Is Your 401k Advisor Still A Good Fit?

How today's environment is reshaping the advisory role and services

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In the past, workplace retirement plans saw explosive growth and legions of licensed insurance and financial brokers with minimal expertise in qualified retirement plans entered into the industry.

Fast forward to today's much more complex and demanding environment in which plan sponsors face greater threats of liability and regulatory scrutiny. And in this new era, plan sponsors may find it beneficial to conduct greater due diligence on their service provider relationships."

So, as a plan sponsor, how do you know if your retirement plan advisor offers the best potential to protect you and simultaneously help your participants towards better outcomes? What are some of the tell-tale warning signs?

Your advisor is receiving commissions

If an advisor or broker is receiving commissions, then they may be more loyal to the product platform that pays their commission, and not to the employees served by the retirement plan. Under ERISA, this commission structure is an inherent conflict of interest which may result in a higher level of fiduciary exposure for the plan sponsor.

Your advisor does not serve as a fiduciary

Many retirement advisors have not served in a co-fiduciary role. The Department of Labor (DOL) realized many plan sponsors were unaware that they could *share* or even *transfer* some of the fiduciary responsibility to a prudent expert. To address the issue, the DOL proposed a rule that would require retirement plan advisors to abide by a *fiduciary standard* in serving their clients.

Unfortunately, the rule was vacated by court action and many plan sponsors continue to lack this important protection.

Your advisor may be focused on the investment component

In the 1990's, as the number of investment categories expanded, retirement plan advisors engineered more intricate investment menus that may have been overwhelming to the typical participant. This may have resulted in client retirement plans operating in a suboptimal manner and preventing the affected participants from realizing the benefits to achieve a secure retirement.[1]

1 What's the right number of funds in a 401(k) plan?
Greg Iacurci, Retirement Plan Advisor, 2/16/2018

Plan investments today remain an important consideration but not to the exclusion of other plan components that may be more beneficial in placing participants on a better path for a secure retirement.

Unfortunately, many retirement plan advisors continue to rely on a one-dimensional skill set and investment myopia that excludes other plan strategies.

Your advisor may not measure plan outcomes

In the past, retirement plan advisors have mostly relied on investment performance and participation rates as the critical benchmarks of a 401k plan.[2]

A best practice is to measure a retirement plan's overall plan health. Plan health is a more holistic metric that identifies each individual participant's ability to secure an adequate retirement income – a defined outcome that most plan sponsors view as their objective for attaining success.[3]

If your advisor doesn't actively track your plan's retirement readiness, then it's unlikely that you can effectively align strategies and direct efforts to create the results that you aspire for your plan participants.

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[2] *The Real Measure of 401(k) Plan Success, PlanAdvisor, April 2014*
[3] *2018 Defined Contribution Trends, Callan Institutue*