How A Plan Provider Can Lose Clients in 7 Easy Ways

By Ary Rosenbaum, Esq.

It's easier to spend money than to make money. It's easier to lose a client than get hired by a new one. As a retirement plan provider, you can ill-afford to lose clients. Too many retirement plan providers don't see how their behavior can contribute to losing clients. They never see it coming to avoid that loss of business. So this article is about the easy ways to lose clients.

Complacency

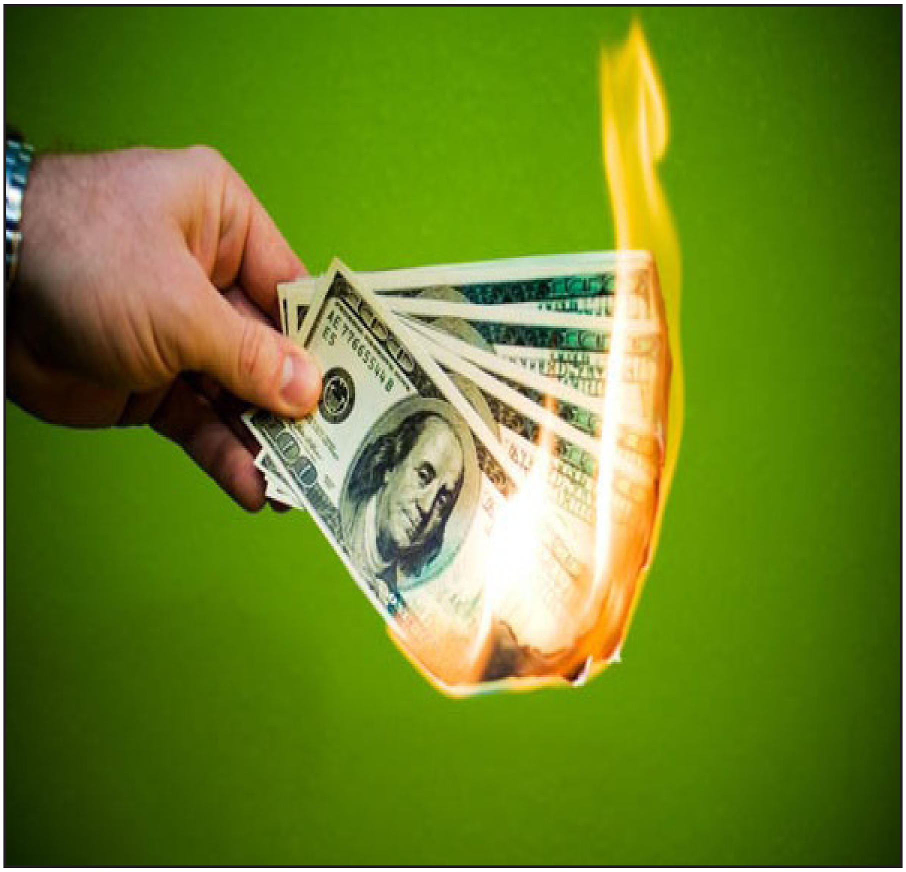
Having been in the retirement plan business for 16 years and most of the businesses I worked for were afflicted with complacency and that's a real problem. Complacency goes arm in arm with retirement plan providers that have a long-term client base. When a plan provider has clients for a long time, some of them take that relationship for granted. All of a sudden that business relationship is a divine right. The retirement plan business is so competitive that no provider should take his or her book of business for granted. Complacency also affects successful businesses that are too enamored with success that they don't need to change even where there are signs that the business is changing. Retirement plan providers that weren't big on fee disclosures before the implementation of the fee disclosure regulations were at a disadvantage to those providers that practiced it for years before. The retirement plan business is fluid; it keeps on changing. What may have been great 15 years ago doesn't work now. Complacent plan providers that don't ride the wave may drown in the strong tide

Arrogance

If there is one bad trait to have as a retirement plan provider, it's arrogance. A plan provider should never think that they are bigger than this business b-cause it fools you into a sense of false security that you are bullet proof. Nobody is bigger than this business. Not only does arrogance give plan providers an aura of indestructibility, it also blinds that provider to the changes in the industry around them. The beauty of this business is that I learn something new everyday, whether it's a change in the law or regulations, or learn about a new provider or whatever it may be. The arrogant provider is immune to the advice and has little care in changing their business model even if the industry is changing around them. They know better than anyone else. The point is that the providers who thrive in this business aren't arrogant, they are always willing to listen to new things and willing to learn new things. They understand that if the business changes around them and they don't change, they wouldn't be indestructible, they will be out of business.

