How 401(k) Financial Advisors Can Breakthrough to the "Next Level"

By Ary Rosenbaum, Esq.

I have been a New York Mets fan for over 30 years and despite all the jokes, there were certainly some good times (especially in 1986). From 1977-1983, the Mets were going through many of their dark ages. They traded Tom Seaver and a young manager by the name of Joe Torre couldn't do much with a team of the likes of Mark Bomback, Dyar Miller, and Ron Hodges. In 1984 times had changed, they had promising youngsters like Daryl Strawberry and Dwight Gooden, along with veterans like Keith Hernandez and Gary Carter (in 1985) to bring them into contention. Yet they were contenders in 1984 and 1985, but they failed to get over the hump and win the division. There was that next step that they had to get through to win it. I feel the same way with financial advisors for retirement plans. You can be a major player, but there is something else you need to get to the next level. Hopefully, this article will help you along that way.

Confidence

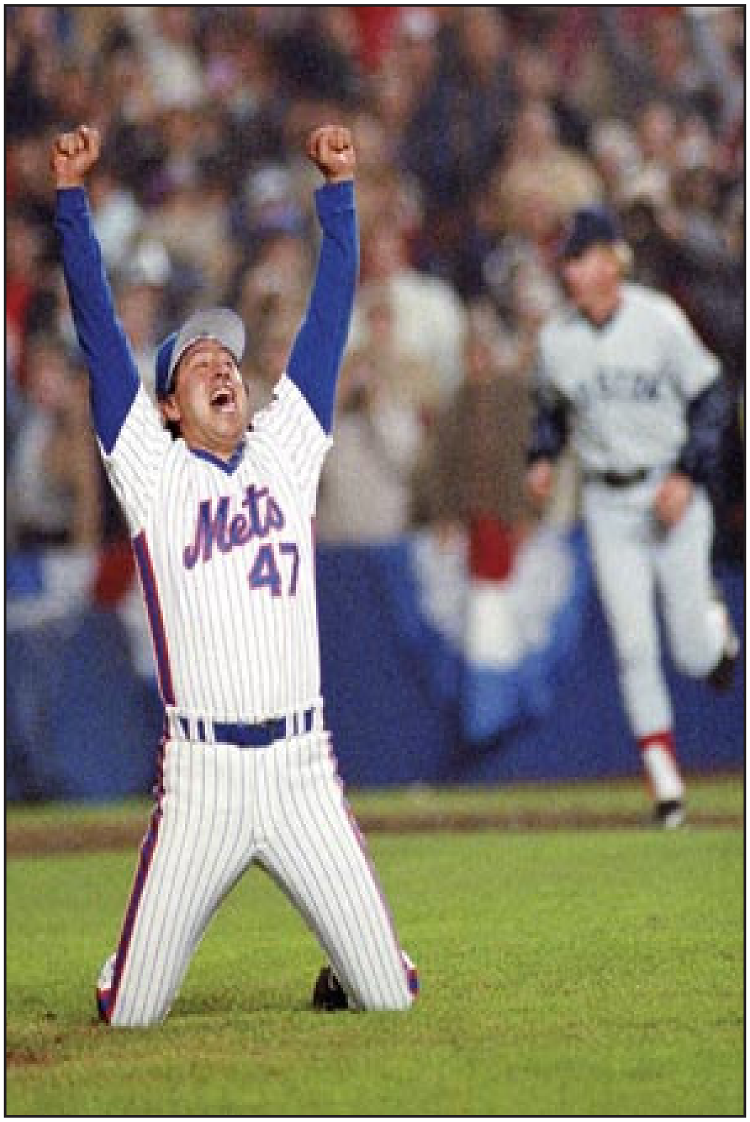
I have been in this business for almost 16 years and the people that I worked with over the years in some of my previous jobs would probably tell that they didn't think I would succeed in starting my own practice. I'm sure there is a law office full of lawyers who thought the same way. I knew I would eventually succeed on my own and it's only because I acquired the confidence I was lacking for the first 10 years of my career. How did I develop the confidence I lacked for so many years? Years of experience in working with plan sponsors, financial advisors, and third party administrators (TPAs). Publicly speaking at events for retirement plan professionals, attorneys, accountants, and plan sponsors helped as well. In my life, I have been a pessimist and an optimist and being an optimist is that much better because it gives you hope and confidence that things will succeed. You need confidence in your own role as a financial advisor if you ever have hope that you will be more successful. It sounds simple, but it isn't because changing one's outlook isn't that easy.

