



DC Advisor Response to Market Volatility & COVID-19

Wave 3

Survey fielded August 26 through August 31

Executive Summary

Outlook continues to improve

In late-March, 62% of advisors said the impact of COVID-19 was in line with expectations or better than expected. By late-August, the percentage increased nearly 30 points to 91% of advisors. This may be due, in part, to a better understanding of COVID-19's impact on the economy and client engagement returning to manageable levels.

The positive sentiment may also stem from a better perspective on the financial health of their practices. Most advisors see their practice ending 2020 with revenue and margins that are comparable to their 2019 results. Just over 80% expect to maintain similar levels of client retention. However, there is still a notable percentage of advisors who expect 2020 revenue, margin, and headcount to be lower than they were at the end of 2019.

Strong interest in virtual engagement, some progress in implementation

Physical distancing poses a challenge for meeting with plan sponsors and helping participants. Most advisors have considered and some have implemented different methods to adapt. Since March, the percentage of advisors using video conferencing increased 21 points to 70%. Meanwhile, about 40% of advisors continue to express interest in using webinars and another 50% are interested in using marketing campaigns to reach clients. Despite the interest, utilization of these methods has not increased.

Help needed with webinars

There are some indications that adapting to a remote engagement model has not been easy. Thirty-eight percent of advisors said they are concerned about social distancing guidelines impacting their ability to help participants. Another third reported their practice is having difficulty supporting plan sponsors and participants due to physical distancing.

Recordkeepers can help by providing content advisors can share with plan sponsors and participants. General retirement education tops the list of topics, followed by general investing, with market commentary in a distant third place. Financial wellness topics, individually, did not rate highly. Some advisors are open to having recordkeepers facilitate participant education webinars.

Business development has not picked up

Slow sales activity is likely to continue for recordkeepers through the end of 2020. Sixty-one percent of advisors reported they have not started a new recordkeeper review or search since late-February. This is an

improvement from May, when approximately 3 out of 4 advisors said they had not started a review or search. When asked about the status of their sales pipeline, about half of advisors reported at least some portion of their business development is paused. The chances for improvement in the short term appear dim. Over the next three months, 76% of advisors said they expect the level of recordkeeper search and review activity to remain the same.

Virtual engagement is going well

Most interactions between advisors and recordkeepers have been conducted over the phone or via video conference. In general, 1:1 conversations between the advisor and a wholesaler or relationship manager are being conducted over the phone. Video conferencing is used most often when the plan sponsor or participants are included.

Advisors are relatively satisfied with the way interactions have been conducted over the past 6 months. Sales and business development interactions are rated a bit lower than those related to ongoing service or participant education. In many instances, advisors who conducted an interaction over video gave it a higher rating than those who conducted the interaction over the phone.

The future of recordkeeper service is local

Local service is, and will continue to be, important to advisors. Seventy-seven percent of advisors said onsite education will continue to be important for some employers. Another 54% said a local relationship manager resolves issues better than one based in another region or recordkeeper's headquarters. Very few advisors see themselves engaging with their key recordkeeping contacts differently once social distancing guidelines have been lifted.

Shifting to a fully remote service model would come with risks. If a recordkeeper were to eliminate local service, just over half of advisors said they would stop working with the recordkeeper and 49% would expect a fee reduction.

Key Findings

MARCH

6 Months until “Back to normal”

2/3 Impact in line with expectations or better

52% Expected 2020 revenue to decrease significantly

Indication recordkeeper sales activity might slow down

Recordkeepers getting a B/B+

AUGUST

8.5 Months until “Back to normal”

90% Impact in line with expectations or better

13% Expect 2020 revenue to decrease significantly

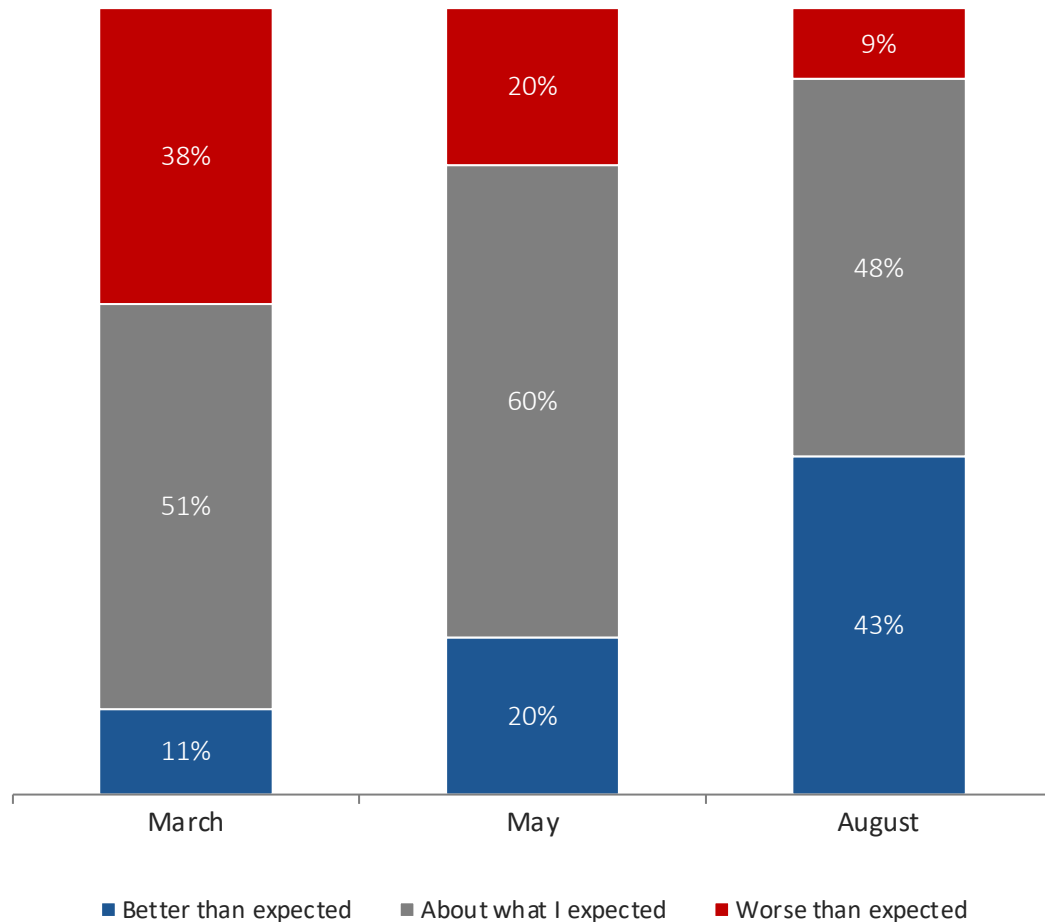
Sales activity HAS slowed down – 60%+ of advisors have not initiated a recordkeeper search since late-February

