



DC Advisor Response to Market Volatility & COVID-19

Wave 2

Survey fielded May 7 through May 15

Executive Summary

Advisors remain concerned, not panicked

Advisors continue to express a moderate level of concern about the impact of COVID-19 on the defined contribution industry. Just over 80% of advisors responding said they are “slightly” to “moderately” concerned. Decreased 2020 revenue and the potential to lose prospects and new sales continue to top the list of worries.

In addition, more advisors reported that the impact on their practice has not been as bad as expected. In late-March, 62% of advisors said the impact was in line with expectations or better than expected. By early-May, this percentage increased 18 points to 80% of advisors. Most continue to report increases in outgoing client communications and conversations with plan sponsors. Meanwhile, the demand for participant education appears to be declining. Thirty-five percent of advisors reported an increase in activity during May compared to 55% in March.

Despite the decrease in their level of concern, the estimated time for things to return to normal has increased. In March, advisors estimated it would take 6 months, on average. In the latest survey, advisor estimates increased to 8 months. In other words, advisors are now saying things will return to normal towards the end of 2020 or early 2021 versus their original estimate of September or October.

Video conferencing use is up

Physical distancing has posed a challenge for meeting with plan sponsors and participants. Since March, the percentage of advisors using video conferencing increased 16 points to 65% in May. About 40% of advisors expressed interest in using webinars and another 50% are interested in using marketing campaigns to reach clients, but utilization of these methods remained flat.

Changes will stick for some practices

Most advisors said this period has forced them to reconsider how they engage with plan sponsors and participants. Nearly ¾ of advisors said some percentage

of their clients might be willing to switch to a virtual engagement model in the future. Many advisors also reported plan sponsors and participants have been receptive to engaging virtually and that many of the changes made in their practices will remain in place once the pandemic has passed.

Business development is slowing down

The second half of 2020 will see a slow down in sales activity. Nearly 75% of advisors reported they have not started a new recordkeeper review or search since late-February. Half of advisors reported decreases in prospecting, proposal activity, and traditional networking. When asked the status of their pipeline, two-thirds or more reported at least a pause across most business development activities.

Sponsors more concerned about their business than their DC plan

30% of advisors said their clients are “extremely concerned” about the impact the pandemic will have on their businesses and another 44% said their clients are “moderately concerned.” Meanwhile, 80%+ of advisors reported their plan sponsor clients are slightly to moderately concerned about the impact the COVID-19 will have on their plan.

The percentage of advisors having conversations about plan design changes nearly doubled from March to May. Over 50% of advisors reported discussing loosening withdrawal policies and/or freezing/reducing plan matches until the economy improves with their clients. Advisors also said these are the two most common actions taken by their clients.

Recordkeepers and asset managers performing well

Advisors continue to give recordkeepers high marks for their performance during this period. The same can be said for the support provided by asset managers. Still, recordkeepers and asset managers are not distinguishing themselves. Nearly 40% of advisors said no recordkeeper has provided exceptional service. When it comes to asset managers, 35% of advisors said none have provided exceptional service.

Key Findings

MARCH

6

Months until “Back to normal”

76%

Slightly to Moderately concerned about the impact of recent market volatility on the DC industry

2/3

Impact in line with expectations or better

Some indication sales activity might slow down

Recordkeepers getting a B/B+

MAY

8

Months until “Back to normal”

81%

Slightly to Moderately concerned about the impact of recent market volatility on the DC industry

4 in 5

Impact in line with expectations or better

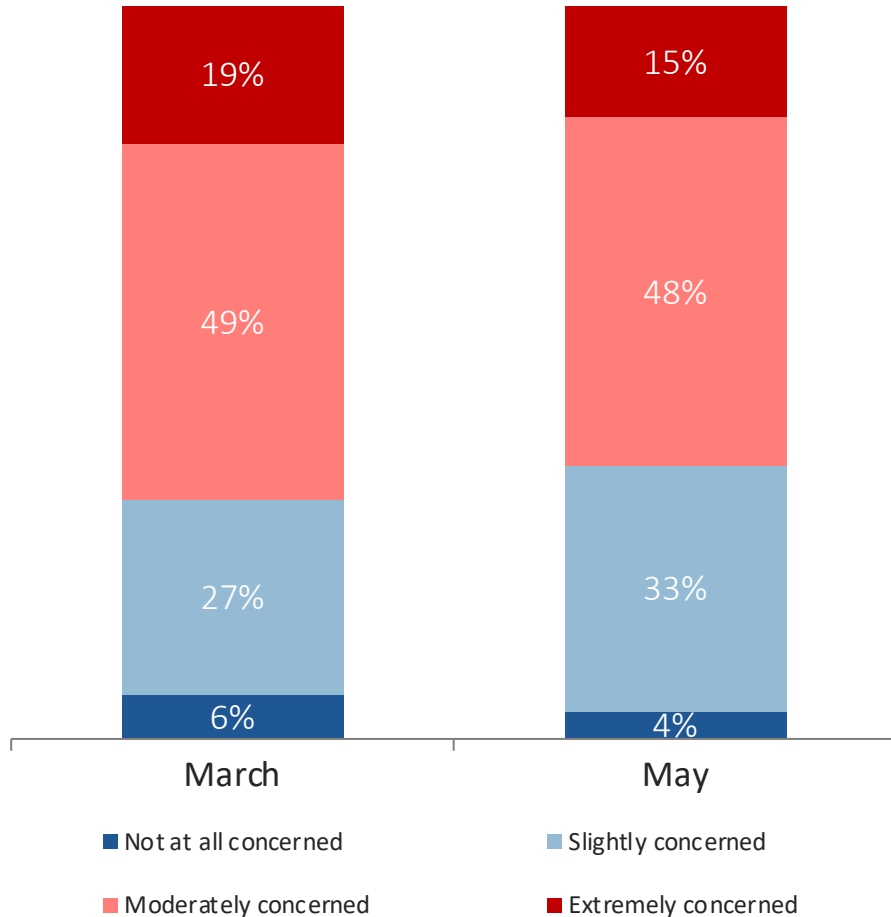
Sales activity WILL slow down – 70%+ of advisors have not initiated a recordkeeper search since late-February

Recordkeepers and asset managers getting a B/B+

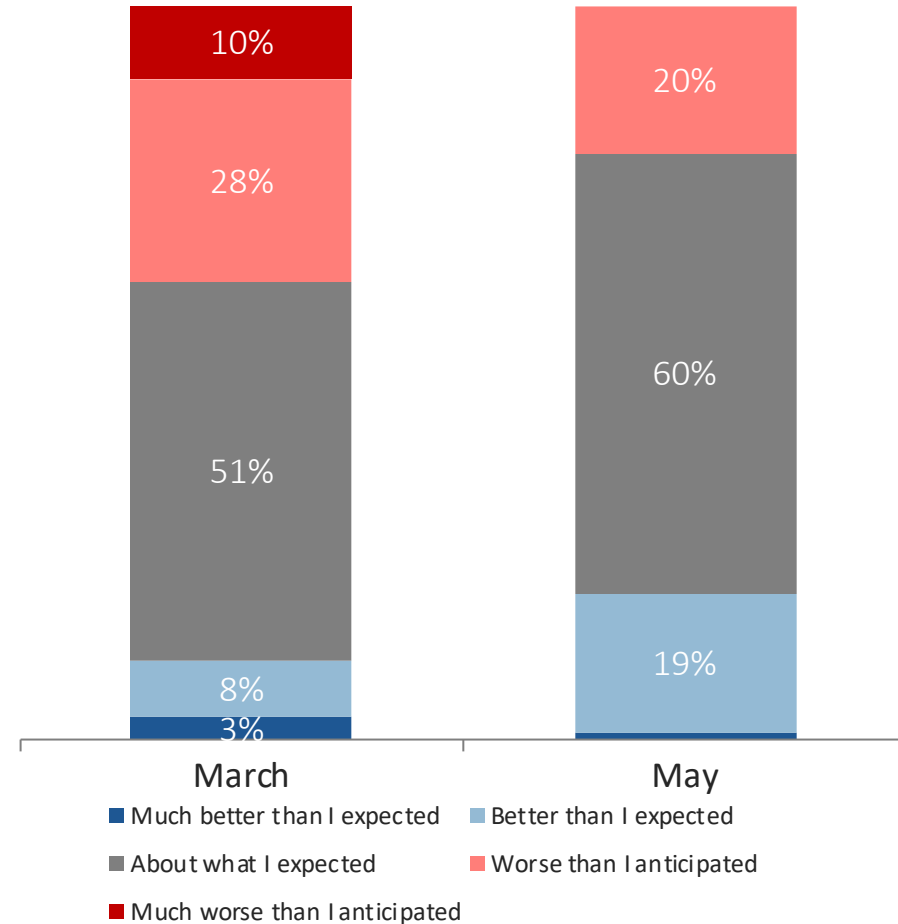
Impact on Advisor Practices

Advisors continue to express a moderate level of concern about COVID-19’s impact on the DC industry. 4 out of 5 advisors now say the impact on their practice has been in line with expectations or better.

