FEATURE

With Change Comes Opportunity

Four women industry leaders talk about how plan advisors can position themselves.

BY JUDY WARD

As plan advisors face fundamental changes in their business, four women senior executives in the retirement industry talked about the business opportunities for advisors.

Thriving in the New Fiduciary Era

Plan sponsors likely will feel confused about the ramifications of the Department of Labor's fiduciary rule, says Amy Glynn, managing partner of GRP Advisor Alliance in Boston. "I am dismayed at the lack of conformity in the rules: It would be a lot easier if the rules were black and white," she says. "My personal opinion is that the only way to distinguish yourself as a plan advisor now is to dump the commission-based model altogether. Otherwise, you are still in the 'mud bath.'"

Serving as a fiduciary has been a big part of some advisors' business models for years. How can a veteran fiduciary advisor distinguish herself or himself, when every plan advisor now will be a 3(21) fiduciary? "For the advisor who already has been a fiduciary for the past number of years, that is still an advantage," says Lisa Kottler, Austin, TX-based senior vice president, retirement at NFP Corp. "That advisor can say to a sponsor, 'Look, I have been doing this for many years, before it was required. So I have great experience as a fiduciary, and the processes and procedures.' Whereas, many advisors who are only now being thrown into the fiduciary mix are going to struggle for some time."

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Melissa Cowan, New York-based executive director at Morgan Stanley, anticipates opportunities emerging for plan advisors willing to go beyond serving as a 3(21) fiduciary. "What we will see is more advisors offering discretionary services, acting as a 3(38) fiduciary," she says. "Two years ago, few advisory firms were doing it. Now we see more firms offering it."

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"Discretion is probably going to become the new standard," Cowan continues. "At the end of the day, that is probably a good thing. ERISA says that if you as a sponsor do not have the investment expertise, you should hire someone who does." Some firms are rolling out 3(38) service offerings aimed specifically at the small-business market, she says. "We will see more small businesses putting in plans going forward," she predicts, "because these new solutions can mitigate their risk and make it easier for them to offer a plan."

Converging Health Care and Retirement Expertise

Today's employers face complex decisions about their retirement and health care benefits, and about balancing their spending on the two. So Cowan sees a growing opportunity for plan advisors. "I am not sure whether we will see advisors for 401(k) plans also sell health insurance," she says. "It is more about working with employers on, 'How do you want to spend your benefits budget? How can I as an advisor help you to use those dollars more efficiently?'"

NFP has had experts on both the retirement and health care sides of benefits for a dozen years, Kottler says. She sees the two as distinct areas of expertise, each with complex laws and regs that one advisor cannot master. "But the thing is to partner with another firm that consults on health care, or merge your firm with a health care-focused firm," she says.

Plan advisory firms have got to get proficient about issues impacting employer health-care coverage, as that coverage becomes an ever-bigger employer focus, Glynn believes. "A lot of independent advisory firms have affiliated health and welfare shops. It provides a way for a health and welfare practice and a retirement practice to advance in a coordinated way that they may not have before," she says. "In many cases, the same decision makers at clients are making decisions about health care, retirement, and wellness programs. If we can talk to them about all three in a holistic way, we add a lot of value."

Offering Quality Financial Wellness Profitably

To avoid fee compression, Glynn says, plan advisors need to expand their business model. "Everybody keeps saying, 'Fee compression, fee compression.' We are not seeing our advisors' fees reduced," she says. "These advisors are building financial wellness into their model. They are becoming more-holistic plan advisors, and not just a 'stock jock' focused on investments." More often than not, she says, there are larger budgets associated with health care plans that advisors have been able to capture to support financial wellness plans.

How the industry reaches out to participants needs a big change, Kottler says. "The black eye on our industry is that we have not sufficiently prepared the majority of Americans for retirement," she says. "We always had good intentions, but our education was a complete misfire, because we did not speak to people in plain English. Now, it needs to be about financial literacy, even more than financial wellness: Most people do not understand how to manage their finances in a way that is going to help them move forward."

It will not be enough for advisors to help participants with their retirement account, Cowan says. "They are going to have to help participants through a lot of different decisions in life," she says. To do that in an efficient and impactful way, she anticipates more-sophisticated use of data analytics.

"Based on a data analysis of a participant's demographics, there are tools that can help participants decide what their savings priorities should be, allow-

ing advisors to focus more on their clients' long-term goals," Cowan continues. "And advisory firms that do comprehensive financial planning will have more opportunity to do that."

Asked how advisors can provide quality financial wellness while also doing it profitably, Kathleen Roche talks about the importance of focusing on certain clients for the program. "Advisors need the right employer with the right mindset to see its employees prosper, and who really understands the relationship between a financially healthy employee and a productive employee," says Roche, vice president, retirement consulting at Commonwealth Financial Network in Waltham, MA. "And then it is a matter of coming up with a process within your own practice, in terms of a dedicated resource who is going to deliver that program, or leveraging a third-party provider to take that off the advisor's plate."

Proactive advisory firms will develop advisor specialists focused on working with participants on financial wellness, Glynn thinks. "These will be advisors who are really 'feet on the street,' rolling up their sleeves and engaging all kinds of employees in education."

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That idea does not appeal to some plan advisors, Glynn realizes. "There are advisors who say they only want to work with high-net-worth individuals," she says. "I say, 'Good luck with that. Someone who comes in with a model to help everyone is going to win the business from a sponsor over you, all day long.' And for plan advisors, a good financial-wellness program can act as a 'moat' around their practice, providing a desired degree of insulation from regulators."

Positioning Your Practice For Decumulation

As retirement looms for huge numbers of Baby Boomers, Glynn already sees the industry battle for their assets happening. "There is a big bloodbath going on out there. And it is over this question: Who owns the participant relationship?" she says. "Is it the advisor? Is it the recordkeeper? Is it the asset manager?" She has heard of recordkeepers with on-staff advisors "sending letters to participants saying, 'We would like to be your fiduciary advisor,' and they are not going to the current plan advisor before doing that," she says.

Kottler also sees the battle happening, and suggests that advisory firms get positioned now. "It is often said that if you want to have that relationship in the distribution phase, you need to begin the relationship 10 to 15 years before someone retires," she says. "And if we want to stay with people who are going from the accumulation phase to the decumulation phase, we also need better ways to help them."

"In many ways, what we do in the industry is look back in time, focusing on things like historical participant data. We must start to look forward, from an innovation perspective," Kottler continues. "If we look at how other industries are using 'big data' and other technology, we realize that we are to some degree stuck in the past. In the future, being able to 'slice and dice' individual participant data in ways that propel participants forward will be important."

Proactive advisory firms already are trying to get in front of the retiree boom, Glynn says. "One of the things we are seeing in the retirement-plan space is that a lot of plan advisors who never worked with individual participants before — because they did not want to, or they were afraid from a fiduciary perspective — are starting," she says. "Nothing will ever replace the one-on-one participant meeting. The advisor who is embracing that kind of targeted education will always have the edge."

Roche anticipates more advisory firms developing a distribution-phase specialty within their practice. "So the advisory firm can say, "What defines us is not just giving accumulation advice, but also distribution advice,'" she says. "Everything in the 401(k) industry is about accumulation. Now, advisory firms need to position themselves as, 'We also can help you as a retiree in drawing down your funds.' If there is someone within an advisory practice who has a distribution specialty, and that advisor becomes an extension of what the firm does on the plan side, that is a very valuable way for an advisory firm to reinvent itself – and to become a much more valuable resource to employers."

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