Recordkeepers and asset managers still getting a B/B+

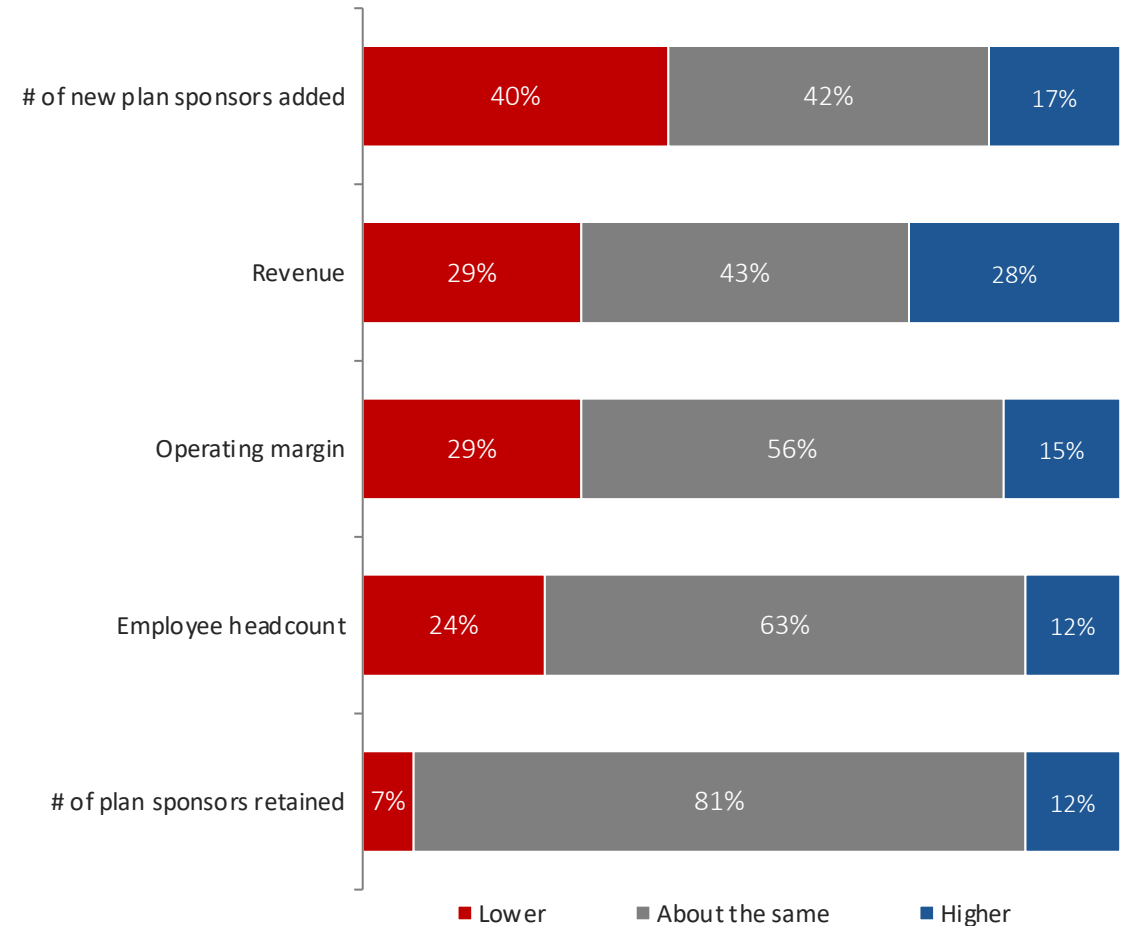
Impact on Advisor Practices

Compared to March, DC advisors are more likely to report the impact of COVID-19 and the market volatility that followed has been better than expected. Most expect 2020 business results to come in at or below 2019 results with one quarter left.

Expected Impact of COVID-19 on Practice
% of advisors



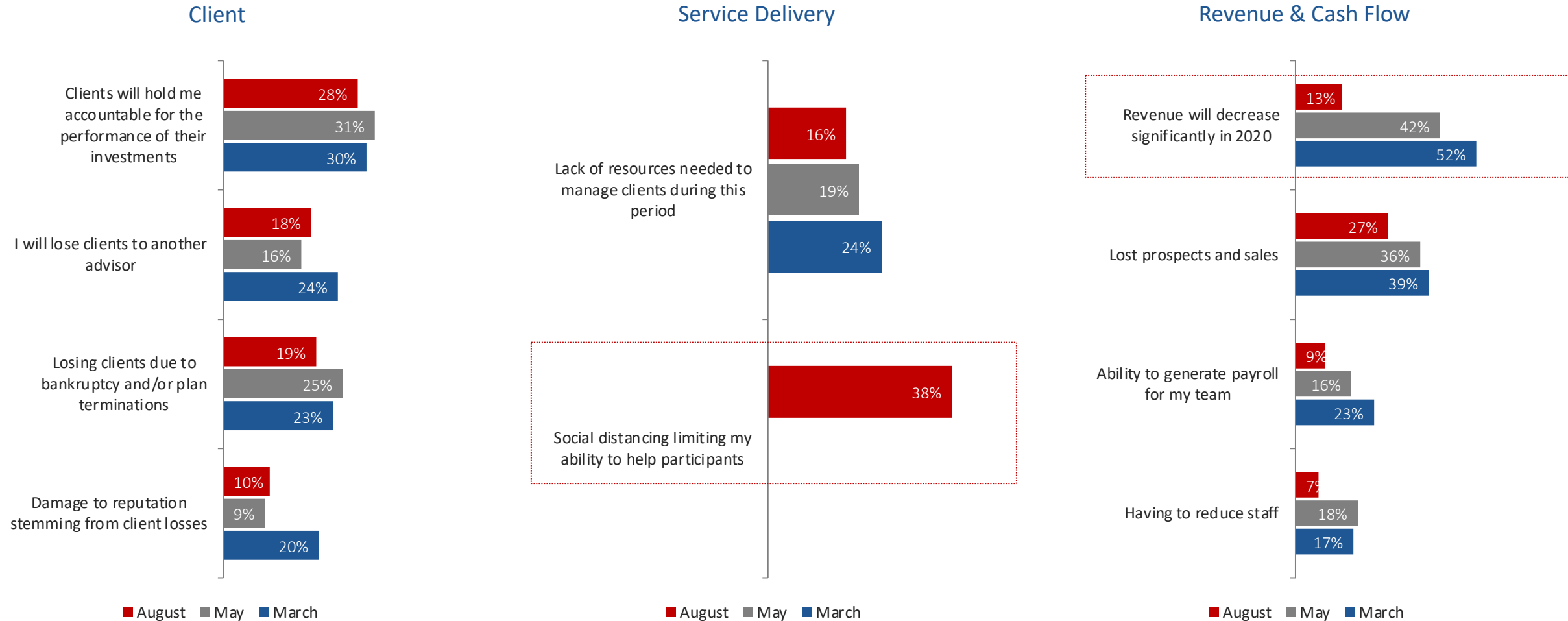
2020 vs. 2019 Business Results
% of advisors



While concerns about revenue and cash flow have declined since March, advisors still express concern about the impact COVID-19 may have on plan sponsors and how their practice will continue to help participants in a socially distanced environment.