Knowing something about retirement plans

I always say that financial advisors don't have to be ERISA experts when it comes to retirement plans because there are other retirement plan professionals that could assist them. However, that doesn't mean that you need to be totally ignorant about retirement plans. While you don't need to know the mechanics about 401(k) plans, you should understand basic concepts on how they work such as discrimination testing, safe harbor 401(k) plans, and vesting. I have written articles on these basic concepts because when you're in the business of working on retirement plans, you should know a few things on how they actually work because it gives you the ability to better handle your clients and it gives your current and potential clients confidence in your abilities. When you arrange a call with your client and other retirement plan professionals and you don't understand basic concepts, you look bad and you can't afford to look bad when you are in such a competitive field that is becoming more specialized.

Accepting what you don't know about retirement plans

On the flip side, don't let your basic knowledge about retirement plans substitute the knowledge of retirement plan professionals. I always say that my worst clients or worst professionals to work with are non-ERISA attorneys because they think they know what they don't know. You don't have to be an ERISA expert and since you're most likely not, stand back and let the ERISA experts help you out. There is nothing wrong with having other retirement plan professionals help you. Heck, I check my ego out the door and have the TPAs I work with come up with plan design studies because I like to stick to what I know. It's not easy to stand back and let other professionals handle your client, but you need to when times dictate it. The inner working of a retirement plan are intricate, so any issues need to be diagnosed by a retirement plan professional that is trained to handle these types of issues.



Understanding that the clients' needs come first

It sounds easy, but too often financial advisors don't value the client's needs first. They'll refer clients to payroll provider TPAs because they get referrals back, not caring whether these payroll providers can handle the task. Picking the right TPA and right custodian is about what's right for the client, not what's right on how it's easier for you to get paid. Make sure that your clients know that they matter. Financial advisors don't usually get fired for the investment options they pick, they get fired because they were inattentive or they made a bad referral to a TPA.

A hook for your business

There are so many financial advisors working in the retirement plan space, you need to stand out in the crowd. I always say you need a hook for your business and a hook is just advertising jargon. A hook captures the potential customer's attention and draws them in. When I started at that law firm about 6 ½ years ago, my goal was to start a national ERISA practice and when I couldn't get retirement plan clients from our current client base, the idea was that drafting content to help retirement plan professionals out in their sales approach would get me referrals. It took for me to start my own practice to succeed, but that was part of the hook of my practice. The other hook was that I flat fee bill my clients and that creates cost certainty and alleviates much of the stress that plan sponsors and retirement plan providers have when it comes to hiring ERISA attorneys. As a financial advisor, you need to identify what you could do to stand out among the competition. It might be offering investment advice to plan participants or bringing clowns to an enrollment/education meeting. Whatever it is, it has to be something that will be a strong selling point that most of your competition isn't doing.

Adding sizzle to your practice without having to buy the steak

It would be great to have a financial advisory practice where you could afford to have an ERISA attorney or pension consultant on staff, but what if your practice isn't big enough to support it? You can hire an ERISA attorney (cough, cough) or develop a strategic relationship with them (cough, cough) or with a TPA. The reason is that not only can these retirement plan providers help you, it can add luster to your practice. One of my clients is one of the most well known figures in the retirement plan space and I think he thinks it's a feather in his cap with his clients when he bring me on a conference call to discuss this client's plan. Having the ability to bring these professionals to work on your client's needs is turning your practice into a concierge service that most of your competition isn't going to offer.

Embrace change

The retirement plan business is constantly changing and you have to either change with the times or the times will change you. Always be mindful of any new services or practices that are taking place in the retirement plan advisory business. I remember when a friend of mine who is an ERISA §3(38) fiduciary who took over a plan sponsor from an advisor who wasn't. The incumbent advisor scoffed at the loss of business because he said that §3(38) services is just marketing. Well, that was an advisor who just wasn't open to change and didn't get it. People who have been in this business as long or longer than I have will attest that it has dramatically changed. For example, when it came to plan administrative expenses, it was the Wild West when there was no fee disclosure. Now fee disclosure has curtailed many of the abuses in the industry, but an advisor who wasn't big on fee transparency wasn't going to do well when fee disclosure regulation was finally implemented, be cognizant of any change in this business, embrace it, and use it to your advantage.

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