

# Do You Want To Be A 401(k) Financial Advisor? An Intro

By Ary Rosenbaum, Esq.

Whether you're financial advisor who is not in the 401(k) business and want to be in it or you're the financial advisor who wants to dramatically increase their small book of business, this is the perfect time. With dramatic changes in the industry because of fee disclosure regulations and the potential change in the definition of fiduciary, financial advisors who are serious in doing a top-notch job as a 401(k) advisor will find plenty of opportunity to develop and increase their book of business. As I always say, if you don't do it right, don't do it at all. A 401(k) advisor who will do it right by doing their job and making sure their clients do their job will find the 401(k) plan business very rewarding. So this article is for financial advisors who want to start or improve their lot as a 401(k) financial advisor.

**You Can't Dabble:** If you decide to enter the retirement plan space or expand your footprint in it, the thing you have to realize is that you have to be dedicated to the space. The days where financial advisors can just dabble in a retirement plan or two are long over. Thanks to changes in the law, there is more specialization that a financial advisor needs to properly handle retirement plans. That means there is no room for dabbling.

**Develop Your Niche:** While Peter Gabriel proclaimed in the 1986 hit, Sledgehammer, that he would be anything you need; a financial advisor can't be everything for everybody. A financial advisor can't handle 401(k) plans from \$1 in assets to \$1 billion in assets, As a financial

advisor, you have to determine what your market is and which 401(k) plans you'll target. Will you target larger plans or plans that are smaller in asset size? If you are a registered investment advisor, you will also have to determine what your fiduciary role will be, will you be a co-fiduciary, ERISA §3(21) or ERISA §3(38) fiduciary? If you're a broker, be mindful that the De-

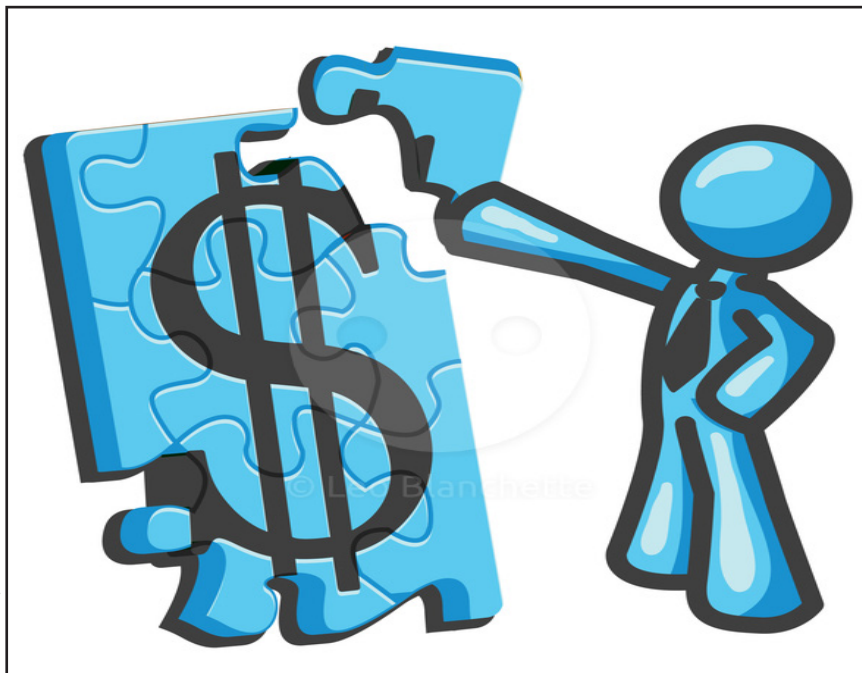
partment of Labor might be implementing rules that may define you as a fiduciary. Surround Yourself With Smart 401(k) People: In the movie, Back To School, Rodney Dangerfield's character stated that if you wanted to look thin, you should surround yourself with fat people. For 401(k) advisors with limited retirement plan expertise, to look smart on 401(k) plans, surround yourself with smart 401(k) people. Being a financial advisor is difficult enough, so you aren't expected to become retirement plan experts. However, there are too many financial advisors who don't have the knowledge and don't care to have that knowledge which puts their clients at

a disadvantage. As a financial advisor, you need to augment your services and show why your services have a value compared to the competition and the best way to do it is to rely on retirement plan consultants and ERISA attorneys for advice, consulting, and knowledge. While many financial advisors often rely on the expertise of the third party administration (TPA) firm that they refer business to, but that advice is not independent. In my practice, I have always had an open door policy to advisors and I will always assist advisors like you without an immediate bill due. James Holland from Millennium Investment & Retirement Advisors; and Chuck Hammond from the 401(k) Study Group are some industry leaders you should all be networking and talking to.

