



Performance that Plan Sponsors Value Most

By Jeffrey Briskin

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Advisors serving 401(k) plans may successfully improve investment performance, only to find out that the plan sponsor is totally unsatisfied. A recent conversation I had made that painfully obvious, and a recent study by my company confirmed that such outcomes occur all too often.

At a networking meeting I attended in June for startup companies in the Boston area, the newly hired HR director of a 70-employee biotech company told me about her role as plan sponsor for its 401(k) plan. While she was an experienced investor, she had never managed a retirement plan before and was very concerned that recently laid-off employees were considering filing fiduciary negligence lawsuits against the plan.

This was a typical, boilerplate small-business plan sold by a financial advisor at a bank broker-dealer. Seeking assistance to help her understand her ERISA fiduciary obligations, the HR director called the advisor and was immediately shuffled off to the company's centralized retirement call center. There she was passed along a chain of representatives until she was finally told that they could not help her, advising her to contact an ERISA attorney instead. A week later, having apparently forgotten her previous call, the advisor called to discuss adding new funds to the plan.

Shortly thereafter, the HR director made searching for a new plan provider one of her highest priorities.

Similar situations are all too common in the small-plan space, and they are a chief source of client dissatisfaction, according to findings from *The Briskin Consulting Study of Small-Retirement-Plan Sponsors*. Analyzing the results from an online survey of 112 small-plan sponsors conducted in the first quarter of 2010, the study reveals the issues that keep plan sponsors up at night and the reasons why they select, stick with, and switch providers.

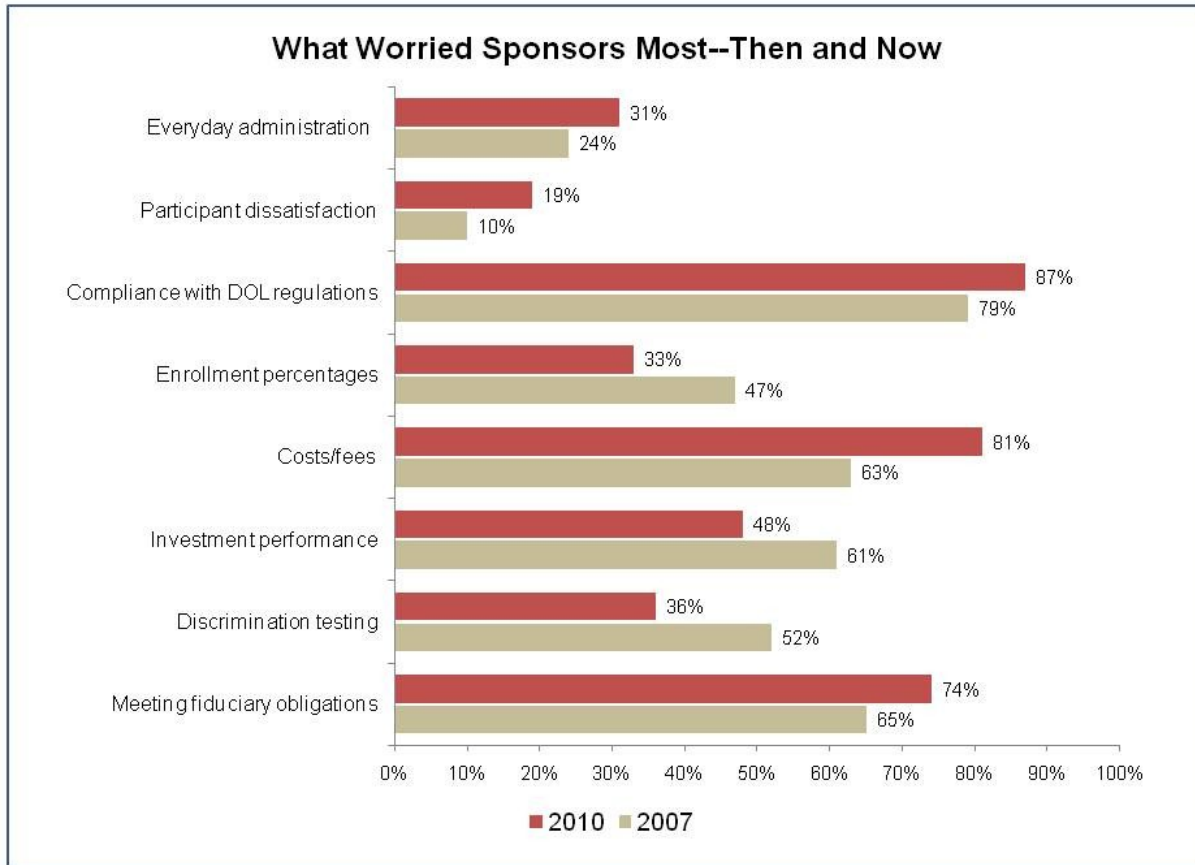
Product performance isn't a priority

Advisors would like to think that investment performance sells plans. This is not the case.