Level of Concern Relative to DC Industry
% of advisors

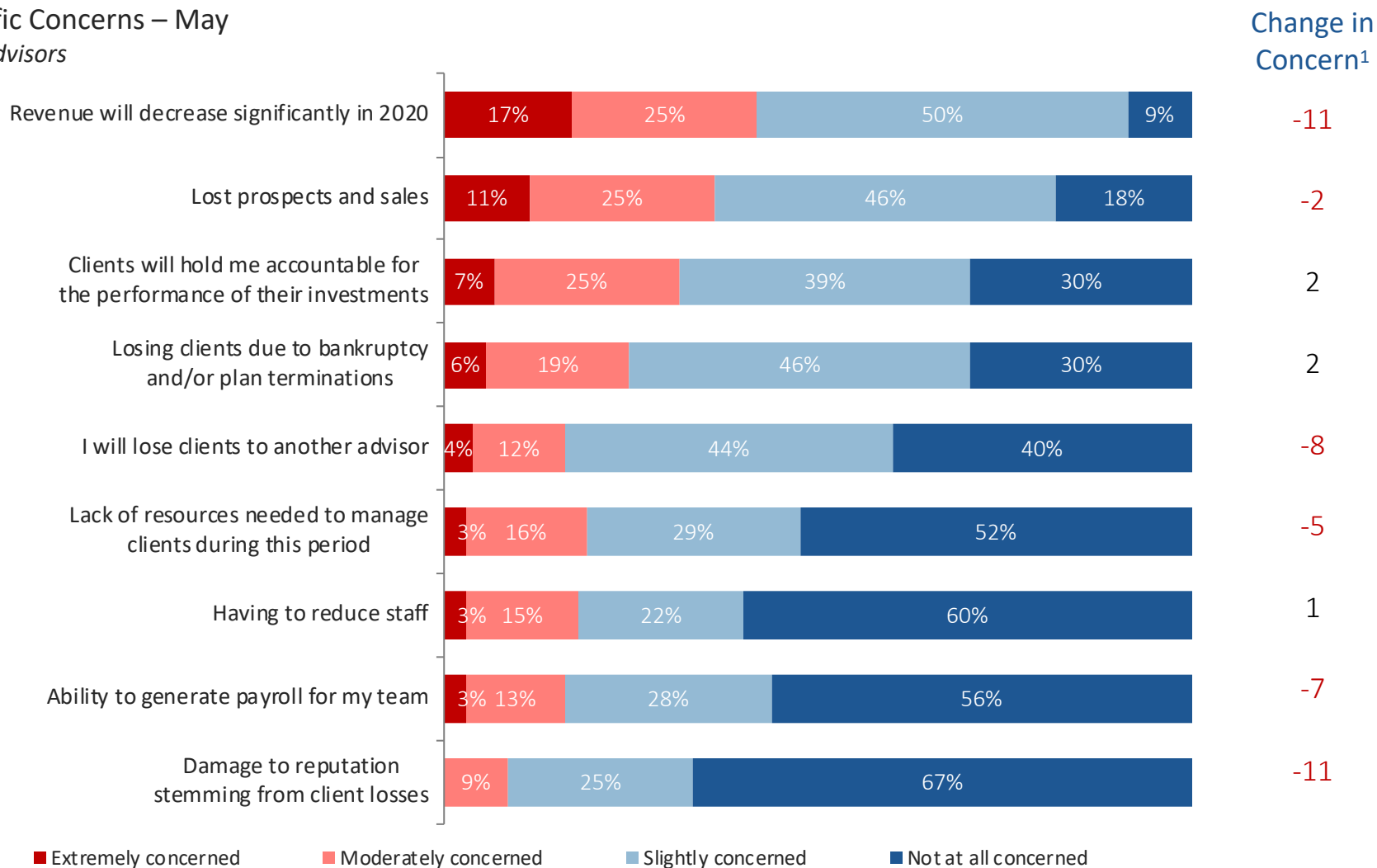


Impact on Practice
% of advisors



The level of concern in specific areas have dropped slightly or remained flat. Revenue decreases and lost sales still top the list. Layoffs and meeting payroll are not significant concerns for most advisors.

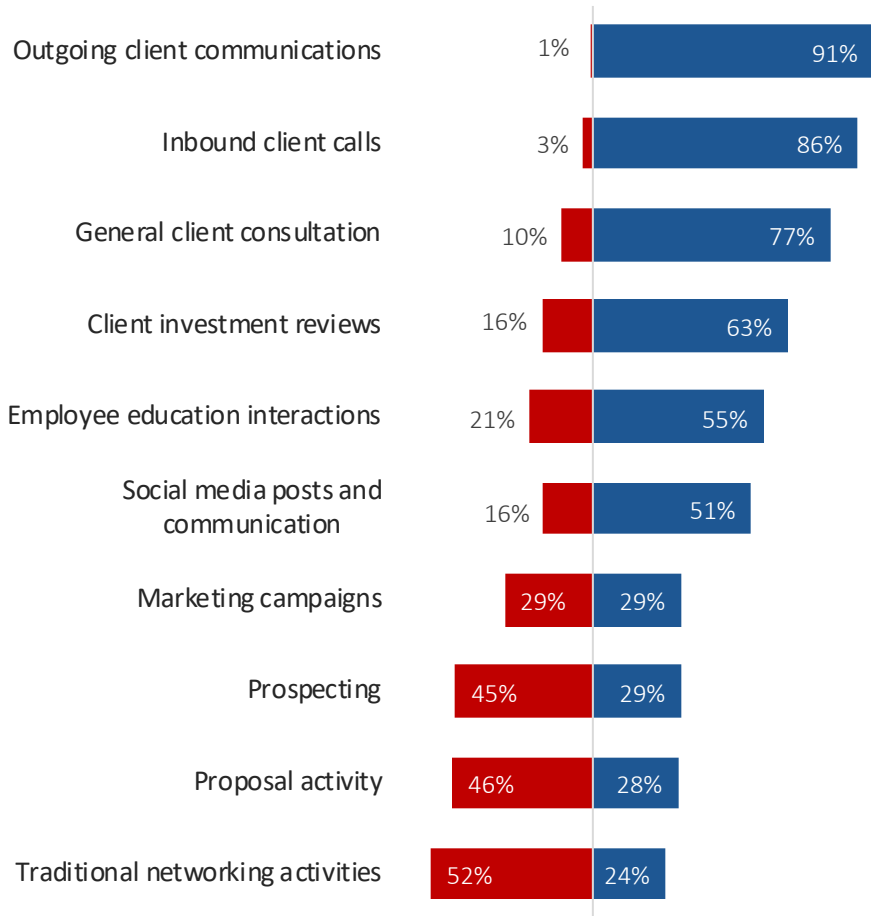
Specific Concerns – May
% of advisors



Most advisors continue to experience increased levels of outgoing client communications, in-bound calls, and providing general consultation. Demand for participant education appears to have decreased since March.

Specific Impacts on Practice - March

% of advisors



■ Decreased ■ Increased

Specific Impacts on Practice - May

% of advisors

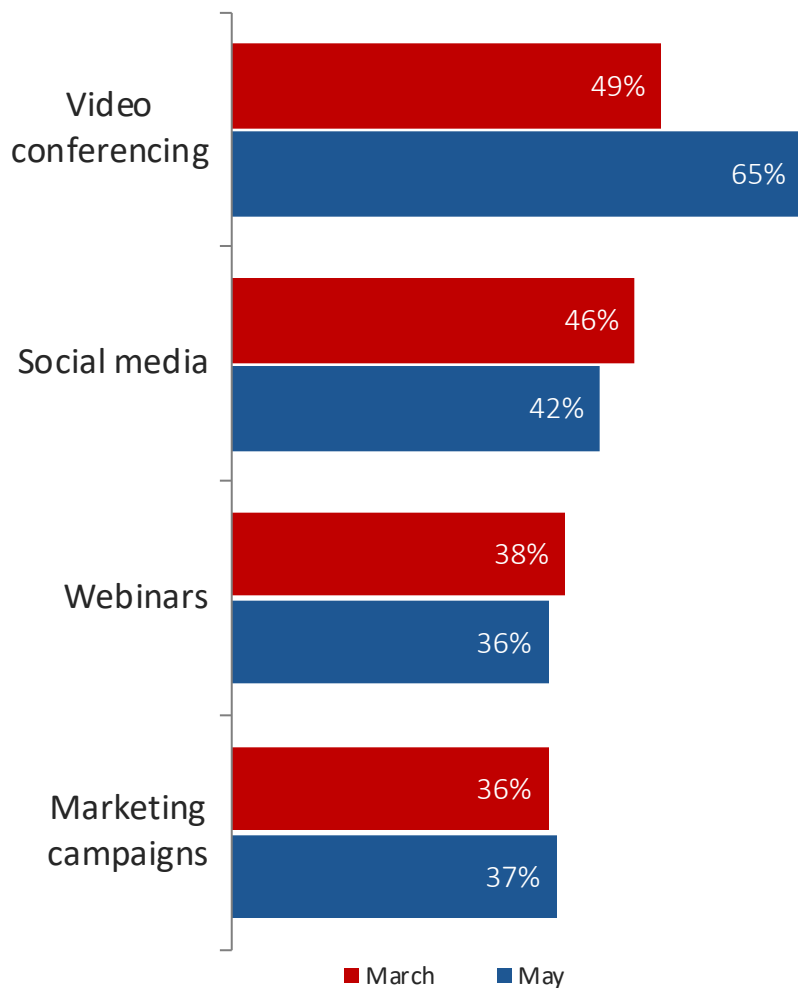


■ Decreased ■ Increased

Some advisors have adapted to physical distancing by implementing video conferencing. Other methods of client engagement, such as webinars or marketing campaigns, have not seen increased adoption despite a large percentage of advisors expressing interest.

