THE ROSENBAUM LAW FIRM P.C.

ADVISORS ADVANTAGE
A Publication for Retirement Plan Professionals

Human Emotional Mistakes A Retirement Plan Provider Should Avoid.

Don't let your emotions get the better of you.

We are all human unless someone of us are cyborgs sent by Cyberdyne Systems in the future. Seriously, humans are controlled by emotions and everyone knows that after going through their teenage years. Human emotion can make us do some great things, but there are emotions and human nature that can be detrimental to business. So this article is about what human emotional pitfalls to avoid as a retirement plan provider.

To read the article, please click here.

The White House wants a new fiduciary rule.

We'll see what the DOL comes up with.

The White House unveiled their plan to direct the Department of Labor to unveil a new fiduciary standard rule that will curb the conflict of interest and excessive fees that the White House says that mars 401(k) and IRA investing.

This is nothing new, except a new renewed push to get brokers up to the same standards that registered investment advisors (RIAs) have to follow. Hebrew National always touted their frankfurters had to answer to a higher authority than the USDA because they were kosher and RIAs always had to answer to a higher standard because they were fiduciaries. Let's not panic because it will be months before the DOL comes out with a proposed rule. So it will give time for everybody to get ready for rulemaking and then the fighting as a result.

Why the fighting? It's not the first time the DOL will propose a rule on the fiduciary standard. It's going to be whether the DOL can withstand the pressure of Wall Street political interest money that will influence Congressional leaders from both sides of the party to fight it. That is why the DOL withdrew their first proposed change a few years back.

The Wall Street attack will be severe and will get Congressional leaders stating that the fiduciary standard for all 401(k) investment professionals will increase costs because many broker-dealers will withdraw from the marketplace. They said the same thing about 401(k) fee disclosures and how it would make plan sponsors ditch their 401(k) plans which didn't happen. Will the DOL withstand the attacks and the Wall Street propaganda this time? Your guess is as good as mine.

Fighting the Fiduciary Rule Before It's Been Even Proposed.

It shows you how Wall Street feels

Not long after President Obama expressed the desire that the Department of Labor (DOL) implement a fiduciary rule for brokers who work on retirement plans; did one of Wall Street's paid minions strike back.

Rep. Ann Wagner submitted a bill to delay the DOL's fiduciary rule until the Securities Exchange Commission (SEC) issue its own fiduciary rule. Wagner said she introduced the bill because Obama: "presented a solution in search of a problem by proposing another massive rulemaking from Washington that will harm thousands of low- and middle-income Americans' ability to save and invest for their future."

I have empathy and I have written articles that states what a great trait it is to have. I understand why brokers and broker dealers wouldn't want brokers to serve as fiduciaries. Would you accept more legal responsibility for probably less money? Becoming a plan fiduciary takes a lot of responsibility and then brokers would have to end getting better trails for the mutual funds they are pushing rather than what's in the best interest of the plan sponsor. I understand their dilemma and what maybe fair for retirement plan sponsors, plan participants, and registered investment advisors who are fiduciaries may not be fair for brokers.

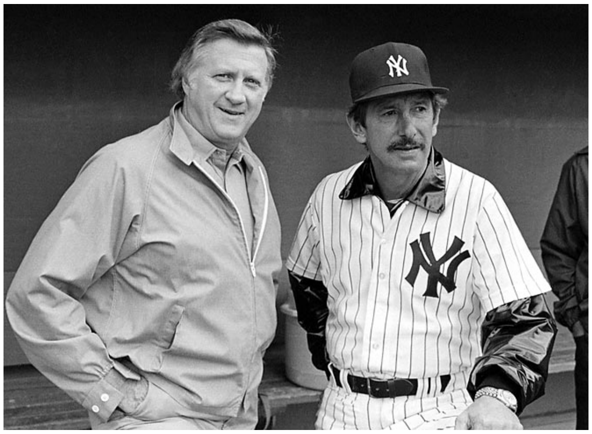
What I don't like about the fight against the fiduciary rule is the propaganda propagated by Wall Street. A fiduciary rule will not increase costs for plan sponsors. It will not cause plan sponsors to ditch their retirement plans or end employer contributions to their plans. What it will do is push smaller broker-dealers out of the retirement plan business if they don't want to be fiduciaries and it will create a level playing field by making sure that anyone advertising themselves as a retirement plan advisor has skin in the game by being a fiduciary because too many plan sponsors don't understand that level of service and legal culpability.

Wall Street protected gloom and doom with the fee disclosure regulation promulgated by the DOL in 2012. They claimed that retirement plans would ditch their retirement plans because of those fee disclosure regulations. That didn't happen. I think the gloom and doom won't happen with a new fiduciary rule either.

I think Wall Street should allow the DOL to propose the rule before trying to stop it.

When you get fired, there maybe a bigger story out there.

There is more to the story many times.



When I used to date in school, I would get some crazy breakup lines that I knew had nothing to do with reality. "The maybe it's fate we won't be together" or "you'd make a great husband" lines are something that were just excuses to disguise another reason and when you get fired by a plan sponsor as a plan provider, you may get a line that is as inauthentic.

You may get fired by a client who may claim that you were inattentive or you were too expensive and the reasons don't jibe. Maybe you got fired only because you were hired by the previous corporate administration and you're perceived as someone else's guy. Sometimes you get fired because they want to give the work to a relative because cousin Johnny needs more assets under management. I had a broker who was quickly fired, then re-hired as the broker of record. It turned out that the new CEO had fired him so a new broker of record could give a kickback to the CEO. When the skim was discovered, the CEO was fired and the broker was rehired.

Sometimes you will get fired for the wrong reason and as long as you did your job, there is nothing you can do about it. If you lose your job because of nepotism or some illegal kickback scheme, there is nothing you can do and just chalk it up to the crazy business you're in. Plus you'll have a wonderful story to tell for many years.

Enrollment Meetings Don't Have To Be Run Like Funerals.

They can use some more excitement.

I have been to many funerals and many 401(k) enrollment meetings and I have to say that most funerals are livelier than 401(k) enrollment meetings. It doesn't have to be that way. When I started my own practice and wrote my articles free of my old law firm's marketing department, besides the typos, I was able to interject humor and movie references that allowed my articles to be widely read and distributed. I took something that is ERISAese and wrote it in a way that has been entertaining at times. The same can be done with 401(k) enrollment meetings.

Advisors who work these enrollment meetings can liven it up by lowering the language to a level that most plan participants can understand and when I say lower the language, I'm not talking about cursing. I'm talking about using a language that most non-financial professionals can understand. It's all about connecting with the audience and better connected audience at an enrollment meeting will get more 401(k) deferrals and more assets under management as a financial advisor.

A financial advisor should run a trivia contest or a raffle and use a $25 gift card to a store or restaurant as bait to entice attendance and participation. Anything that can get more involvement by plan participants to get engaged at these meetings will help a plan sponsor limit their liability and get financial advisors more assets under management. It's a win-win and more livelier than a funeral

Some recent articles I've been featured in.

What's making the rounds.

Chis Carosa from FiduciaryNews.com had another great article. I was happy to be quoted in his article on the White House push for a new Fiduciary Rule. "Obama Fires Fiduciary Starter Pistol to Mixed Reviews" can be found here.

Judy Ward from Plan Sponsor Magazine wrote a great article on fiduciary outsourcing solutions and what plan sponsors need to know in evaluating potential plan providers. "Fiduciary Outsourcing Options" can be found here.

In December, I was featured in a USA Today column by Robert Powell concerning some of the issues of plan sponsors using bundled plan providers. "Don't let inertia sink 401(k) Plans" can be found here.

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