While 77% of respondents were dissatisfied with returns from the investment options in their plans – who wouldn't be, in this market? – only 48% considered underperformance to be a "major concern." Compare this to the 74% who were very worried about meeting their

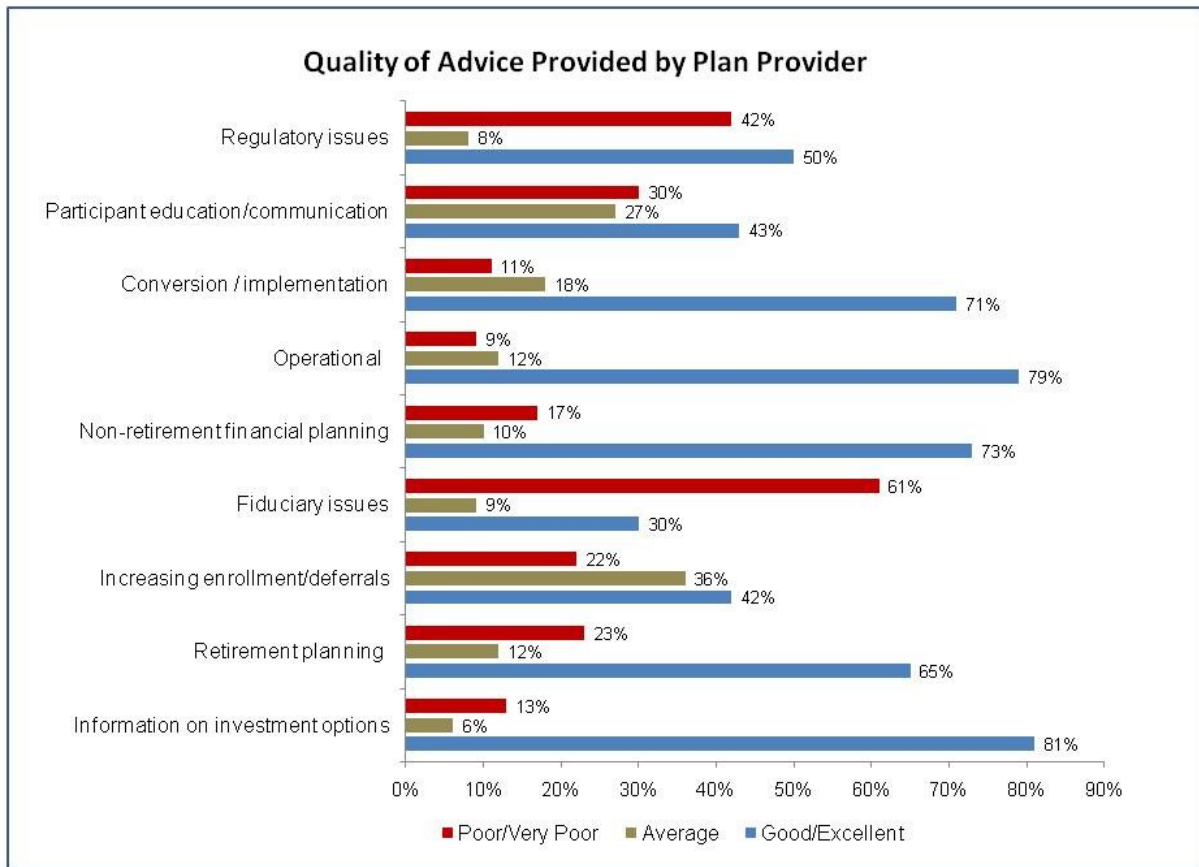


fiduciary obligations and the 87% who were struggling to keep up with ever-changing Department of Labor regulations.