**Don't Rely On One Plan Provider:** Whether it's a plan provider like a TPA or a custodian, there is not one provider that is a perfect fit for each

client. So instead of picking a plan provider that you are comfortable with, it's more important to find the right provider for each client. TPAs come in all shapes and sizes with their own strengths and weaknesses. It's important that the retirement plan needs of the client are met with the plan provider that is the best fit. So it makes sense to identify several TPAs that you can work with, depending on the size and needs of each individual client.

**Avoid the Producing TPA:** I always get in trouble for saying it, but that's my view and I'm sticking to it. Producing TPAs are firms that also have an advisory business. While people can argue about the value



of producing TPAs, you have to realize that since they are in the 401(k) advisory business, they are also your competition. There have been TPAs in the past that had a terrible reputation in the industry for stealing clients from advisors who brought them business, so why refer your clients to the potential competition?

**It's less about picking funds and more about a process:**

While selecting investments for a 401(k) plan is important, it's a lot less important than you think. Being a financial advisor on a 401(k) plan is all about minimizing the plan sponsor and fiduciaries' risk. It's about helping manage the plan's fiduciary process and when a plan is participant directed, your rate of return means a whole lot less.

**Develop an IPS:** When it comes to participant directed 401(k) plans that intend to meet ERISA §404(c), advisors are more concentrated on picking a mutual fund lineup. The need for a financial advisor in an ERISA 404(c) plan is less about fund picking and more about assisting the plan sponsor in managing the fiduciary process. One of the most important roles in the fiduciary process is the development of an investment policy statement (IPS). The IPS sets the criteria for selecting and changing investments and is a necessary tool to limit a plan sponsor's liability under ERISA §404(c). It has become so important that the Department of Labor has been asking for the IPS when conducting plan audits. While an IPS is a necessary tool, it is not the second coming of the Magna Carta. Many mutual funds companies and plan providers have sample statements that you can tailor and that they would be willing to provide, even I have a sample if you need.

**Provide Education to Participants:** In addition to the IPS and fund selection, a necessary component of an advisor's job is to ensure that participants can get the education they need. Participants need to be educated on the investment options in the plan in order for the plan sponsor to get ERISA §404(c) liability protection. If you feel that you can't offer enough education to plan participants, you should delegate that role to a company like RJ20 that not only offer partici-



pant education, but also participant advice.

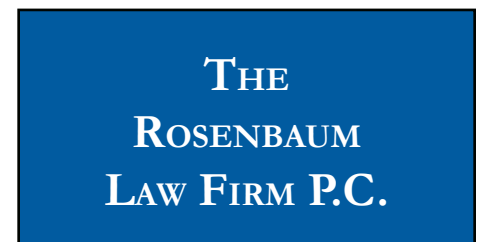
**Find The Right Prospecting/Benchmarking Tools:** Whether it's Brightscope, Fiduciary Benchmarks, Judy Diamond, Larkspur, 401(k) Exchange, Plan Tools, f360, or some other company, you will need to find the best prospecting and benchmarking tools to prospect new clients and review current clients. What is the best tool out there? Like a golf club, it's the one you feel most comfortable with. Get some demonstrations and see what you like. Check with mutual fund wholesalers and plan custodians who may give you access to these tools for free.

**Harness The Power of Social Media:** The biggest mistake I ever made when I started my own practice was hiring an old time public relations advisor. This advisor stressed the use of old time media like newspapers and magazines to build up my practice. To be honest, no one hired me because I was in the Long Island Business News or DailyFinance.com. My advisor had the chutzpah to tell me to take some time off when things were slow after I started. That advice cost him his job because I picked up a copy of "The New Rules of Marketing and PR: How to Use Social Media, Blogs, News Releases, Online Video, and Viral Marketing to Reach Buyers Directly", by David Meerman Scott. Through writing articles like this, the use of LinkedIn, Twitter, JDSupra, and blogging, I have been able to build my practice at very little cost. My appearances in the pages of The Wall Street Journal and marketwatch.com were actually because of my social media work, not the work of my former p.r. advisor. I know the problems you may have with compliance, but see what you can do.

**Give me a call (cheap plug here):** A large part of my practice as an ERISA attorney has been working with financial advisors and assisting them with their clients. I have further developed that practice by serving as counsel for a few registered investment advisory firms including a couple that are new to the 401(k) plan business. While this arrangement involves a flat fee, monthly retainer where my hourly fee is dis-

counted by 60% (my old law firm's managing attorney would flip, sorry Lois), I believe that assisting financial advisors who are my clients and those who are not will help 401(k) plan sponsors handle their fiduciary responsibility more carefully, which can only benefit plan participants and help narrow the retirement crisis that our society is suffering as a whole.

Building any type of business isn't easy. It will take time. If you are dedicated to your clients and dedicated to the role of a 401(k) retirement plan advisor, you will succeed as long as you show a value to the service you provide. With so many changes to the retirement plan marketplace through regulations like fee disclosure which will have plan sponsors reconsider their current plan providers, it may be the opportunity you need to exploit and build a 401(k) advisory business.



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