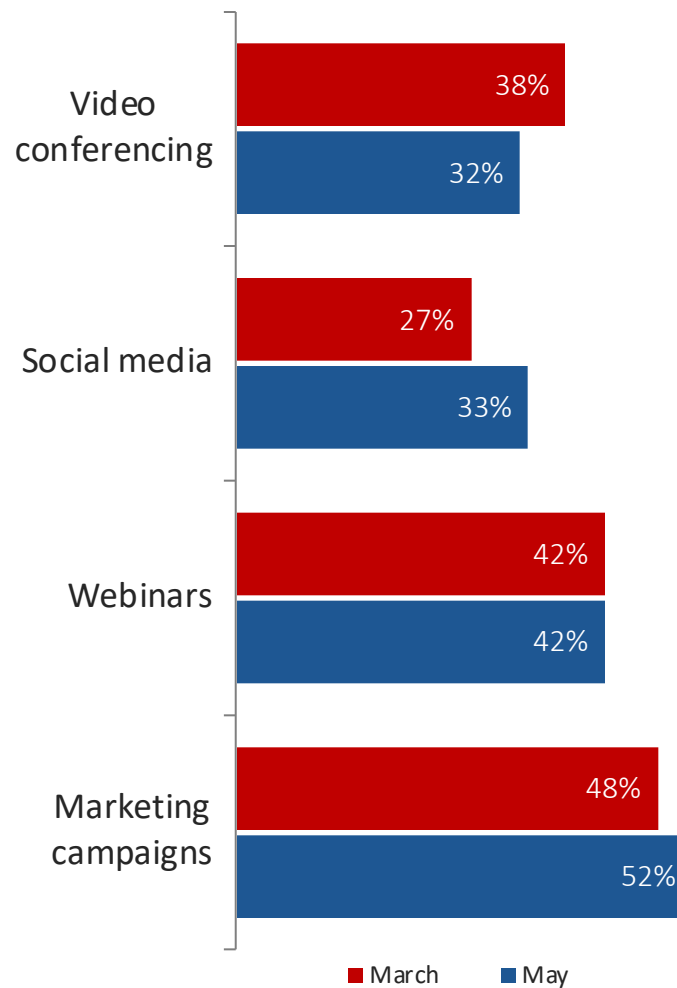
Methods in Place for Maintaining Client Contact

% of advisors with capability in place



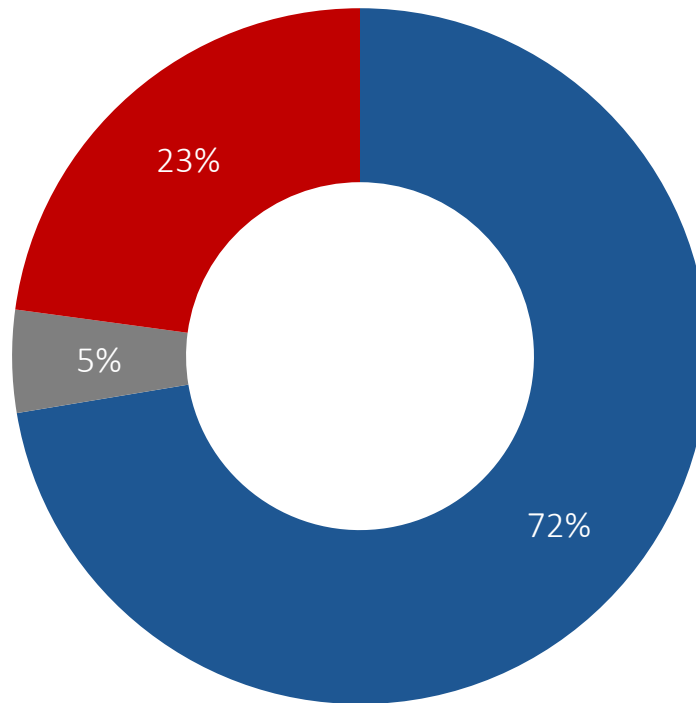
Methods Considered for Maintaining Client Contact

% of advisors considering capability



Most advisors believe some portion of their plan sponsor clients will accept virtual engagement, if it becomes a preferred advisor service model.

Virtual Engagement Acceptance
% of advisors

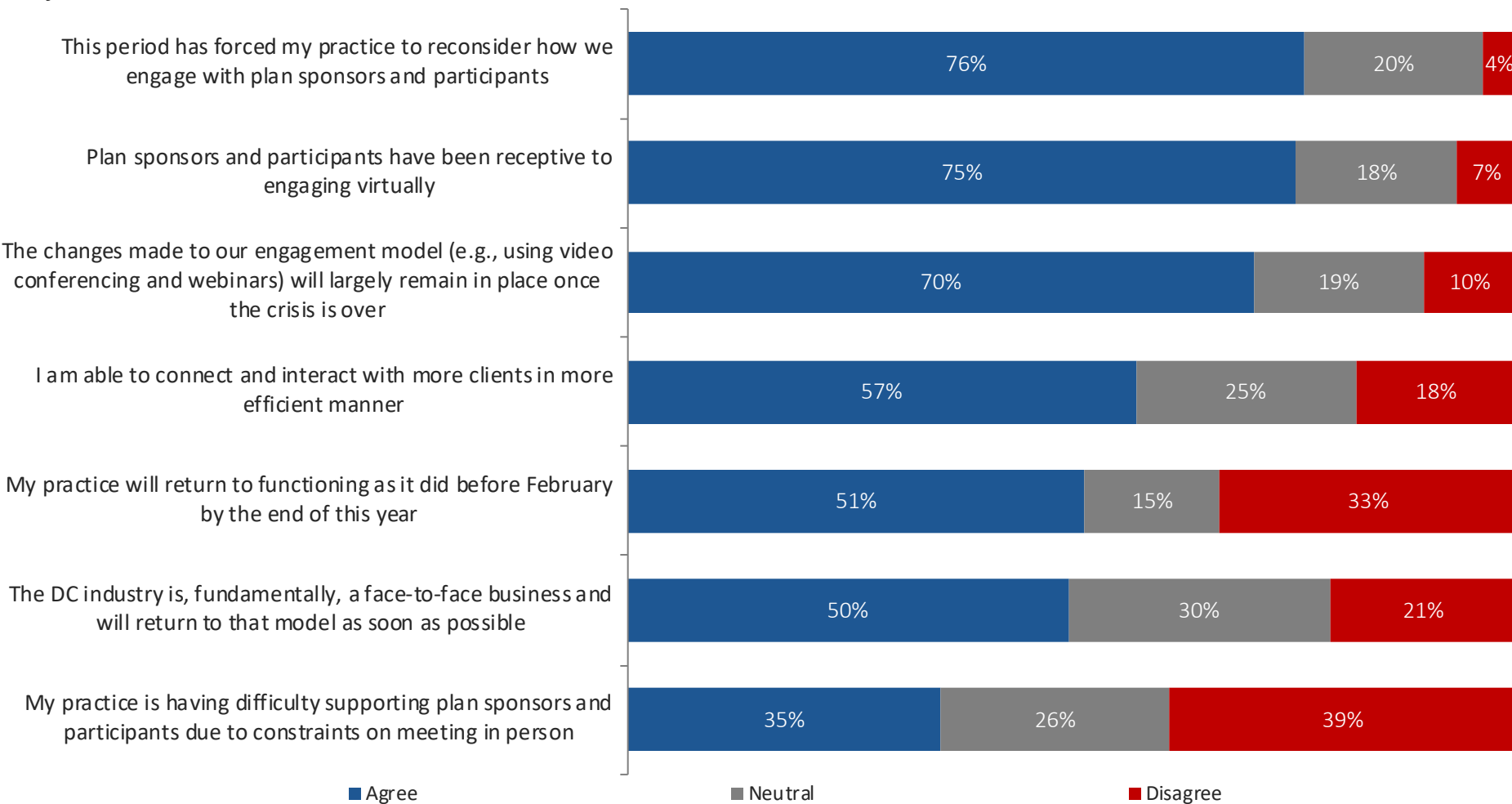


■ Sponsors willing ■ Sponsors not willing ■ This will not become a preferred service model in my practice

This period has pushed advisors to evaluate their engagement models and implement new methods to interact with clients. Most are seeing positive results and will retain some of the changes when things return to normal.

