Here's how to land new clients by investing in financial advisory relationships.

BY W. JEFFREY ZOBELL

As a young man, I remember my Scoutmaster teaching me many important things. Always be prepared. Carry extra water. "Leaves of three, leave them be." (Poison oak makes lousy toilet paper.) But it was his secret to fishing that I remember most distinctly. As he revealed after several fruitless days at the river: You just have to "fish where the fish are."

Being young, I dismissed this obvious advice and went out and tried what I thought would work. I did not take the time to learn which parts of the river were more likely to be inhabited, what the fish were attracted to or which techniques would yield the best results. I certainly got a few nibbles, but nothing like I had hoped for. My Scoutmaster explained that in order have a successful strategy as a fisherman, I needed to understand more about the environment and which bait was likely to work best, and to make sure I had the right equipment.

While most of us would grab a reel any time we can, we often find ourselves in different waters and facing different challenges when it comes to landing new business. Many of the same lessons I learned years ago, however, can be utilized when dealing with marketing your third party administration services. It's necessary to see which conditions are influencing the types of services you should offer or facilitate and which types of solutions are getting results in attracting prospects. With the financial advisor as your line to the underlying client, you can create new sales and upsell opportunities by educating them on their role and equipping this group with techniques and solutions that yield the best results.

According to Mesirow Financial's 2012 retirement plan survey report, 72.6% of all retirement plans surveyed utilized a financial professional. Of those not currently using an advisor, almost half were either in the process of adopting one or were considering doing so. According to Cerulli Associates' fourth quarter 2011 report, plans with less than $50 million dollars in assets represented approximately one third of all assets, 90% of all plans and about 40% of all plan participants.

FACTORS AND OPPORTUNITIES

Clearly the advisor should be an increasingly important part of your marketing efforts. So what are some of the factors driving the advisor further towards the center of the consulting relationship and how can you turn these into opportunities to potential clients?

Service and Fee Review Process

The DOL began requiring

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> "Provide your advisors with an easy-to-use benchmarking solution for fees, services and returns."

two new disclosures beginning in 2012: the 408(b)(2) plan sponsor level disclosure and the 404(a)(5) participant level disclosure. Advisors can now benefit from the legacy of these disclosures, and should develop techniques to deal with them proactively.

Fee Analysis and Benchmarking

The DOL's expectation is that plans will evaluate the services being received for reasonableness on a routine and ongoing basis and will document the findings. This analysis includes the costs of investments as well. Provide your advisors with an easy-to-use benchmarking solution for fees, services and returns. Providers should look beyond the disclosure itself and develop and educate advisors on a suggested process for evaluating, documenting and managing third party disclosures. The idea is to build a routine way to fulfill this ongoing obligation *with you included*.

Keeping a client can be much more cost effective than finding a new one. Let your capabilities to handle any inquiries be known. The DOL has hired about 1,000 new agents to assist in auditing and enforcing these disclosures. Position yourself or your advisors as experts with a defendable process or as a dependable resource in an audit.

Fiduciary Status

The disclosures require a clear statement of fiduciary status. The DOL has made it clear that it will be revisiting the definition of fiduciary. This could mean a sea change in the way many institutions do business. The fact that some advisors and broker-dealers cannot, or will not, accept status as a fiduciary will create huge opportunities. When you look at how this can benefit an administration firm from a marketing perspective, there is a place for you to pair up those providers and products that can provide different degrees of fiduciary protection with those who cannot, or will not, accept those roles.

Market Performance

In addition to the cost of the investment products, the required DOL disclosures deal with historical investment performance. Weak market performance has created an uptick in the number of advisors looking to utilize professional asset management, allocation strategies and target date funds to keep returns high. Opportunities also exist to allow advisors to utilize ETFs, collective trusts and other alternative investments to deal with investment cost and strategy concerns. Developing open architecture custody or record keeping processes to facilitate these alternatives — and making sure your advisor partners know how they work — can separate you from the competition and open up new pools of prospects.

ISSUES AND SOLUTIONS

So what are some of the issues that are influencing benefits conversations being held today, and how can TPAs utilize them to craft the solutions we market?

Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) was signed on March 23, 2010. Most of the major impact to employers will be felt beginning on Jan. 1, 2015, when employers will need to decide whether to expand insurance coverage or face a penalty for non-coverage. Originally, this was to take effect Jan. 1, 2014, but a one-year extension was granted on July 2, 2013.

