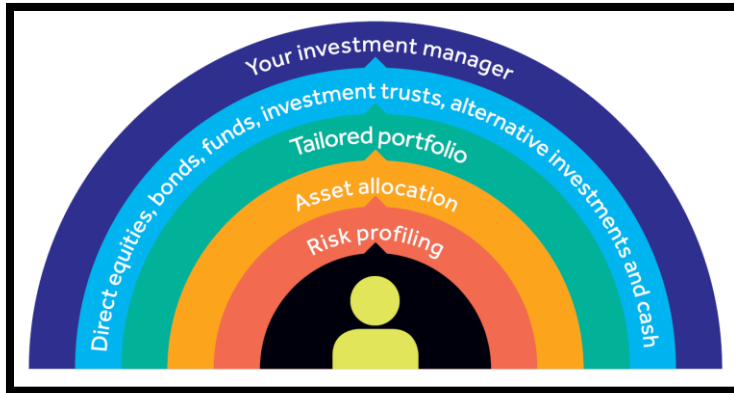
Advisor Value Proposition



Important Decisions to Deliver Excellence

- **What Advisor Services are You Going to Provide?**
- **What Retirement Plan Services are You Going to Outsource to Strategic Partnerships?**

Advisor Value Proposition

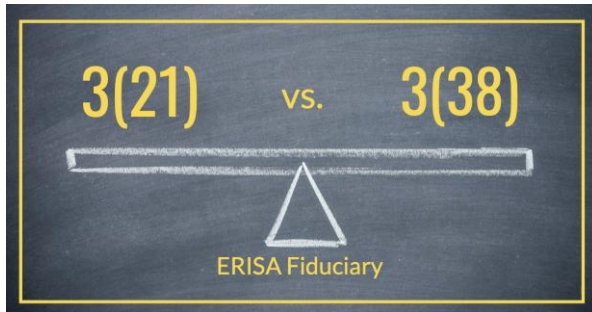


Investments At 401(k) FBO Personal Wealth Custodian

Recommendations

- Develop 5-6 **Actively Managed Risk Based Models** for Participants (i.e., Conservative, Moderately-Conservative, Moderate, Moderately-Aggressive, Aggressive)
- Create simplified **financial planning process** for participants and you can do more robust financial planning for key executives and business owners.
- Search the web for **free participant education and financial wellness resources**. There are good websites available.

Advisor Value Proposition



HOW FINANCIAL ADVISORS CAN HELP PLAN SPONSORS AS THEIR ERISA FIDUCIARIES					
Type of Fiduciary	Service Typically Provided by:	Service Provided	Fiduciary Has Discretion to Act on Behalf of Sponsor	Liability for Some Plan Activities Is Shifted to Fiduciary	Plan Sponsor Retains Liability for Prudent Selection of Hired Fiduciary
3(21) Fiduciary	Registered Investment Advisor	Investment Guidance	✗	✗	✓
3(38) Fiduciary	Registered Investment Advisor	Investment Management	✓	✓	✓

Investment Management At A Traditional Recordkeeper

Advisor Investment Fiduciary Recommendations

- Unless you are part of an advisory team that does **investment monitoring and fund change recommendations**, I would outsource this task to a team of CFAs. This is the **best value for 3 – 5 bps!**
- Give plan sponsors a **choice**, with the understanding most will likely choose 3(38).
 - 3(21) Fiduciary Advisor: For the **plan sponsor** who desires to review all fund changes and give the **final approval**.
 - 3(38) Investment Manager: For the plan sponsor who prefers **maximum fiduciary protection** and releases final authority on fund changes.

Advisor Value Proposition

A Standardized Investment Policy Statement (IPS)

Creating an Investment Policy Statement (IPS)

- 1 Identify the purpose and goals of the IPS
- 2 Establish the investment philosophy & strategy
- 3 Determine asset allocation and risk tolerance
- 4 Define investment restrictions & guidelines
- 5 Establish performance benchmarks & monitoring process
- 6 Assign roles & responsibilities to stakeholders
- 7 Review & update the IPS regularly

- You don't need to recreate the wheel, find **standardized templated options** and edit to your own customization.
- Balance your IPS between **meaningful investment monitoring process, without being too specific** that forces fund changes without advisor discretion.
- Have an **IPS for both 3(21) & 3(38)** with an appropriate language that details roles and responsibilities for each.

Advisor Value Proposition

Financial Education:

Outsource It or Do-It-Yourself?



Are you tired of the administrative headaches caused by running your own financial education program for clients?