Perception of Changes Prompted by COVID-19

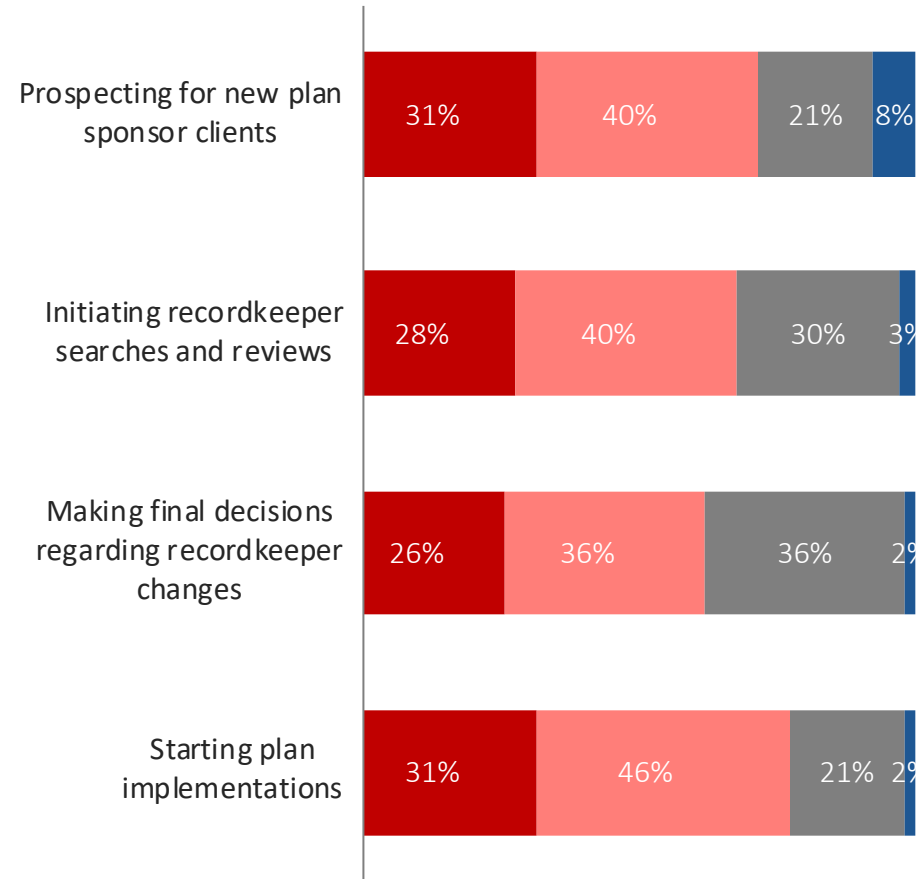
% of advisors



Very few advisors reported increases in business development activities. Most have at least paused some portion their business development and nearly 3/4 reported they have not started a recordkeeper review or search since late February.

Business Development Status

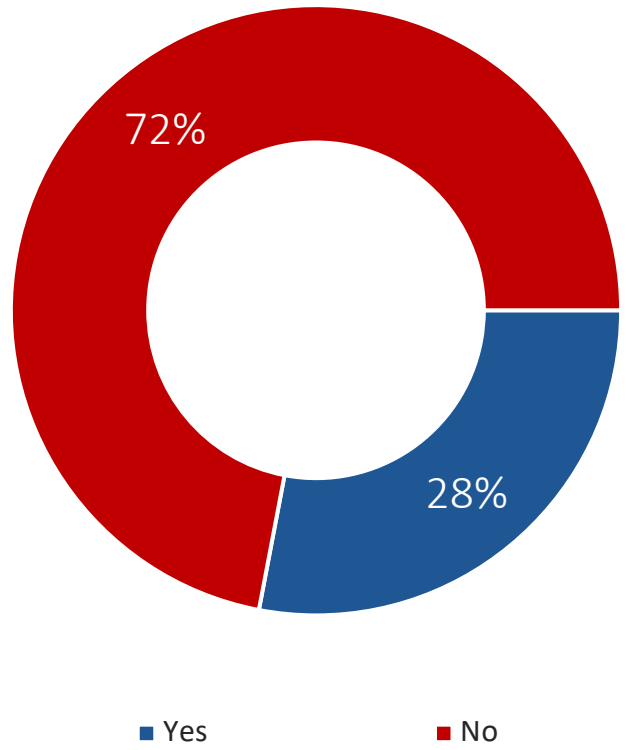
% of advisors



■ The majority of activity has been halted
 ■ Some activity has paused
■ Maintaining business as usual
 ■ Activity has increased

Initiated a Search or Review Since Late-February

% of advisors



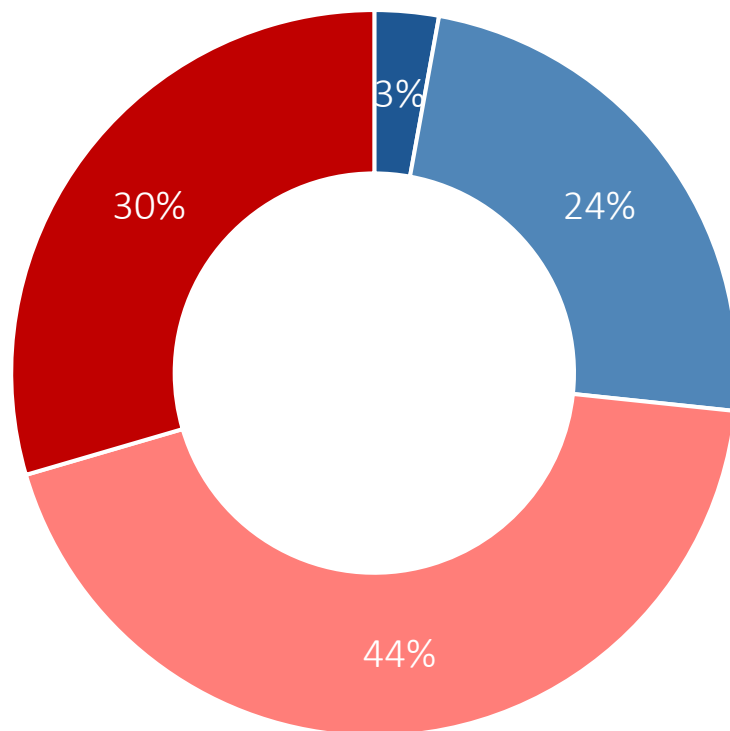
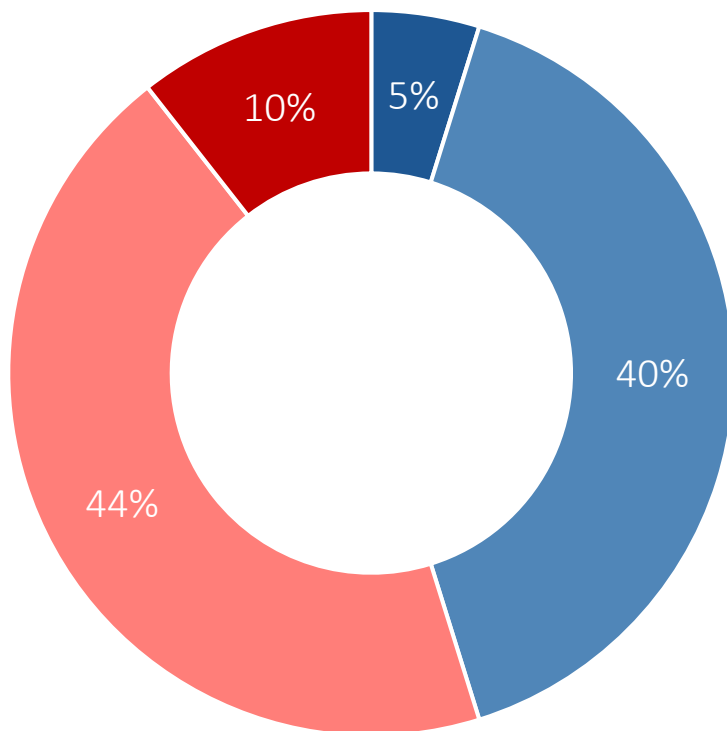
■ Yes
 ■ No

Plan Sponsor Reaction

According to advisors, sponsors are far more concerned with the health and stability of their businesses than they are with the impact COVID-19 will have on their DC plan.