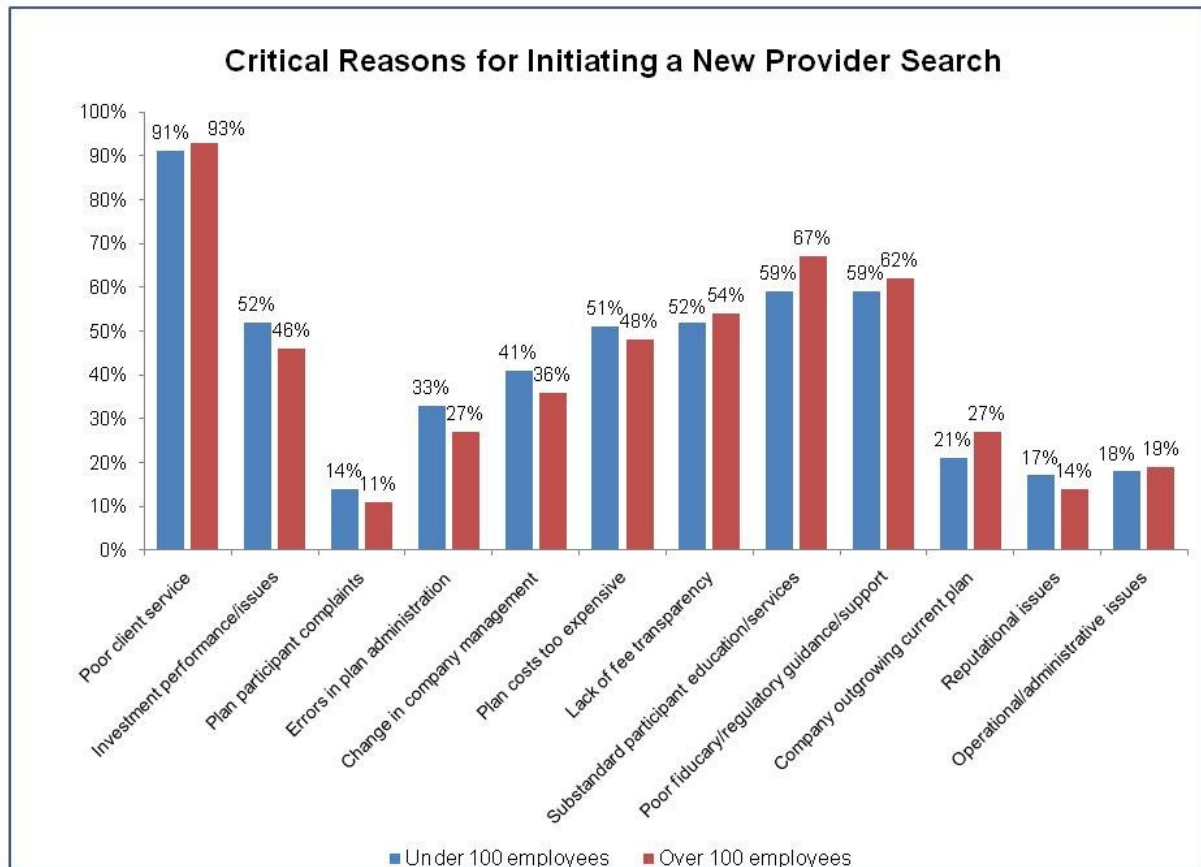
Value-added advice: An increasingly rare commodity

Plan sponsors are looking for advice and assistance that goes beyond the usual bread-and-butter issues of operations and plan compliance. Most were quite happy with the help they were receiving in those particular areas, and were satisfied with the quality and depth of information on the plan's investment options. But nearly two-thirds felt that they were not receiving adequate advice on fiduciary-related issues, nearly half wanted better regulatory updates, and nearly a third felt that the quality of participant education and advice left a lot to be desired.



Substandard service spurs switching

Contrary to what advisors may believe, poor service, rather than poor performance, drives small-plan sponsors to switch providers. Only 50% of plan sponsors cited investment performance as a critical reason for initiating a search. Compare this to the 92% who indicated that poor client service was a main motivator of attrition, and the nearly two-thirds who would switch providers because of substandard participant education resources and lackluster fiduciary guidance and assistance.



Lessons to be learned

While incumbent plan providers may find temporary solace in knowing that less than 25% of plan sponsors are either in the process of switching providers or planning to do so in the next three years, the reasons often have more to do with organizational inertia than with genuine satisfaction. In fact, many respondents indicated that they would like to switch providers but that today's challenging business environment has made that process a low corporate priority.

Yet, as economic conditions improve and companies begin to add employees, a growing number of companies are likely to initiate searches. This percentage should jump in 2013, as companies scramble to get their benefits in order to accommodate the mandatory coverage provisions of national health care reform that are scheduled to go into effect in 2014. Companies seeking to cut costs and consolidate services will become attractive targets for firms that can lead with consultative selling in all areas of benefits administration, including retirement plan management. TPAs and other benefit firms are



likely to expand relationships with financial advisors who can provide ERISA fiduciary assistance.

Advisors who are willing to shoulder these challenges and assume a far more proactive role as their clients' trusted retirement advisor stand a far better chance of winning and retaining these clients than those who remain stuck in outdated and increasingly irrelevant service models designed to on push investment products instead of focusing on addressing plan sponsors' needs.

About the Author

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