Practice of Specific Concerns

% of advisors Moderately or Extremely concerned

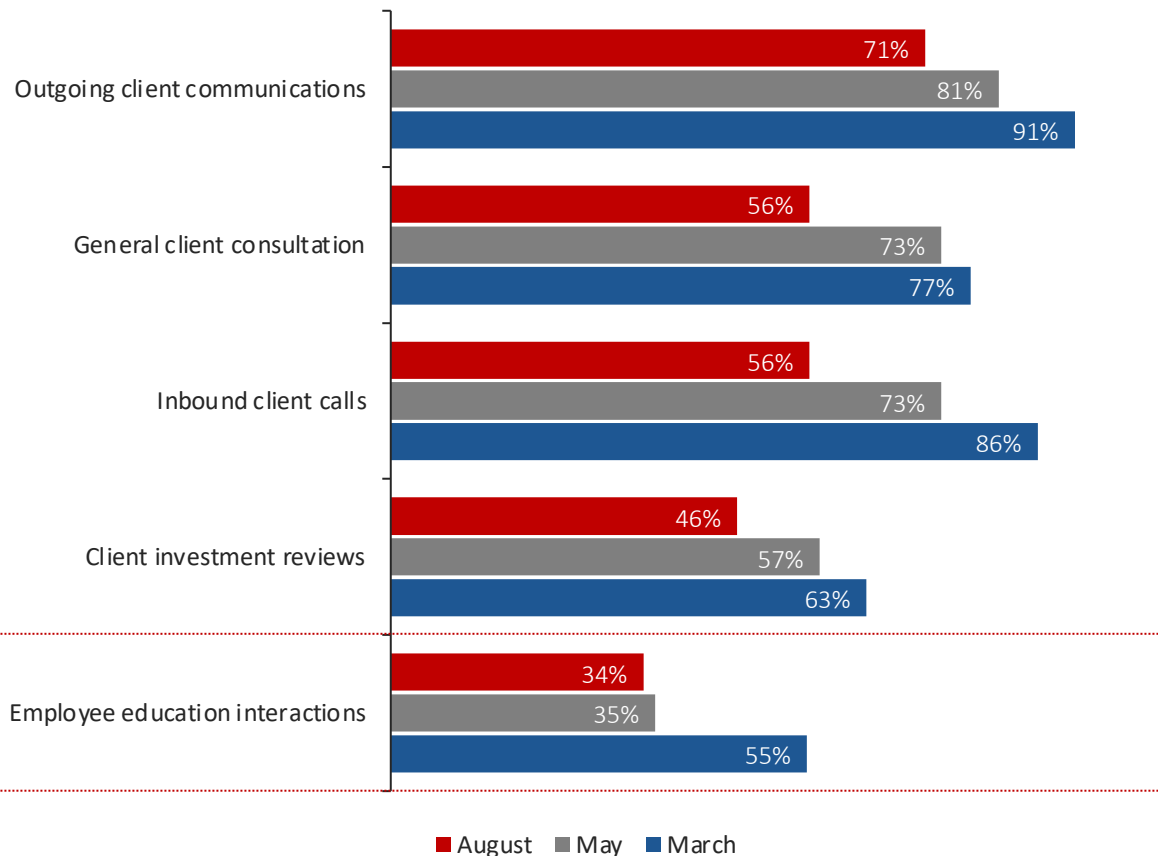


Nearly every advisor reported an increase in client engagement during March. Since then, it appears some advisors are returning to lower levels of client engagement. Meanwhile, there has been little change in the number of advisors reporting increases in business development activities.

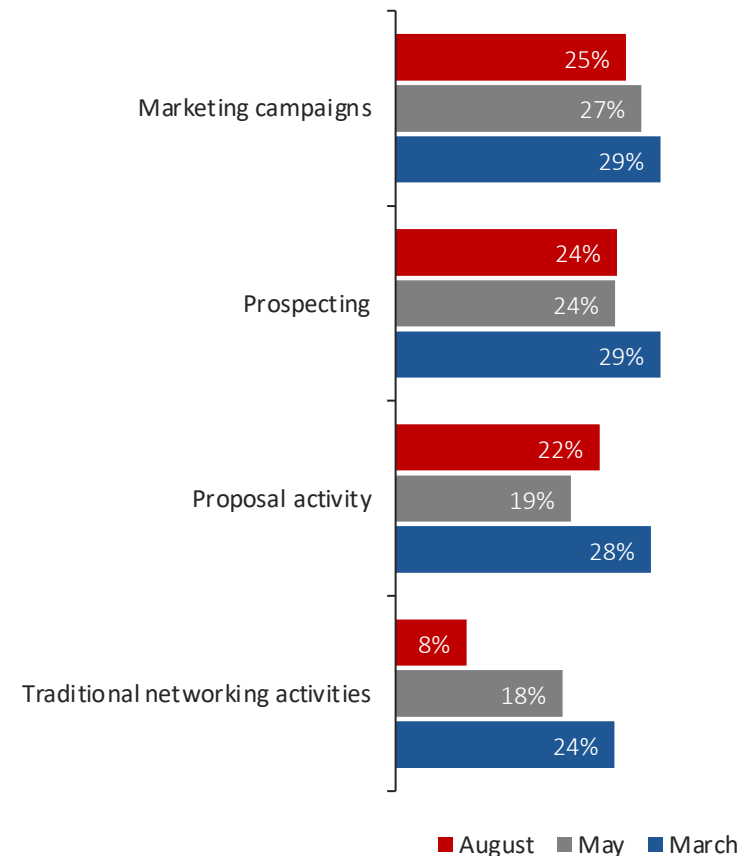
Increase in Activity within Practice

% of advisors

Plan Sponsor & Participant Service



Business Development

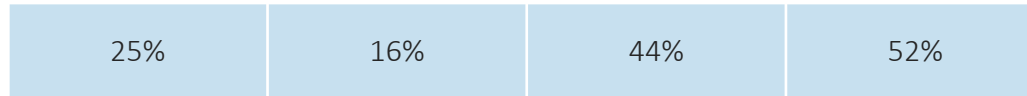


Video conferencing, Zoom specifically, is a popular way for advisors to engage with clients. Advisors continue to express interest in webinars and producing marketing campaigns, but there has been little change in the number of practices with those capabilities.

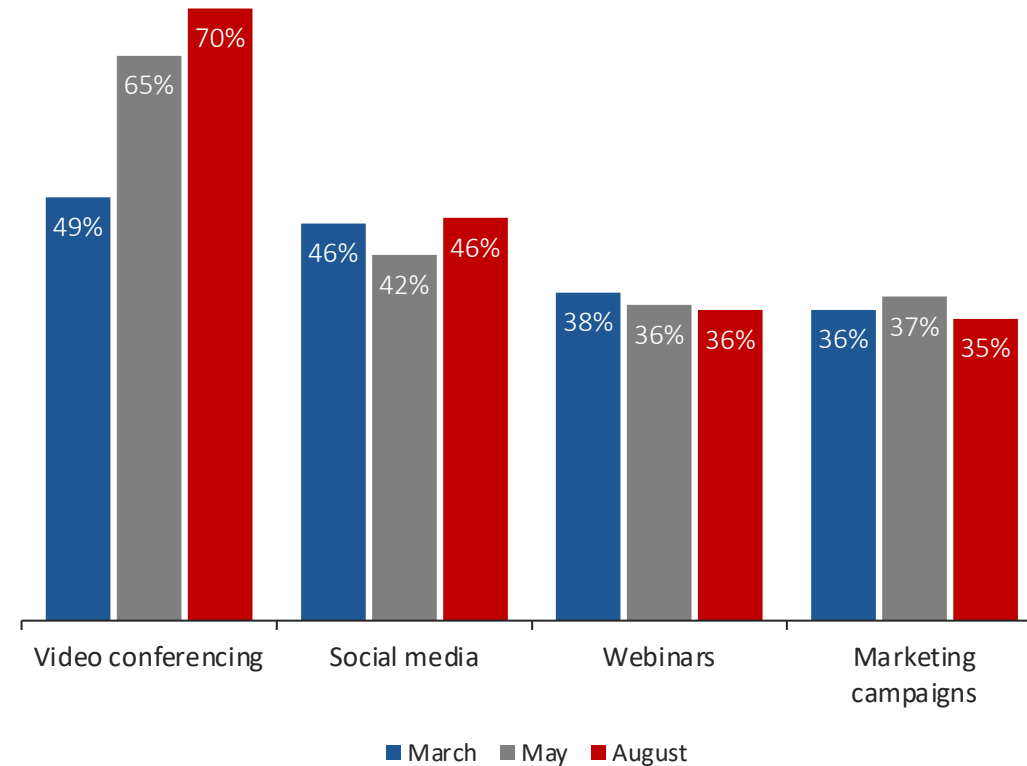
Methods Used for Maintaining Client Contact