Sponsor Level of Concern – DC Plan
% of advisors

Sponsor Level of Concern – Business
% of advisors



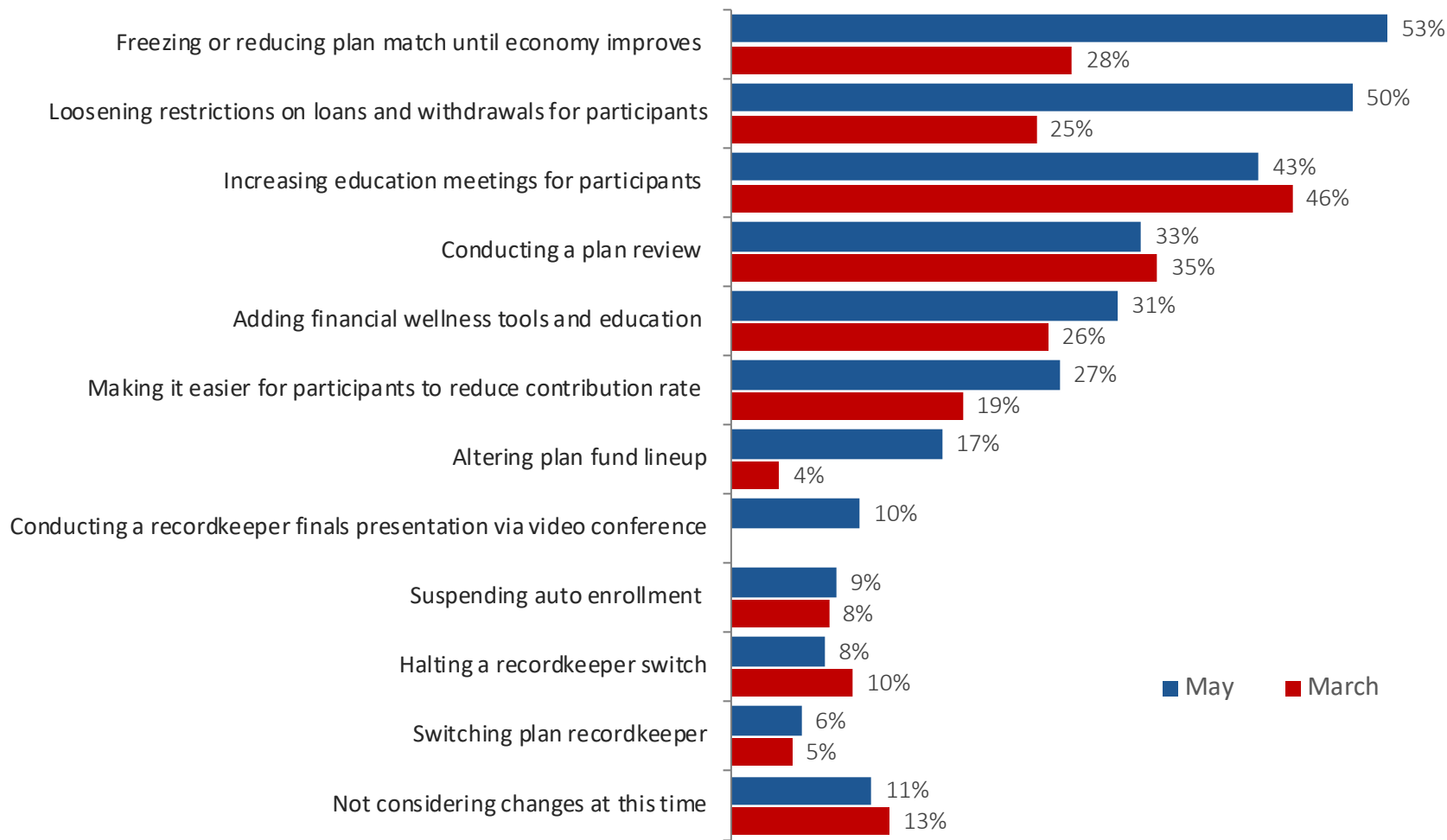
■ Not at all concerned ■ Slightly concerned
■ Moderately concerned ■ Extremely concerned

■ Not at all concerned ■ Slightly concerned
■ Moderately concerned ■ Extremely concerned

The percentage of advisors discussing altering matches and and/or making it easier for participants to withdraw money has nearly doubled since March.

Actions Being Considered by Plan Sponsors

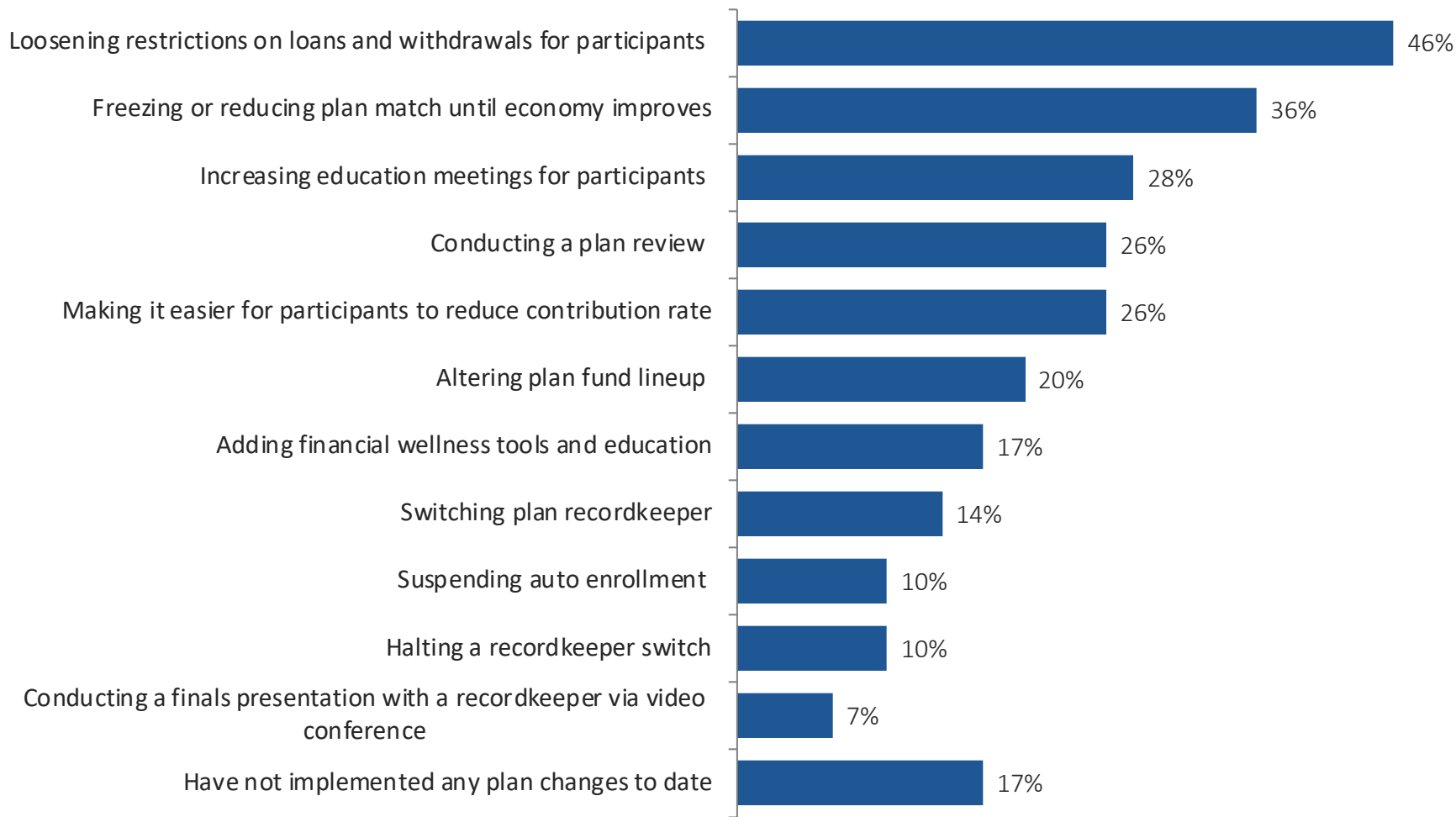
% of advisors discussing with plan sponsor clients



Just under half of advisors have a client who has loosened restrictions on withdrawals.
 1/3 have at least one client who has altered their plan’s match.

