

Measuring Plan Effectiveness

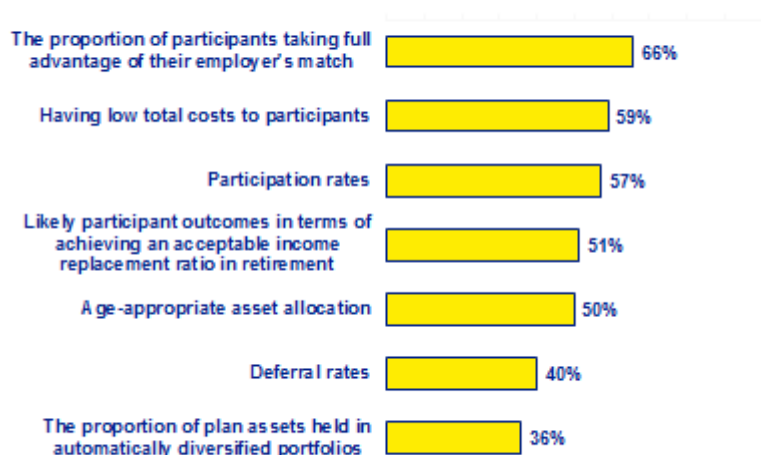
December 1, 2016

Topics in 401(k) Distribution: eighth in a series

When plan sponsors, providers and advisors talk about plan health or plan effectiveness, what's driving their view? Is it familiar, conventional plan metrics, participant outcomes or some blend of the two?

Over three research waves since 2012 we've seen a fairly stable blend of both perspectives with the share of participants taking full advantage of a match at the top. Low total costs and participation rates come next. We don't find an explicit outcomes focus (admittedly an inexact science) until halfway down the list, with 51% of advisors attaching a great deal of weight to participant outcomes in evaluating plan effectiveness.

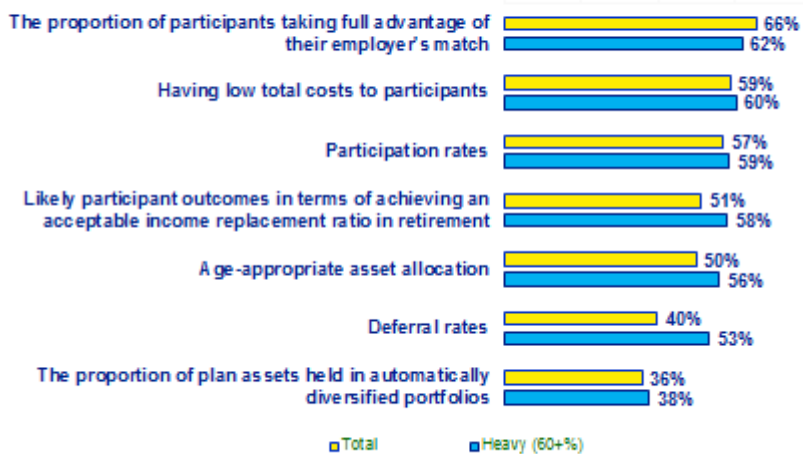
Attach a Great Deal of Weight in Evaluating Plan Effectiveness



The weight advisors attach to participation rates and age-appropriate asset allocation has drifted up slightly over time; other trended measures have stayed about the same.

Without reordering these priorities, Heavy advisors (those deriving 60% or more of their practice income from 401(k)) nonetheless bring an edgier view to the evaluation. They are much likelier than all advisors to focus on deferral rates (53% versus 40%) and somewhat likelier to attach more weight to outcomes (58% versus 51%) and age-appropriate asset allocation (56% versus 50%).

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“Pure” RIAs (not dually registered) also weight outcomes more heavily (58% versus 51%) and, characteristically, upgrade the importance of low total costs as well (64% versus 59%). Once again we think the pros are leading the channel when it comes to evaluating success.

About the Research

Our first *Retirement Services Intermediaries* study launched in 2000; these findings are based on selected waves carried out between 2005 and 2015. *RSI* studies are conducted by telephone, typically among a representative cross-section of 600 or more advisors deriving income from 401(k) plans. *RSI 10* is scheduled for delivery in the spring of 2016.

By [NMG Admin](#)