% of advisors

Advisors Considering Adding Capability as of August

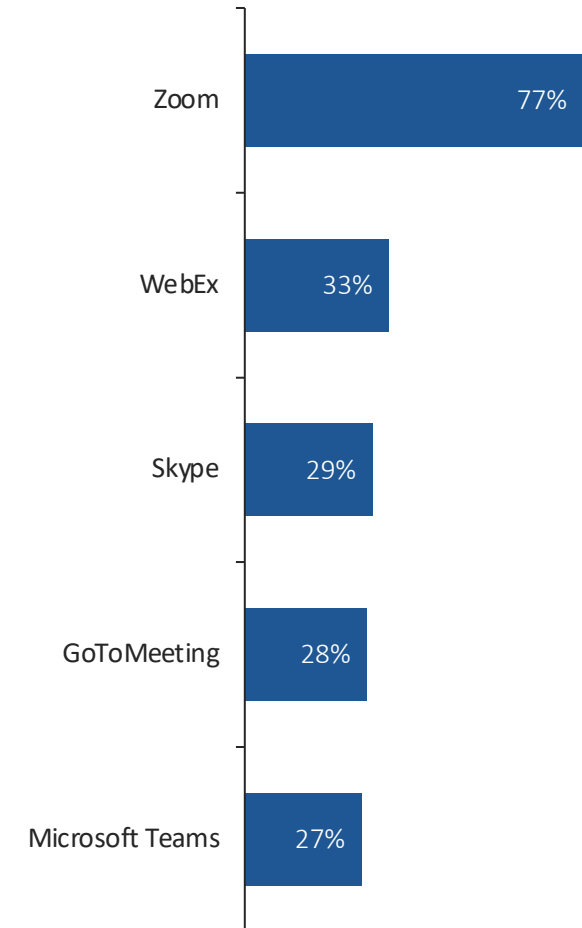


Advisors with Capability in Place



Video Conference Platform Used

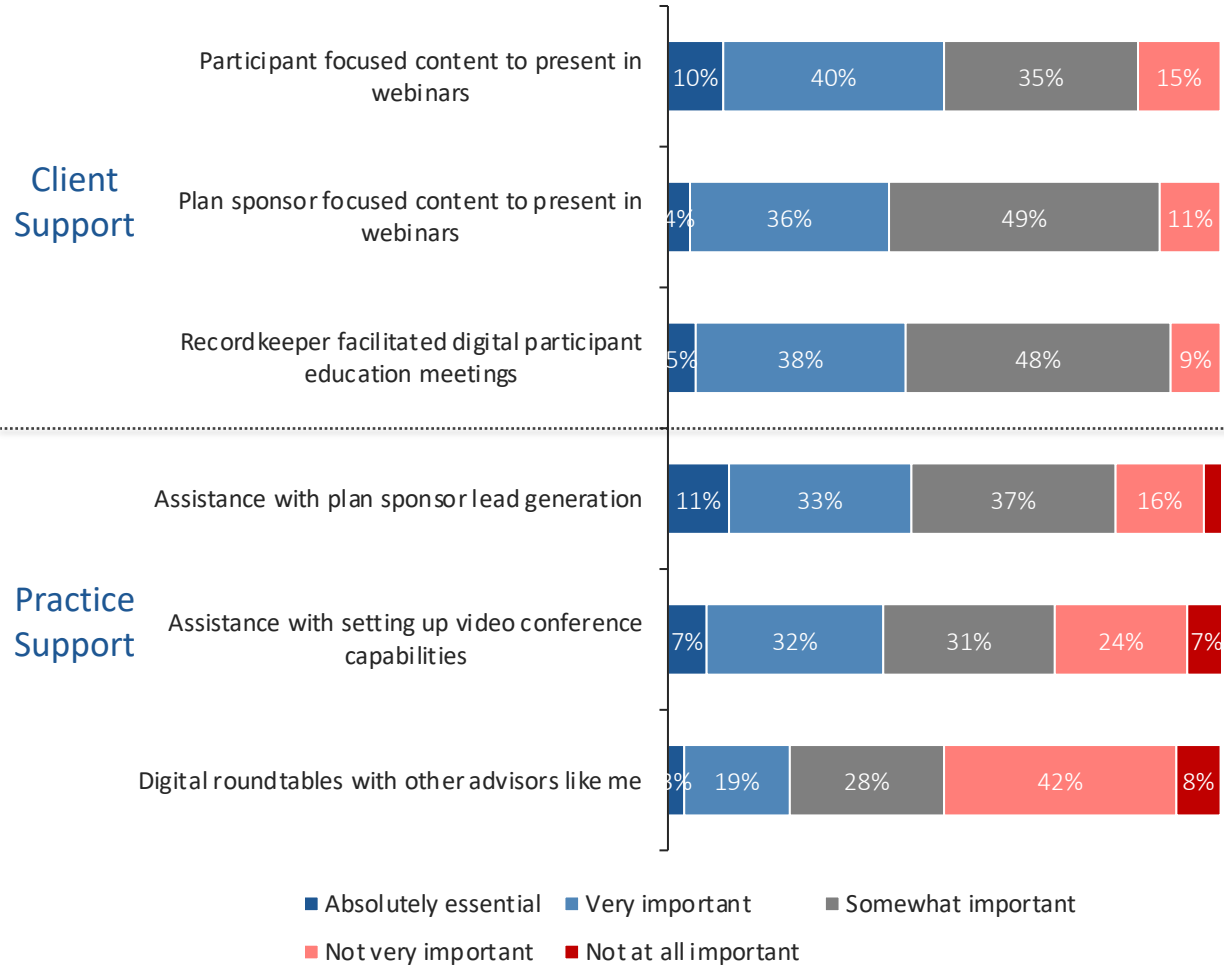
% of advisors using video conferencing



Advisors are interested in content they can share with sponsors and participants and/or having the recordkeeper to facilitate digital education meetings. Retirement savings tops the list of topics they would like to see covered.