Actions Implemented by Plan Sponsors

% of advisors with plan sponsor clients who implemented change

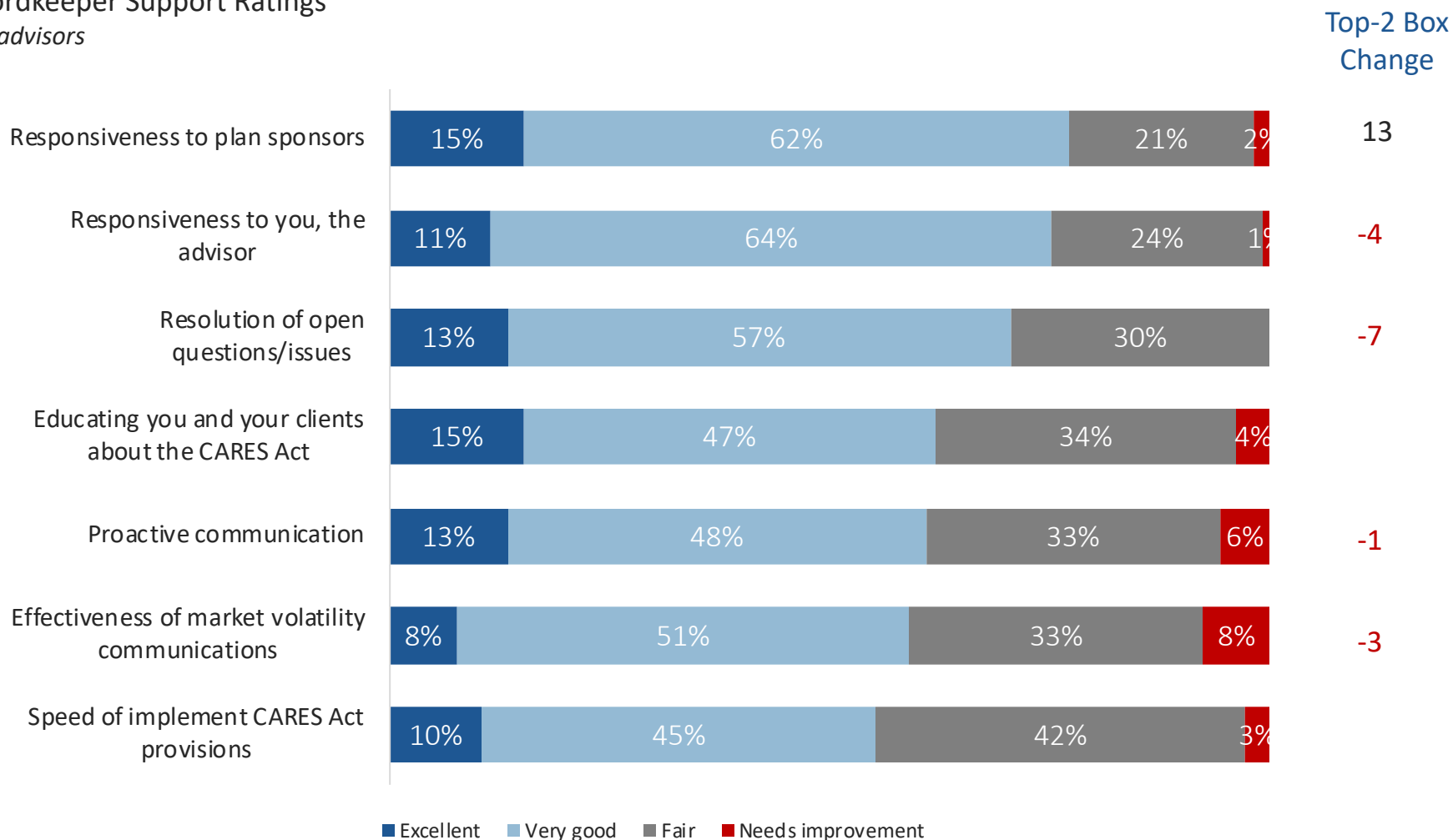


Recordkeeper & Asset Manager Performance

Recordkeepers continue to provide solid support to advisors. Top-2 box ratings in responsiveness to plan sponsors increased 13 points since March, while there was a slight decline in the resolution of open questions.

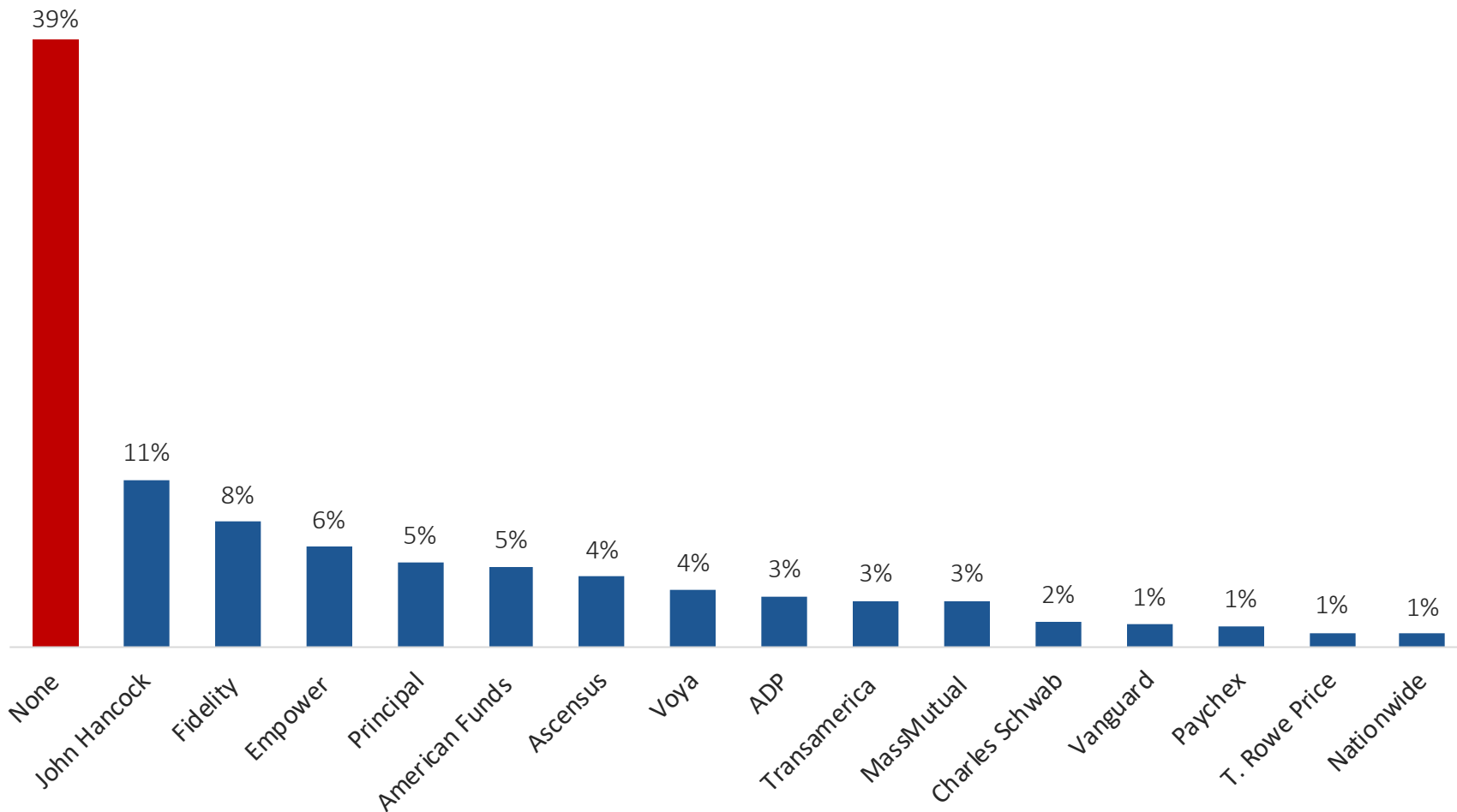
Recordkeeper Support Ratings

% of advisors



2 out of 5 advisors say no recordkeeper has distinguished themselves during the pandemic. John Hancock and Fidelity have a slight lead over the other recordkeepers.

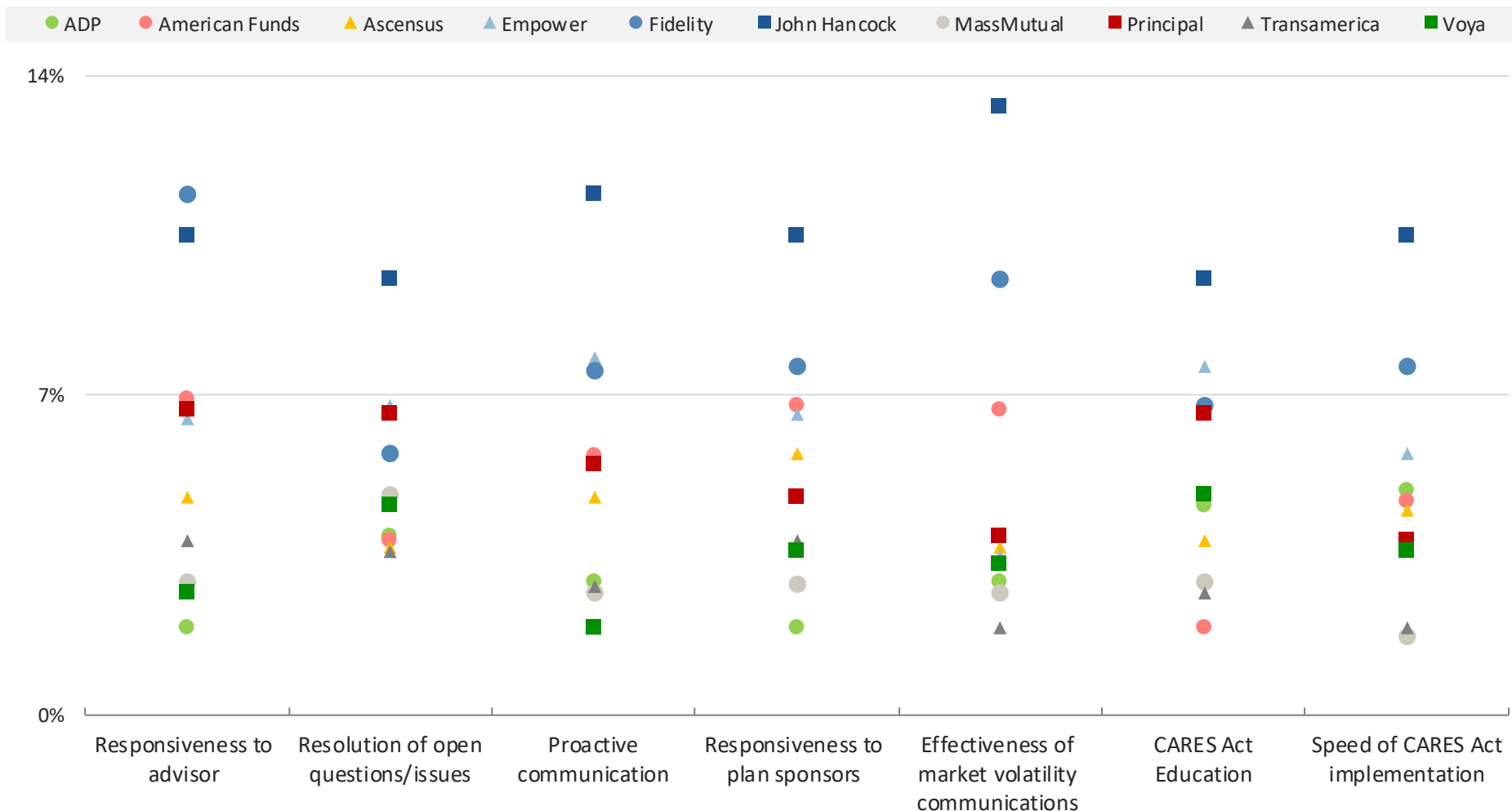
Recordkeepers Delivering “Exceptional” Support
 Average % of advisors naming recordkeeper for criteria



John Hancock received the most citations in nearly every service area. Fidelity is second in 4 out of 7 criteria and beats John Hancock in *Responsiveness to advisors*.

