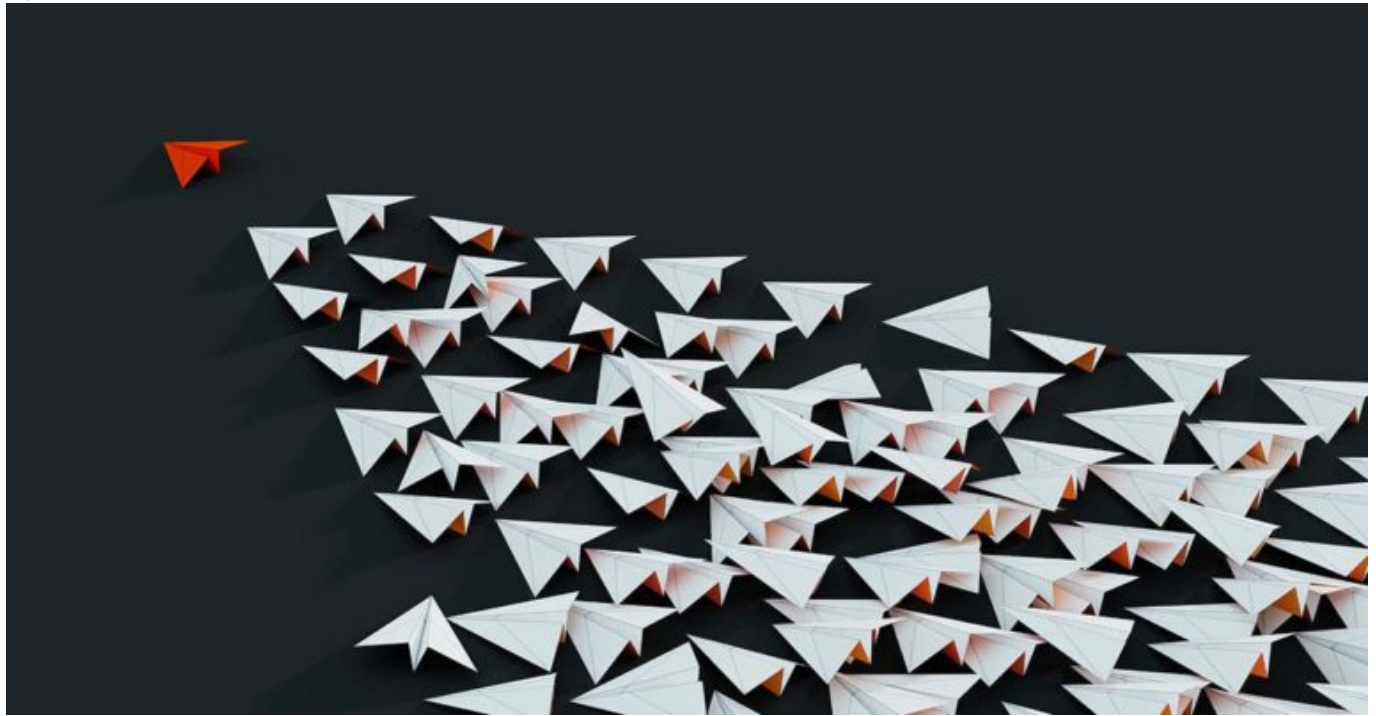


Crisis offers recordkeepers opportunity to stand out from the crowd

April 7, 2020



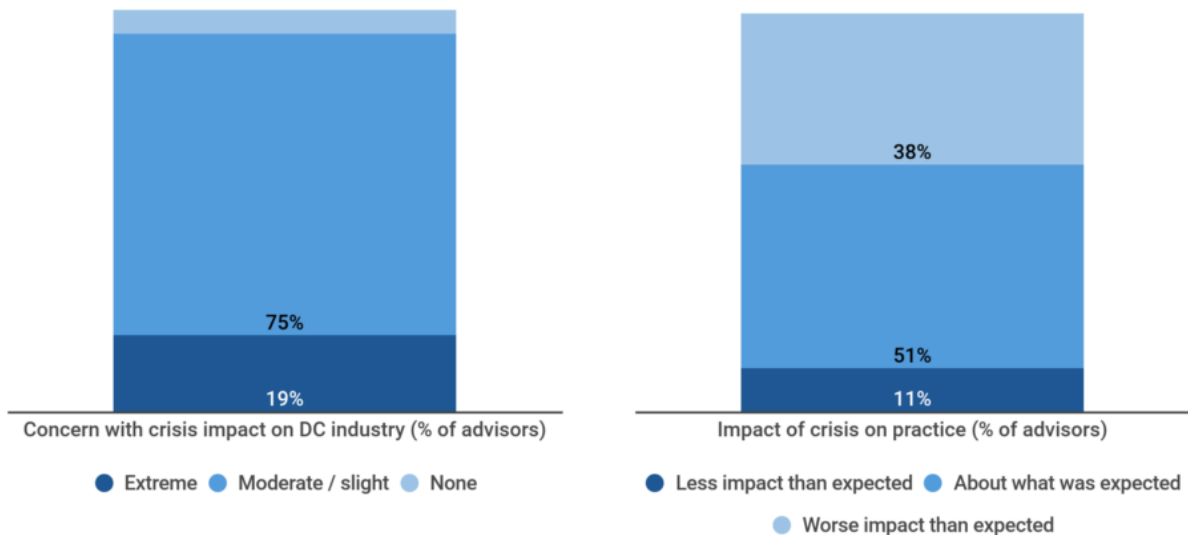
The rapid spread of corona virus has resulted in the U.S. economy coming to a screeching halt. Two feet are firmly on the brake pedal and the emergency brake has also been pulled. While comparisons to the Great Depression and Global Financial Crisis are helpful, every available sign points to this being an unprecedented event: 6.7 million people filing for unemployment in one week (2x the record from the previous week), \$2 trillion in government aid approved, relaxed penalties and taxes for DC withdrawals, and more relief being discussed.

