THE ROSENBAUM LAW FIRM P.C.

ADVISORS ADVANTAGE

A Publication for Retirement Plan Professionals

Retirement Plan Provider Marketing Do's and Don'ts.

What to do and not do.

I never took a marketing course in college and I probably should have if I was going to go on my own and start a law practice. While I never have taken a marketing course, I've been pretty good at it considering you're reading what I'm writing. I think I've been good at marketing because I understand the basics; marketing is drawing attention to your business and developing a relationship with potential clients and business partners. That's marketing in a nutshell. As a retirement plan provider, you probably haven't had much experience in marketing, so this article is marketing do's and don'ts for retirement plan providers.

To read the article, please click here.

Stating the obvious about Mutual Fund Company TPAs.

Yes, we know

David Letterman once joked that there was a graph in USA Today that showed that 3 out of 4 Americans made up 75% of the population. Stating the obvious can be a waste of time.

Speaking of stating the obvious, a study in the Journal of Finance finds that mutual fund companies that serve as 401(k) third party administrators offer their own proprietary mutual in plans they administer for no other reason than that the can.

They also conclude:

- Mutual fund companies that are trustees of 401(k) plans must serve plan participants' needs, but they also have an incentive to promote their own funds.

▪ The analysis suggests that these trustees tend to favor their own funds, especially their poor-quality funds.
▪ And 401(k) participants do not offset this bias by shifting their savings away from trustee-affiliated funds.

Mutual fund companies that serve as TPAs go into the TPA business because it's an effective means of distributing their own mutual funds. Fidelity went into the TPA business to push Fidelity funds, not Vanguard funds.

Plan sponsors hire mutual fund companies as their TPA because they like that mutual fund company. Someone isn't going to hire T. Rowe Price as a TPA if they hate T. Rowe Price Funds and they aren't going to hire T. Rowe Price as the TPA to select Putnam funds.

I also don't understand the significance of mutual fund companies as trustees of Plans because most mutual fund companies that have their own trust company serve as corporate trustee do so in a non-discretionary rule, meaning the selection of funds are ultimately made by the plan sponsor.
While mutual fund companies may push their lower performing funds just like my local wine store clearly recommends me wine that he can't sell (I can tell by the taste), it's ultimately the plan sponsor's decision with the advice of their financial advisor. If a plan sponsor doesn't have a financial advisor, that's their fault too.

I am all about taking responsibility so I can't fault mutual fund company TPAs pushing their own funds because that's why they went into a TPA business. I blame plan sponsors and financial advisors who don't understand the significance of hiring a mutual fund company as a TPA and filling the fund lineup with that TPA's proprietary funds
Things don't happen in a vacuum, the reasons that proprietary funds end up in a 401(k) plan's lineup rests with the decision of the plan sponsor.
Like Captain Renault in Casablanca, we're shocked that mutual fund company TPAs have fund lineups full of their own proprietary funds? No, we shouldn't because it's so obvious.

Falling Markets= Heat on 401(k) Plans.

Here we go again.


"All the News That's Fit to Print"

The New York Times

Late Edition

VOL. CXXXVII . . . No. 47,298

NEW YORK, TUESDAY, OCTOBER 20, 1987

30 CENTS

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

U.S. Ships Shell Iran Installation In Gulf Reprisal

Offshore Target Termed a Base for Gunboats

A Huge Blow to the Five-Year Bull Market

Dow's Record Fall

WORLDWIDE IMPACT

Frenzied Trading Raises Fears of Recession — Tape 2 Hours Late

Does 1987 Equal 1929?

The recent market correction is going to do what all market corrections and crashes do, put a light and heat on the 401(k) industry. I've already seen articles calling the 401(k) a 101(k).

One of the reasons we got fee disclosure regulation was because of the spotlight on high fees because of people losing money in their 401(k) plans. When we were all making money in the market in the late 1990's, none of us were harping or even caring about 401(k) fees.

Plan participants and the media only seem to care about 401(k) plans when the markets go south. It's human nature. People like to complain and place blame when they lose money and they don't complain when they make money.

Hopefully, the markets will rebound. If not, we'll hear again how bad 401(k) plans are. It's life and this is the life we chose when we became part of the retirement plan industry.

A Statistic is meaningless if you're bad at it.

No one complains when their statistics are great.

There was a law school in Southern California that has a bar passage rate of 7%, which means 93% of their graduates failed the test. They sued the California Bar on free speech grounds because they didn't want to be forced to state that 7% amount in their materials. According to the law school, the bar passage rate is a meaningless statistic. By the way, the school lost.

Of course, the only people who claim a statistic is meaningless are those that don't do well in these statistics. Yes, I remember my issue with billable hours for law firm associates and how I claimed that they weren't a barometer of how good an associate was. I'm sure if I had the clients that I could bill 200 hours a month, I would have been quite.

In the retirement plan industry, providers who don't do well in specific instances will just dismiss their poor placement or lot as something meaningless. I remember hearing a financial advisor who lost a plan sponsor client to a well known financial advisor that ERISA 3(38) fiduciary services is just marketing. How many providers dismiss their client retention rate or claim that fees aren't so important because they just want to hide the ball and/or the truth?

If a provider glosses over a specific statistic or dismisses a notion rather quickly, don't take their word for it and find out why. Maybe the statistic really isn't that meaningless and it's relevant. Just don't take the provider's word for it.

Technology is better. I remember the first participant website I had to use when I enrolled in a 401(k) plan for the first time. It was using a platform called SmartPlan and there was nothing smart about it because the interface was awful. Everything is so much easier for plan participants on the web.

Education and enrollment materials are better. Investment options are better; investment options are also less expensive. Investment advisors are more knowledgeable. Third parry administrators are better in their customer service. Communication is better and information is easier to obtain thanks to the web.

The only people who think 401(k) pans are better back then are probably those that made a lot more on an industry that was cloaked in secrecy and hiding the balls from plan sponsors and participants.

Maybe it's you.

Stop blaming others if blame belongs to you.

Prior to starting my own law firms, I had made many different employer changes over the years to the point that my position as the head of my law firm is the longest time I've been employed at one place and that's only 5 years.

Am I going to blame the employers I

worked for? Sure, they were short in the Christmas bonus department and I thought they didn't have any long-term vision, but the only common thread between these four employers was me. So rather than blaming them for that checkered employment history, the fault lies with me. Some birds aren't meant to be caged and some people need to work for themselves. So rather than blame them someone else, it's important to look within.

If you're a narcissist, there is no point in reading your article because you're always right (at least in your mind). If you're like most of us, you may realize that if you have a pattern of client problems or employee problems or problems with working with other providers, it may make sense to look at yourself. When you look at what you do, you may realize some of the mistakes you made in developing and maintaining relationships. I've learned in life and in business, growing as a person is just as important, if not more than growing your business.

So if you're consistently having problem with people, maybe it's not them and it's actually you.

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The Rosenbaum Law Firm Advisors Advantage, September 2015
Vol. 6 No. 9

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