Top-10 Recordkeepers Providing “Exceptional” Support

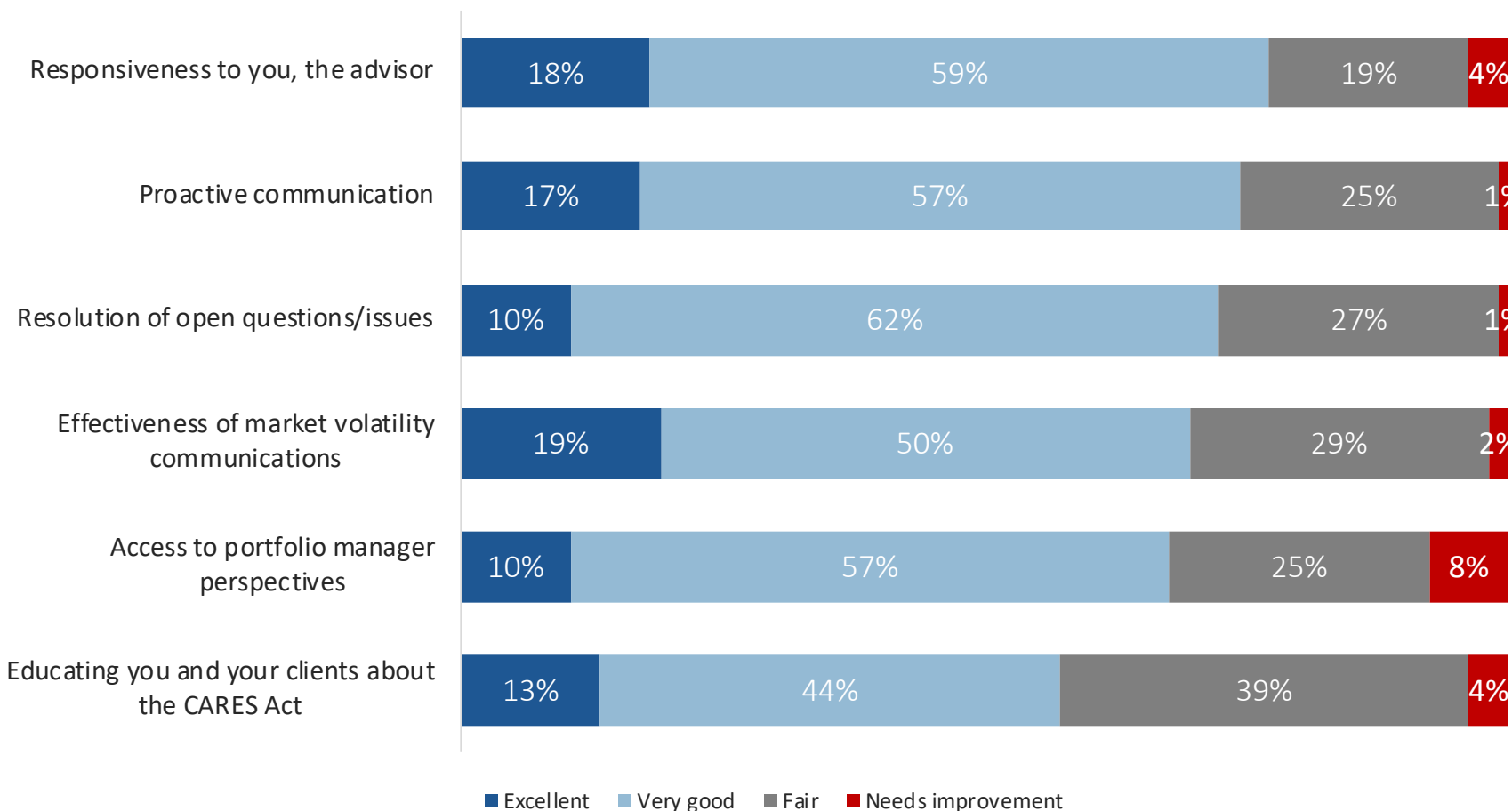
% of advisors naming recordkeeper for criteria



Asset managers performed comparably to recordkeepers. Collectively, they are providing a solid level of support to advisors.