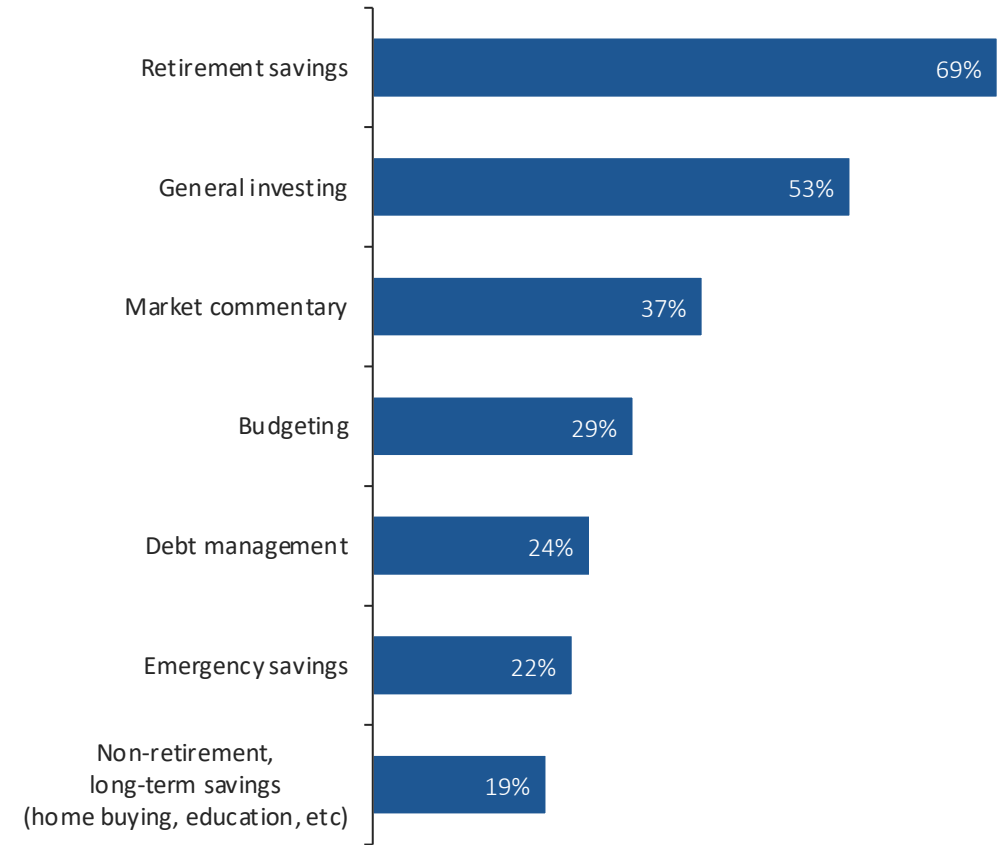
Current Support Needs

% of advisor



Participant Content Wanted - Ranked Top 3

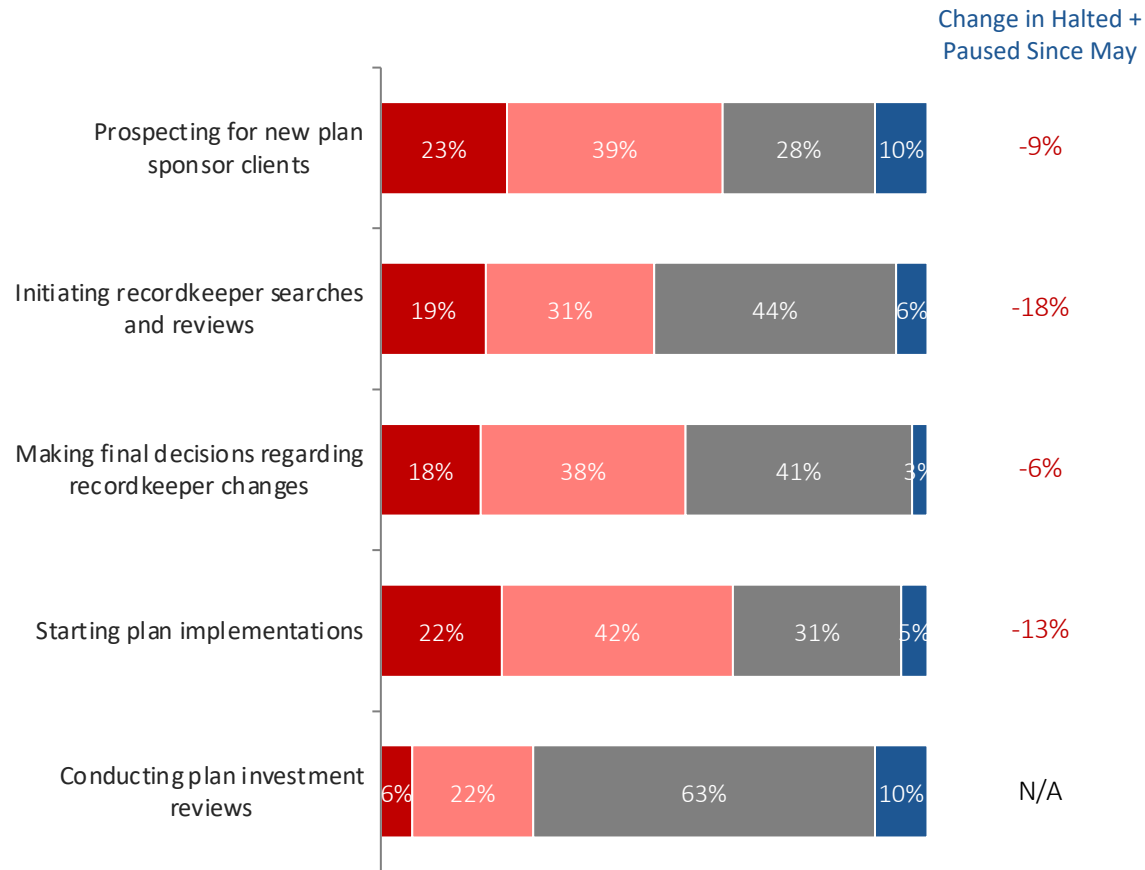
% of advisor rating *Participant content* at least "Somewhat important" (50% of advisors)



Slow sales activity will continue for recordkeepers. At least half of advisors continue to report at least some, if not the majority, of search and conversion activity has stopped. Just under 2/3 have not initiated a search or review since the end of February, and most do not expect this to change in the next three months.

Recordkeeper Search, Review, and Conversion Status

% of advisors

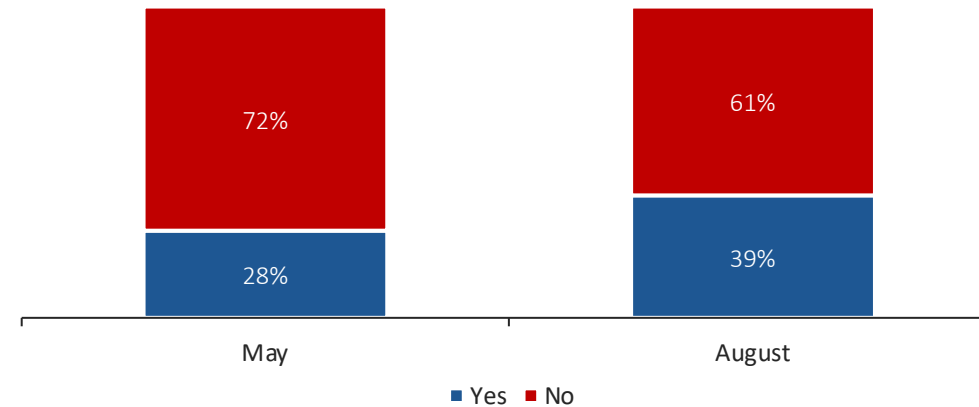


■ The majority of activity has been halted
 ■ Some activity has paused
■ Maintaining business as usual
 ■ Activity has increased

How would you describe the status of the following business development and recordkeeper review activities in light of COVID-19?
 Have you and your clients initiated a recordkeeper review or search since the crisis began in late-February?
 Over the next three months do you expect recordkeeper review and search activity to:

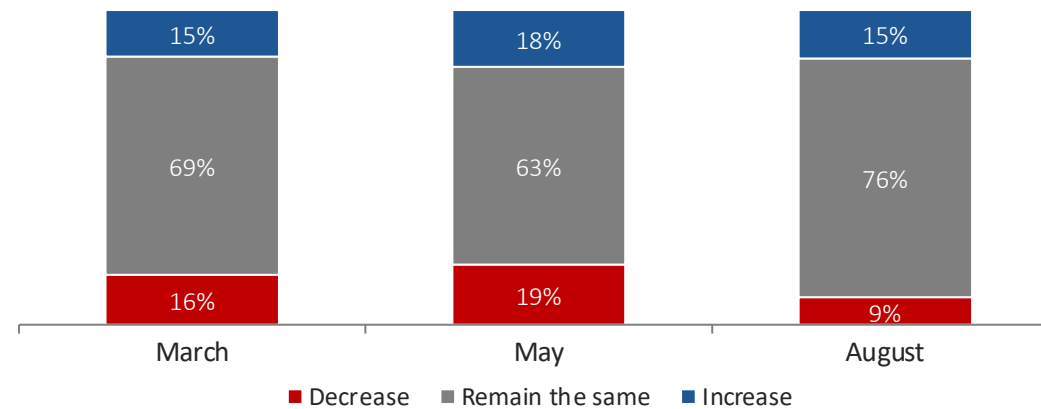
Initiated a Search or Review Since Late-February

% of advisors



Change in Recordkeeper Search Activity in Next 3 Months

% of advisors



This period has pushed advisors to evaluate their engagement models and implement new methods to interact with clients. Most will retain some of the changes once COVID-19 has passed. However, there are some indications that fatigue and new challenges are appearing.

Perception of Changes Prompted by COVID-19

% of advisors

Current Service Delivery

This period has forced my practice to reconsider how we engage with plan sponsors and participants



Plan sponsors and participants have been receptive to engaging virtually



I am able to connect and interact with more clients in more efficient manner



My practice is having difficulty supporting plan sponsors and participants due to constraints on meeting in person



Advisors are adapting and, so far, clients have been receptive to the changes

However, shifting from short term accommodation to long term change has not been easy for everyone

Service Delivery Outlook

The changes made to our engagement model (e.g., using video conferencing and webinars) will largely remain in place once the crisis is over



The DC industry is, fundamentally, a face-to-face business and will return to that model as soon as possible



My practice will return to functioning as it did before February by the end of this year



Some of these changes will stick, but there is a degree of hesitance/resistance among some advisors

■ Disagree ■ Agree

Engaging with Recordkeepers

It is not surprising that most interactions between advisors and recordkeepers have been conducted remotely. Phone is the preferred method for 1:1 conversations with recordkeepers. When the conversation includes plan sponsors or participants, video is the preferred medium.