A scan across websites, social media and email communications from providers in the retirement industry largely show the same messaging being used. With few notable exceptions over the last two weeks, investors are being told to trust investment teams and stay the course, to invest for the long term, that markets will eventually bounce back, and to direct themselves to resources on market volatility.

Advisors are responding as directed

It seems retirement plan advisors have heard this message loud and clear. They are concerned, but not overly so, about the impact the crisis will have on the industry. As can be seen below, the majority are only slightly or moderately concerned about the impact, and only 20% are extremely concerned. Looking forward, 2/3 report the impact of the crisis has been about what they anticipated or better, and that we should be back to normal by September or October.

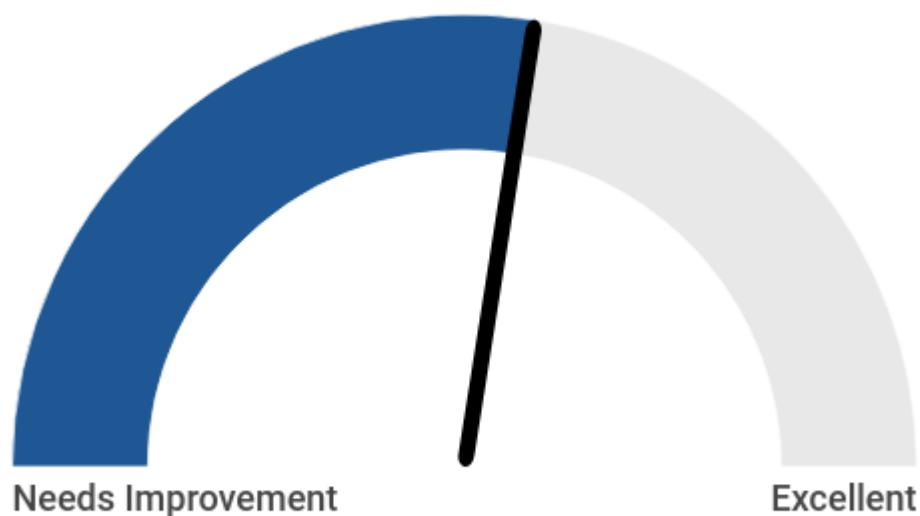
Adviser feedback on crisis impact



An opportunity to stand out from the crowd in a crisis

The majority of advisors would give recordkeepers a solid B/ B+ in how they have handled advisor inquiries, communication, and the effectiveness of those communications. That means there is an opportunity for a provider or two to distinguish themselves, particularly in how they can assist advisors in handling the questions they receive. They will need guidance and education on how explain the impact of the CARES Act, making changes to company matches, and delivering education to participants.

Advisor satisfaction with recordkeeper communications during COVID-19



Score based on aggregated satisfaction feedback across four sub-factors

It is often in times of crisis that brands are defined, for better or worse, for years to come based on how they act and the experience they give their customers. We think the current climate presents a unique opportunity for recordkeepers and plan advisors to work together, differentiate, and create a long-lasting positive impact in the minds of their customers.

A few recommendations

This is an exceptional time and “stay the course” is not enough – It’s time to adjust the messaging delivered to all stakeholders: advisors, plan sponsors, and participants. The economy is at a standstill, whole sectors have been shuttered, the effects are spreading, and finding toilet paper is nearly impossible. Humanize the message by acknowledging the crisis and the challenges customers are facing.

Share data and insights with advisors – Advisors may or may not have the right idea about this crisis. Concerns are relatively low and the idea that we’ll be out of this by in 6 months might seem far fetched to some. Make sure you are deploying your data and insights to give advisors the best perspective to share with plan sponsors.

Cash flow is critical for sponsors and participants – Both sponsors and participants are worried about cash. Sponsors are considering reducing their match and are concerned participants may need to reduce their contribution rate or access their savings. Develop a playbook to help advisors through these conversations and make it easy for plan sponsors to implement changes, if needed. Something similar could be done for participants, focusing on budgeting, cash management, and providing direction to critical resources that may be needed during this time.

In response to recent market volatility caused by COVID-19, NMG conducted an online survey of 101 DC focused advisors that ran from March 24, 2020 through March 28, 2020. Advisors were asked to share the concerns, the impact the crisis has had on their practice, what their plan sponsor clients are concerned about, and to rate DC recordkeeper support.



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