This issue has dominated the benefits conversation for many employers and will continue to do so. So why is it relevant? Discussions about benefits must consider health and wellness costs and their impact on other benefits programs, including retirement plans. Plan sponsors clearly benefit from partners that can provide guidance in these areas and aggregate services. Sponsors who may be reluctant to talk about their retirement plans are being drawn into the discussion from the health side. Our organization is seeing some very large institutional providers who are leading with their health care consulting and using it to leverage this open door into a retirement plan discussion.

There are two other ways we see firms marketing and benefiting from this trend:

- This is a natural conversation starter for any providers offering welfare plan administration services such as flexible spending/125 plans, health savings accounts or health reimbursement accounts, since these plans help consumers save on direct health care expenses and help sponsors save on payroll tax and insurance costs.
- A TPA could partner with financial advisors or health insurance brokers who either specialize in pay-or-play analysis or sell health insurance

services. There are significant opportunities to build new lines of business internally or in conjunction with your top advisors.

Unfortunately, many financial professionals do not focus on these programs simply because there is not a lot of direct income potential for them. Be the advisor's specialist or help facilitate one. Having health care solutions as part of your advisor's offering can differentiate them from their competition, make retirement and welfare plans more sticky, and keep the sales door open for you.

IRA Rollover Market

According to Cerulli Associates' fourth quarter 2011 report, estimated IRA assets topped $4.817 billion at the end of 2011. As thousands of new retirees become eligible for distributions each week, the need for advisors to assist in the distribution process and provide general wealth management and income services increases.

Educate your financial advisors about the fiduciary concerns of the Department of Labor and assist them in establishing a best practice solution for their particular structure. TPAs that can also offer record keeping solutions for IRA accounts should be able to see substantial growth by partnering with advisors who will act as fiduciaries on those accounts. Consumers will be drawn to TPAs that can provide scalable solutions. Refine your firm's ability to provide information and lead time on those participants who are in pay status.

Tax Reform

The steep fiscal challenges facing the federal government have resulted in scheduled increases in personal and business taxes — saving money is always a great motivator. Legislation has been proposed to limit contributions and deductions associated with qualified plans, and in-plan Roth conversions are now allowed.

Educate advisors about these changes and the types of plan design solutions that exist. Encourage the development of strong relationships with their clients' tax professionals in order to provide the holistic advice they need as tax rates change.

Many of the proposed regulations focus on defined contribution plans. Be sure your advisors are aware of the benefits of traditional defined benefit and cash balance designs, which do not seem to be under as much scrutiny and can have *substantially* larger contributions and consequent deductions. Many administration firms are looking to expand their actuarial services, or partner with outside firms, to capture these opportunities. These plans, in particular, can be a great solution to another area of influence: longevity concerns.

OUTLIVING RETIREMENT SAVINGS

Recent research by Allianz showed that among people age 44 to 75, 61% stated that they fear outliving their assets more than they fear dying. Make sure your firm highlights common solutions to your advisors, such as auto enrollment or auto escalation capabilities. Here are a few other ways to address the longevity issue.

Defined Benefit and Cash Balance

As mentioned above, these plans can provide for a lifetime income stream for participants since they offer an annuity as a form of payment. While the focus has primarily been on 401(k) plans for the last couple of decades, defined benefit plans have not had much attention or marketing support. Bolster the training and marketing materials you provide, including sample illustrations that can show the power of these designs and how they can be paired with existing 401(k) plans.

Annuities

In response to these concerns, we have seen an uptick in the number of annuities being offered in all plan types, either while in the plan or at the point of distribution. As a record keeper, make sure you can accommodate these types of investments. In addition, significant marketing opportunities may result from partnering with specialists in this area and creating synergies between advisors.

Accumulation/Decumulation Services

Another way to lure new business and address lifetime income is to equip your advisors with tools to identify accumulation shortfalls through a gap analysis or similar evaluation of retirement readiness. The DOL announced their intent to require new disclosures on benefit accumulation in the near future. Administration firms can promote their capabilities to analyze and improve on participant outcomes.

Additionally, structured distribution services are a frequently overlooked way to generate business on existing clients and attract new ones. These strategies allow for greater control over taxable income for participants, and can allow for longer revenue streams for record keeping and distribution services.

CONCLUSION

Marketing may not be as much fun as fishing, but it can certainly be rewarding if you land a trophy client. By leveraging the forces affecting benefits discussions and educating advisors about new techniques to drive those conversations, you can use your targeted solutions to land new relationships and build on existing ones. PC

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