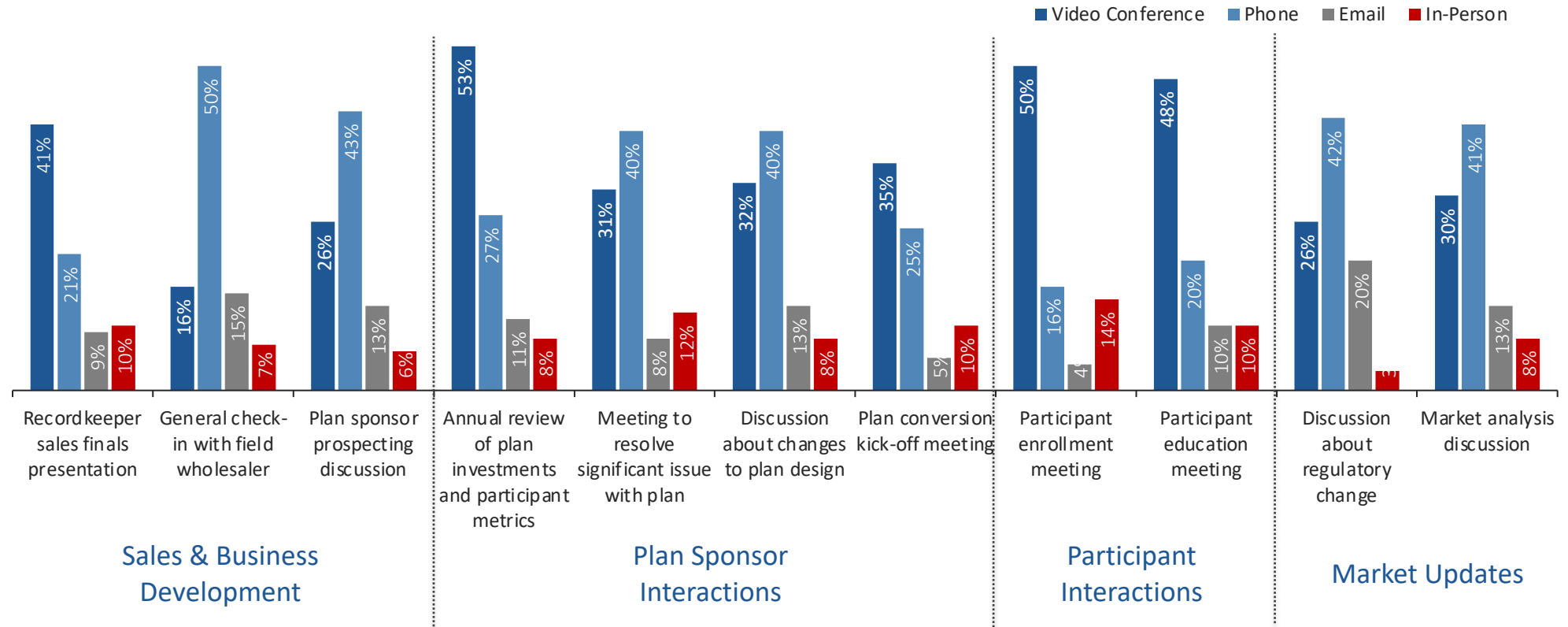
Method of Interacting w/ Recordkeepers Over Past 6 Months

% of advisors

Advisors W/Out Interaction in Past 6 Months

19%	12%	13%	2%	10%	7%	26%	15%	13%	9%	9%
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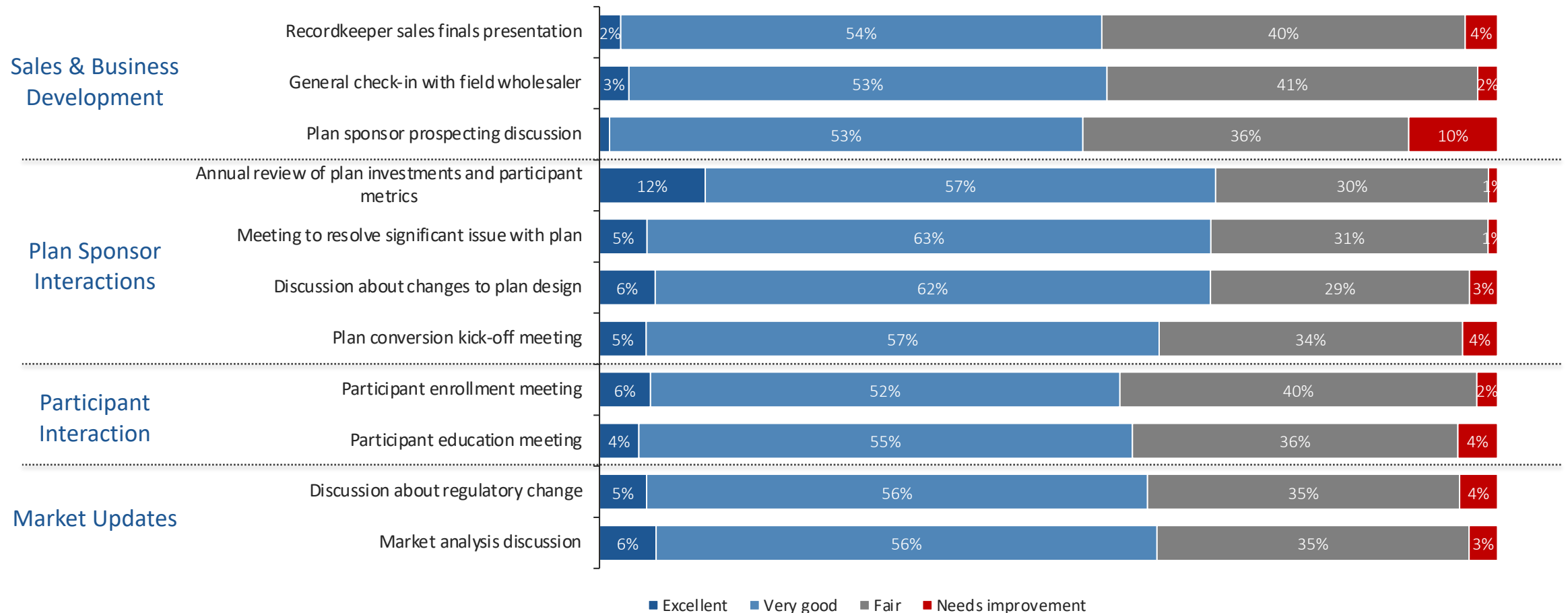
Method of Conducting Interaction



Overall, most advisors who have interacted with recordkeepers over the past six months have rated those interactions positively. Sales and business development interactions are rated a bit lower than those related to ongoing service or participant education. And there is room for improvement, as approximately 1/3 or more rated each as *Fair* or lower.

Advisor Rating of Recordkeeper Interactions Over Past 6 Months

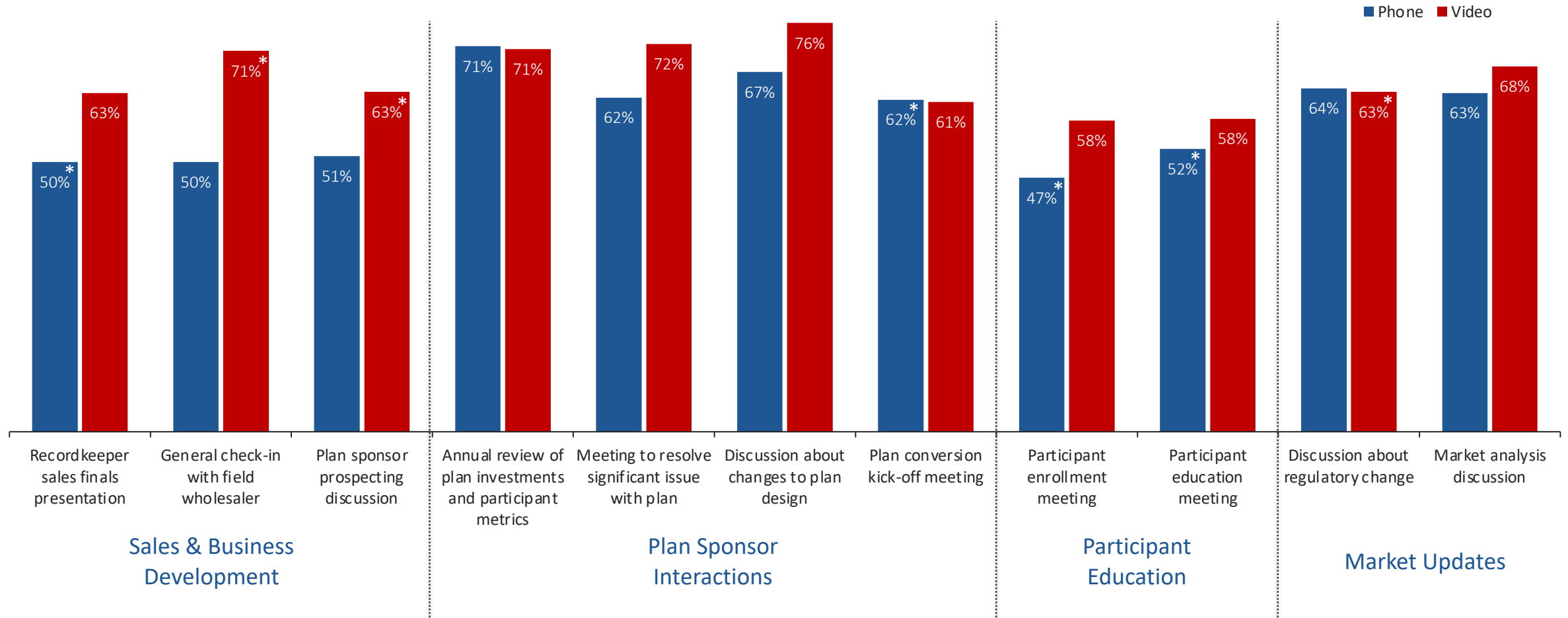
% of advisor who have had interaction



Video has an edge over phone when it comes to sales and business development conversations. It also receives higher ratings when conversations include plan sponsors or participants.