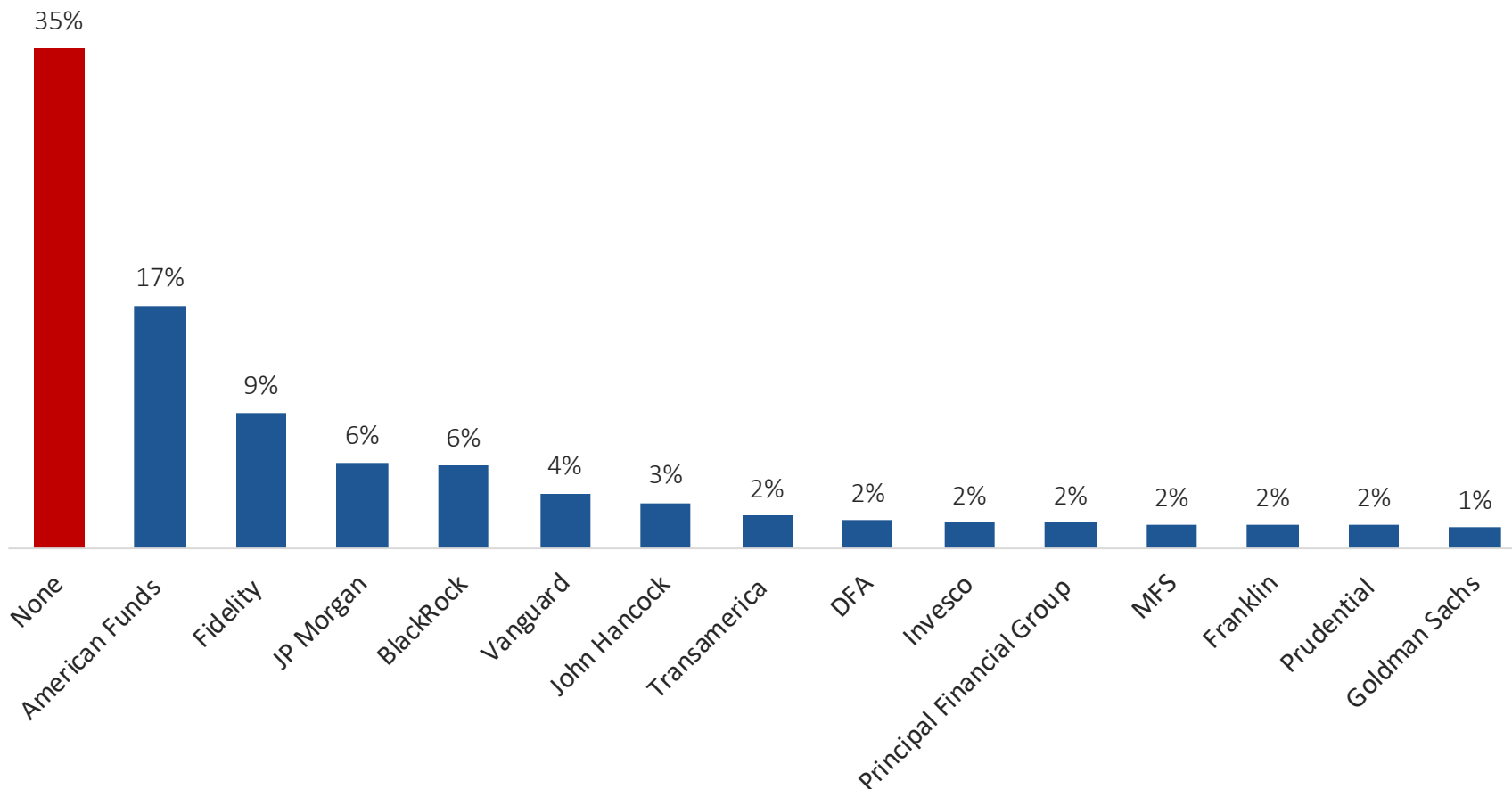
Asset Manager Support Ratings

% of advisors



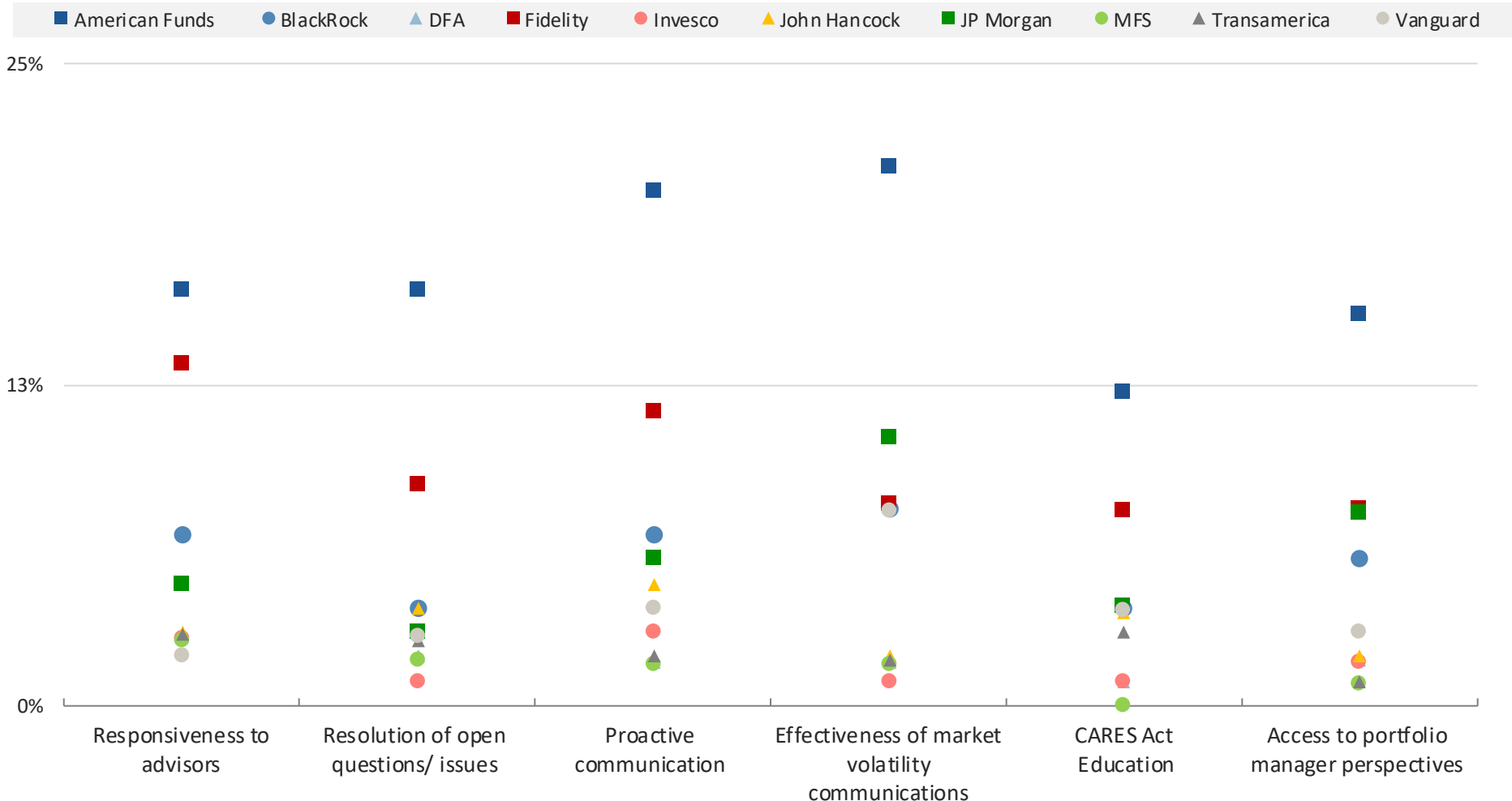
About 1/3 of advisors say no asset manager has distinguished themselves during the pandemic. American Funds leads second placed Fidelity by 7 points. The remaining asset managers lag these two providers.

Asset Managers Delivering “Exceptional” Support
Average % of advisors naming asset manager for criteria



American Funds and, to a lesser extent, Fidelity have distinguished themselves across multiple rating criteria.

Top-10 Asset Managers Providing “Exceptional” Support
 % of advisors naming asset manager “exceptional” for criteria

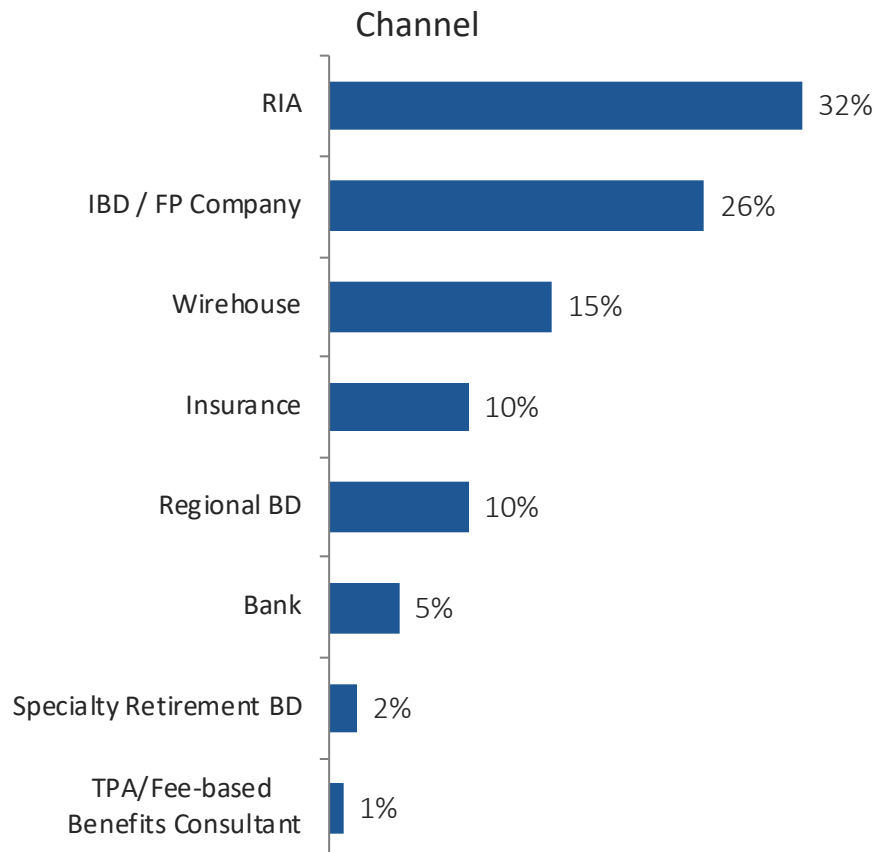


For each of the areas below, please tell us which asset managers, if any, have provided an exceptional level of support
 Note: Advisor responses were unaided. Top-10 based on total mentions across categories.

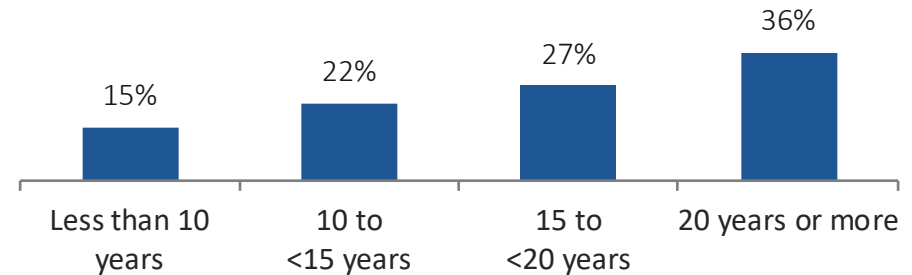
Methodology and Respondent Profile

Methodology

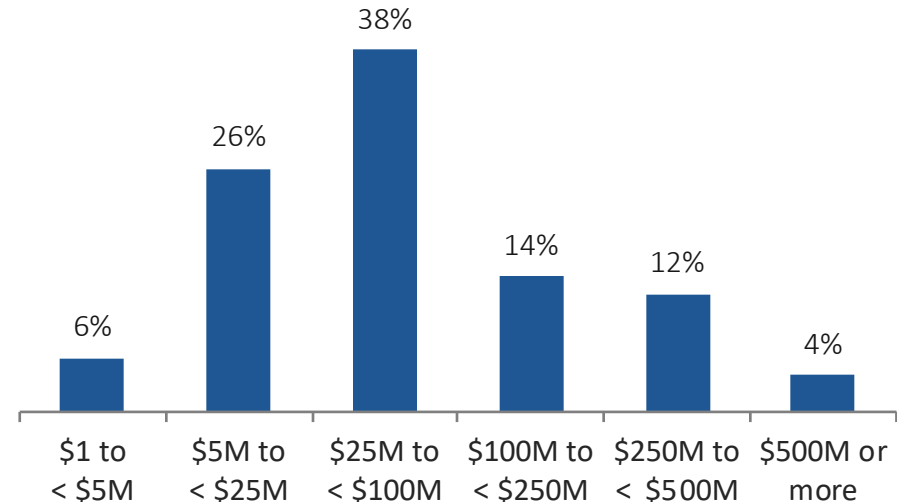
We conducted an online survey of 105 financial advisors who are currently advising defined contribution plans. The survey was fielded May 7, 2020 through May 15, 2020.



Tenure (Average 17 years)



Total 401(k) AUM Average \$120 million, Median \$63 million



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