Do you spend more time traveling to educate and train clients than managing their money?



Do you struggle to keep your content current because of ever-changing laws and legislation?

Develop A Sustainable Participant Education Strategy

What Are You Offering & How Frequent

- Enrollment Meetings
- Investment Education
- 1x1 Consultations via Remote or In-person
- Financial Wellness or Personal Wealth Management Topics
- Financial Planning Using Recordkeeper Tools or Personal Wealth Software ... MGP, E-Money, Naviplan,...

Advisor Value Proposition



Recordkeeper Partnership Recommendations

- Carefully decide on **2 or 3 strong partnerships**
- Wholesaler relationships are **vitaly important**, and you should have on speed dial
- You want a **service model** of relationship managers (RM) or client service managers (CSM) with **longevity** in their positions and a little turnover as possible

Advisor Value Proposition



Recordkeeper Tools & Resources Decisions

- **Participant call center** with licensed advisors with the ability to give “point-in-time” advice or only technical support
- **Financial planning** capabilities and retirement plan calculators
- **Financial wellness** resources
- Fully functioning **website and app** in multiple languages (if needed)
- Ability to **easily share-screen** and answer questions while seeing exactly what the participant is viewing on the website

Advisor Value Proposition



More Recordkeeper Tools & Resources Decisions

- **Education team** and comprehensive **library of presentation topics** via recording or live presentations
- Simple and usable **plan reports** so that you can easily insert them into your plan review presentation

Recommendation

- Develop a **simple 1-pager** for your plan sponsors that **highlights all the participant education resources** available from you as the advisor combined with the recordkeeper

Advisor Value Proposition



Annual Plan Review Creation Recommendations

- **Simple template** and time efficient process to assemble
- Effectively use **plan reports from recordkeeper** and enhance with advisor materials as needed
- Have your **provider partners of TPA & recordkeeper RM present** for the plan review, it's your one time a year to **resell the value of your team**
- **Prioritize topics** to be presented and you can have **supplementary materials** that don't necessarily need to be covered in the meeting

Advisor Value Proposition



Annual Plan Review Content Recommendations

- Update any plan sponsor **key contacts**
- **Illicit feedback** on performance of the company and retirement plan provider team
- Have **TPA representative** review plan design, changes to participant census, annual compliance testing, and updates of legislation & compliance
- Review of most recent **quarterly fund report** and **IPS**

Advisor Value Proposition



Annual Plan Review *More* Content Recommendations

- Have **recordkeeper RM** review participant data reports, retirement readiness scores, highlight resources for plan sponsors & participants, mention new product developments coming soon
- **Recap** the **participant education meetings** from the previous year and **strategically plan** for the coming year based on plan sponsor requests and participant data (i.e., participation & contribution rates, investment allocations, loans, ...)
- Find simple ways to **benchmark plan provider fees** (i.e., Fi 360, 401(k) Book of Averages, per participant RK provider fees)

Advisor Value Proposition



Annual Plan Review *After* The Meeting

- Create **plan review meeting minutes** from a template and send to plan sponsor for their fiduciary file
- Highlight the **follow up tasks** from the meeting, a **timeline** for completion, and the **provider partners that are responsible** (i.e., education meetings, fund changes, plan amendments, ...)

Insights From Litigation



Quest Diagnostics ERISA Litigation Sept. 25, 2024

The court celebrated specific steps taken by the committee:

1. Engaging a **fiduciary investment advisor**
2. Meeting on a **quarterly basis to review the plan's funds**
3. Receiving written **quarterly materials** addressing the market, economy, investment performance, watch list status, and regulatory and legislative updates
4. Receiving **annual fiduciary trainings**
5. Retaining **meeting minutes**



Plan Set Up Deadlines



Adding a New Profit-Sharing Plan (Partnership & S-Corp) for 2024

- Deadline: September 15, 2025

Adding a New Profit-Sharing Plan (C-Corp) for 2024

- Deadline: October 15, 2025

Adding a New Defined Benefit Plan for 2024

- Deadline: September 15, 2025

Adding a New 401(k) Plan for Sole Proprietor for 2024

- Deadline: October 15, 2025

New Safe Harbor 401(k) Plan for 2025

- Deadline: October 1, 2025 (At Least 3 Months in Calendar Year)

Adding a Safe Harbor Match 401(k) Plan for January 1, 2026

- Employees 30-day notice requirement
- Plan document by December 31, 2025

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- Decision On Best Investment Provider
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