Advisor Rating of Recordkeeper Interactions Over Past 6 Months – Top-2 Box

% of advisors who had interaction and rated *Pretty good* or *Excellent*



*small base size

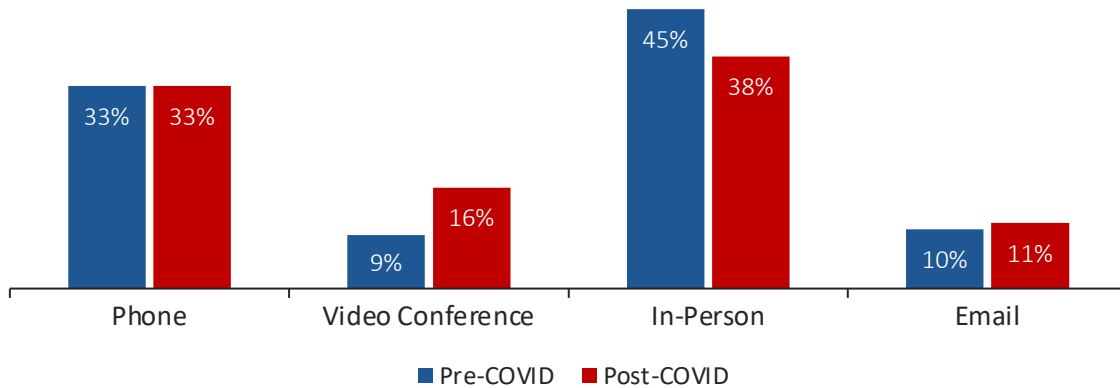
How would you rate the following interactions you've had with recordkeepers over the past 6 months?

Very few advisors see themselves engaging with their key recordkeeping contacts differently once social distancing guidelines have been lifted. There is a small shift for field wholesalers, where more advisors prefer video conferencing in a post-COVID environment.

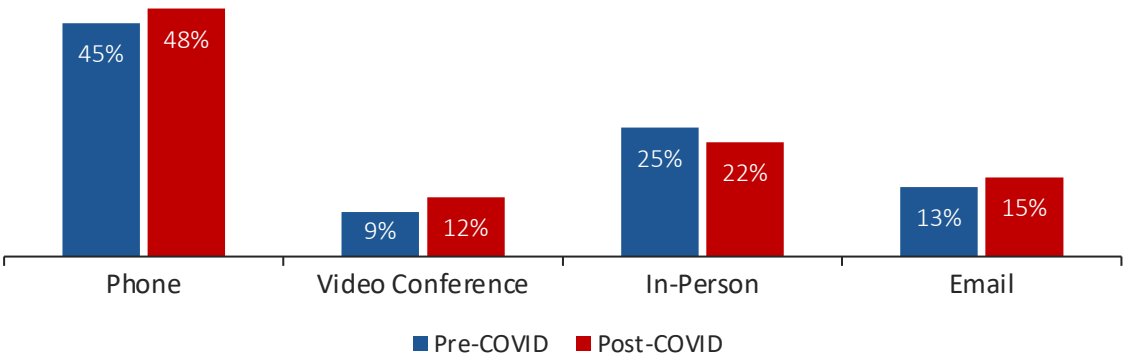
Engagement Channel Preference – Pre-COVID vs. Post-COVID