Talking over the client's heads

I worked for 12 years before I started my own law practice. 9 years were spent working for third party administrators (TPAs) and 3 years working for law firms. I will honestly say that the best experience for me in starting my own practices was those TPA years and I avoided what I didn't like working for those law firms. When I started on my own, I wanted to continue my work as an ERISA attorney who tried to speak to retirement plan sponsors and their plan providers (namely financial advisors) on a level that they could understand. I come from the school of thought where less is more. Just because you're charging clients a fee does not mean you should draft work and describe that work in a language that they can't understand. When I worked for one law firm in particular, the ERISA partner was upset that the tack on amendment I was drafting for a Plan to comply with a new law was a stock template produced by a well known plan document drafter. She wanted me to draft an amendment that was more verbose and where the firm could charge 10 times more. It was completely unnecessary. Talking over the client's heads only confuses them and they may not do what is requested of them because of that confusion. Maybe talking over a client's head is some language difficulty, arrogance, or some perverse justification to charge a higher fee or all of the above. Clients hire retirement plan providers to handle complex retirement plan issues who are supposed to provide services with ease. So why should a client get a complex explanation back? Retirement plan providers are hired to make it easier for the plan sponsor clients, not make it more difficult. That is why it's best to talk to them on their level. Talking above their heads may present later compliance issues or a competing plan provider who speaks in English and not ERISAese.



Neglect

In the good old days, there were financial advisors (usually brokers) who had a book of business of retirement plans that they did very little work for. They never visited their clients, never drafted an investment policy statement (IPS) for them, and never did anything except collect a quarterly fee. Thanks to more oversight, we see less of these milk carton advisors (a joke, they are missing advisors who should be placed on a milk carton). Yet we still see retirement plan providers who do neglect their client. A perfect example is a TPA that fails to review plan design issues with a client over a long period of time. The defined benefit plan that worked well when there were 3 employees may no longer work well when there are 15 employees. Same with a business that is booming that could afford a cross-tested profit sharing allocation that gives rank and file employees a minimum benefit and a larger contribution to the highly compensated employees. When you ignore a client until something bad happens, it just allows the opportunity for another plan provider to sneak in and get that business. A plan provider who is always on top of their client's needs is providing the best service and communicating with the client that will help with retention. Whether it's life or business, a communication breakdown is usually the result of fighting and bad feelings. A plan provider that neglects their clients may end up with a communication breakdown.

Making a Bad Referral

Making a referral to a plan sponsor client can be a good thing or a bad thing and it's dependent on the quality of the referral. In my years of experience, one of the most common ways that a retirement plan provider is fired is only because they made a bad referral for plan sponsor client to hire another plan provider. I've seen financial advisors fired for referring bad TPAs and TPAs being fired for referring bad ERISA attorneys (not me, thanks for asking). A referral should not be made just to curry favors or to get business back from the person you referred. The provider that is referred must be based on confidence in the quality of their service. I hired a general contractor who referred us to a mason that did a poor job; apparently our contractor was trying out new masons. Thankfully, we no longer use those contractors.

Lack of Good Practices

It seems like a no brainer, but bad services practices go a long way in losing clients. For example, one issue that affects bad TPAs is poorly trained administrators and staff that cause unnecessary errors. Another bad practice is poor billing where clients are overcharged or by nickel and diming clients by charging money for minuet items such as an ERISA attorney charging for an annual safe harbor notice or a TPA charging for copies. Something as simple as not returning phone calls in a timely basis is a practice that eventually starts the desire by a client to find a replacement plan provider.

Not Being There When They Need You

When Hurricane Sandy destroyed half my house and left me with two totaled vehicles and five feet of water downstairs, it was my friends Marlo and Doug that rescued my family even though I had family who lived a mile away who didn't check on what happened to us until I had a diatribe on Facebook. Those family members weren't there when I needed them and they weren't apologetic for failing to come through. All I got was some excuses including one that it was my fault. While not as destructive as a natural disaster, there will be times that a plan sponsor client may be in a tight situation (perhaps a government audit or a big compliance issue). If the plan provider is unresponsive in that situation or not helpful, the plan sponsor will figure out that the plan provider is not someone that they want to depend on.

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