

It's About the Investments, Right?

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Topics in 401(k) Distribution – Third in a Series

Not necessarily.

Advisors are investment pros so it follows that 401(k) fund advisors see their value proposition mainly in terms of supporting investment and investment manager decisions, right? True, for some advisors, some of the time. But for two-thirds or more of all 401(k) advisors, annual plan reviews and plan design and consulting are the most important elements of their value proposition. Designing custom target date funds, in contrast, is at the very bottom of the list, cited as a major part of their value proposition by only 17% of advisors.



To be sure, provider fee analysis and benchmarking get a high score, but only marginally higher than conducting group enrollment meetings. And retirement income planning for participants and executives beats out fund replacement and investment manager search. Only four advisors in ten designate 3(21) fiduciary services as key and even fewer (26%) consider 3(38) fiduciary services to be a major part of their value proposition.

Different advisors, of course, weight these functions differently. For Light advisors (less than 20% of their practice income from 401(k)), it's mainly about one-on-one retirement planning for executives and IRA rollovers from departing or retiring participants (at least until the DOL fiduciary regulations are finalized). This validates yet again our view that Lights are retail advisors dabbling opportunistically in 401(k).

Medium advisors (20% to less than 60%) share with Heavy advisors (60%+) an outsized focus on fund replacement and investment manager search. Unlike Heavies however, Mediums define more of their value proposition around designing custom target date funds.

Heavy advisors don't have much use for retirement planning for executives or participant rollovers, but they are disproportionately focused on plan design and consulting, provider fee analysis and benchmarking, 3(21) (but *not* 3(38)) fiduciary services and RFP preparation and vendor search. Small wonder that providers looking for larger takeover plans court Heavy advisors!

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.