% of advisors

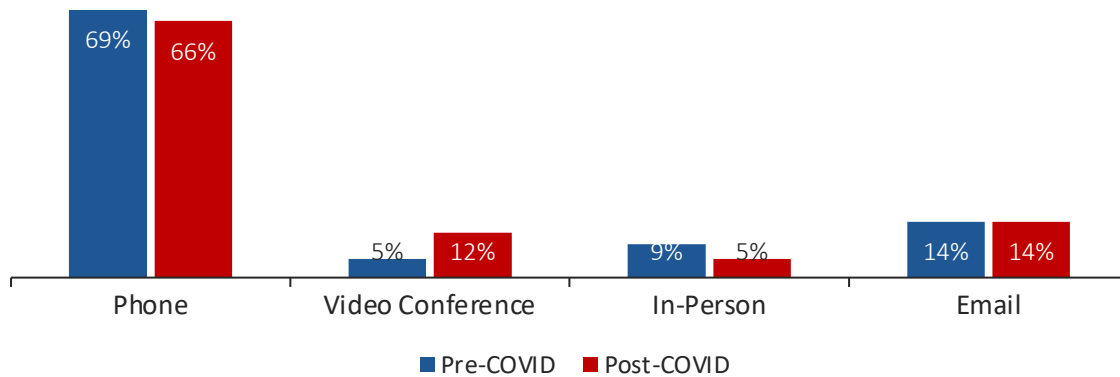
Field Wholesalers



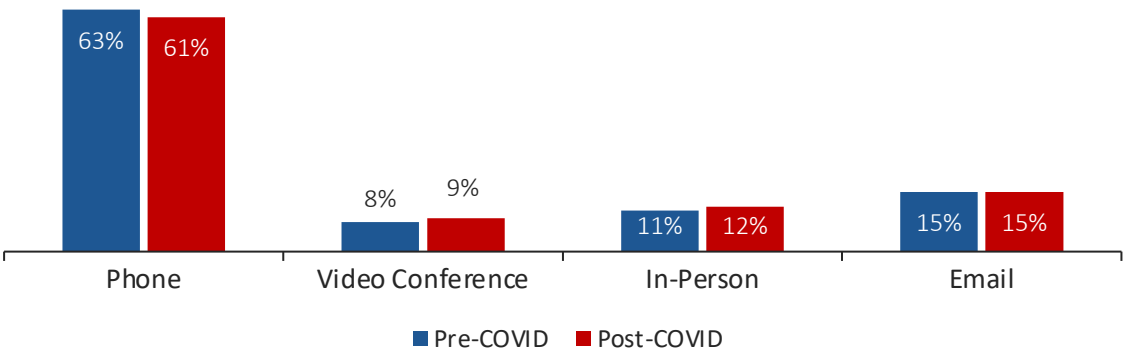
Field Relationship Managers



Inside Wholesalers



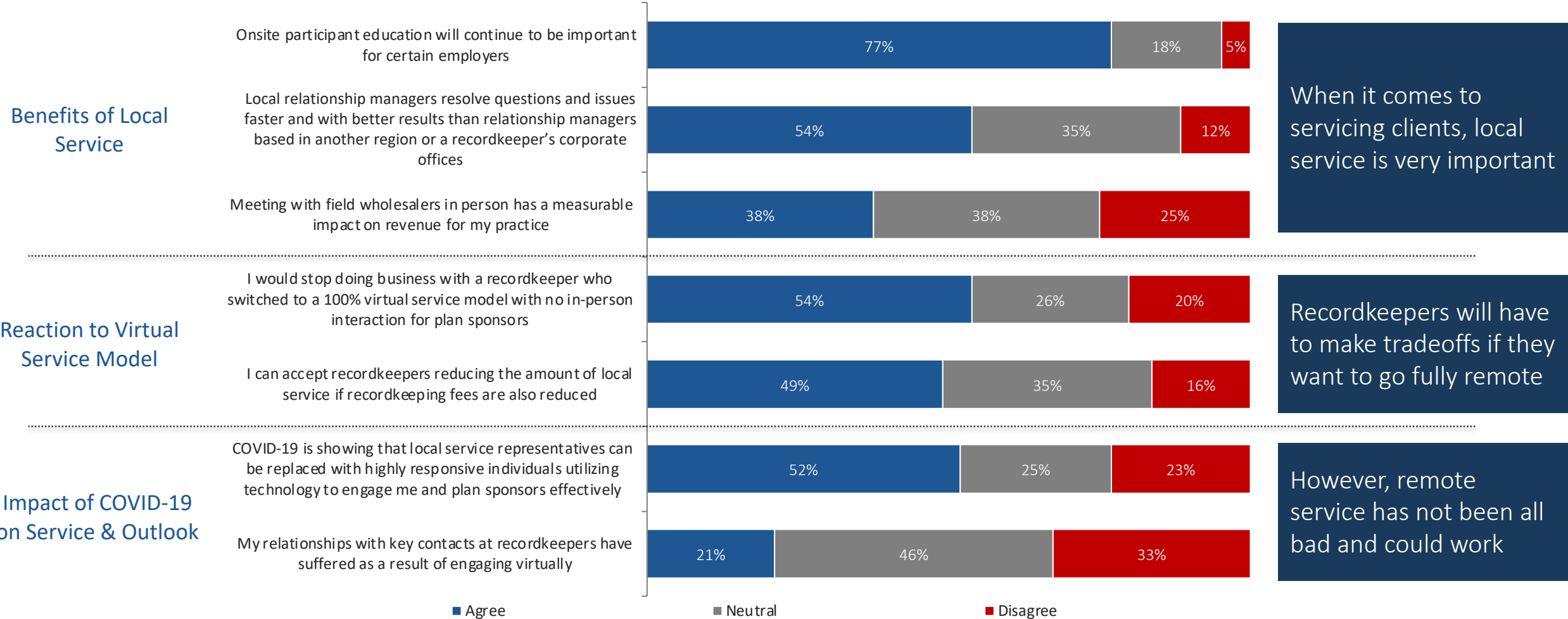
Home Office Managers



There is a strong preference among advisors for local service, especially when it comes to participant education. There might be an opportunity for recordkeepers to move to a virtual model, but there are risks and tradeoffs that need to be considered.

Local vs. Remote Service Delivery

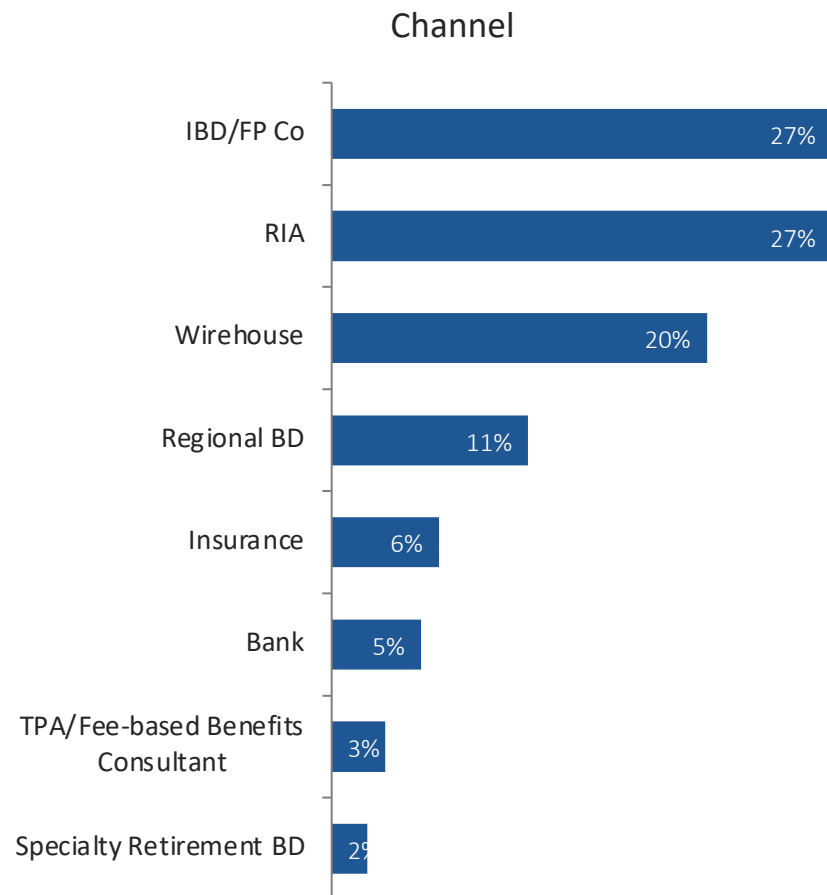
% of advisors



Methodology and Respondent Profile

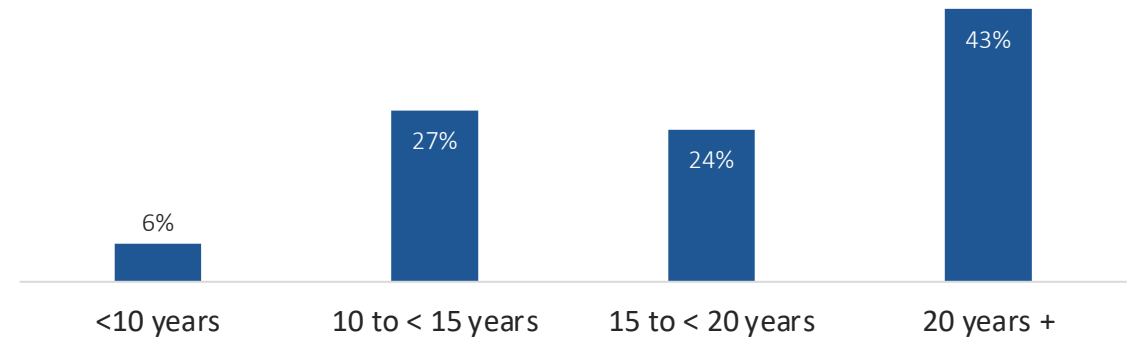
Methodology

We conducted an online survey of 104 financial advisors who are currently advising defined contribution plans. The survey was fielded August 26, 2020 through August 31, 2020.



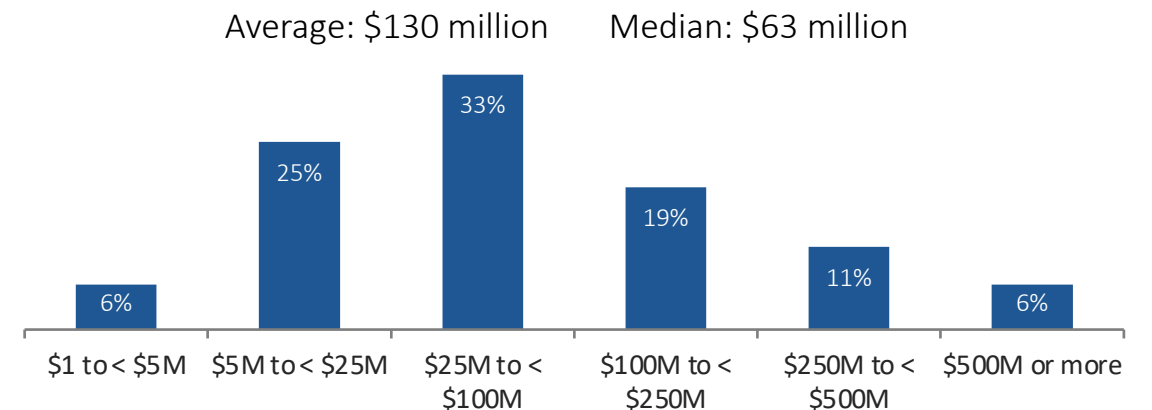
Tenure

% of advisors



401(k) Assets Under Management

% of advisors



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