



Marketing Retirement Plans in the Current Environment : What Advisors should know.

\$3.9 Trillion Dollars*

The amount of assets currently held in company Defined Contribution plans. And much of those assets have not moved in years, despite high management fees.

➤ So why do so few advisors prospect for Plan business?

➤ * Per the Investment Company Institute, as of Q3 2009. That number is likely higher in 2010.

Common Myths About Selling Retirement Plans, 1 of 4

- **Myth:** Plans are complex and advisors must have many years of Plan experience before selling.
- **Fact:** From an advisor's perspective, Plans are straightforward and lucrative vehicles for asset accumulation. Plan consultants and administrators should handle all non-investment related aspects of a Plan, not advisors.

Common Myths About Selling Retirement Plans, 2 of 4

- **Myth:** Plan participants are headaches and their numbers make the endeavor not worth the effort.
- **Fact:** In reality, advisors have as little or as much contact with Plan participants as they like. Aside from the annual review, which can be done by phone, advisors are rarely contacted by participants. Most participants do not change allocations, and if they do, it is done online by themselves.
 - **Bonus:** Advisors do have the ability to meet with Plan Participants to gain their personal business, and that of the business owner as well.

Common Myths About Selling Retirement Plans, 3 of 4

- **Myth:** Most Plans are locked up by major providers and there is no way to get in the door.
- **Fact:** New rules, fee disclosures, and products can easily gain Plan Sponsor interest. A simple Plan expense review can generate significant commotion among Plan trustees, often obligating them to act in accordance with their fiduciary responsibilities.

Common Myths About Selling Retirement Plans, 4 of 4

- **Myth:** The fiduciary risk associated with Plans is too great for advisors to take on.
- **Fact:** If a prudent investment menu is chosen, there are no significant fiduciary concerns for an advisor when a proper Plan is in place.

The Current State of the Retirement Planning Market

Three recent events have made major impacts on the Retirement Planning community -

- The economic downturn
- The Pension Protection Act of 2006 (PPA) and other new regulation
- The introduction of ETFs

How the Bear Market Has Affected Retirement Plans

- Plan assets have fallen
- Companies have reduced contributions
- Companies are migrating from Defined Benefit to Defined Contribution
- Companies are looking for more cost effective Retirement Solutions
- Participants have reduced deferrals
- Participants have taken money out of plans and changed allocations

How to Capitalize on the Current Environment

- Provide better investment education and guidance
- Offer more efficient investment options
- Offer a more comprehensive and cost-effective Retirement Solution
- Educate Plan Sponsors about new rules and regulations
- Educate participants about the value of Plan participation

Know What a Plan Should Provide

There are some basic services that every plan should include. Some providers are better than others.

- Know the roles and responsibilities of the Recordkeeper, TPA, and Advisor.

What a Plan Should Provide, page 1 of 2

The 4 C's: Consulting, Compliance, Costs and Comfort to comply with PPA guidance

CONSULTING:

Plan design for employee contribution costs; create optimal design for owner goals

- DC Plan Designs
- DB or Cash Balance Plan designs

Discrimination testing issues

- Controlled Group, Affiliated Services and Coverage/Participation Issue
- Annual operational discrimination testing issues: top-heavy, ADP/ACP, safe harbor

Daily valuation record keeping and investment platform types

What a Plan Should Provide, page 2 of 2

COMPLIANCE:

ERISA 404(c) – Investment policy statement & review; educational meetings, personalized investment rep service

COSTS:

- RFP requirements
- Employer costs
- Participant investment costs

COMFORT

Seamless operational procedures for Employer and Participants –
Required disclosures

I. Consulting

- IRS and DOL regulations are some of the most complex of any Government rules.
- Plan Sponsors have fiduciary responsibilities that require careful attention to remain in compliance.
- Problems routinely arise when experts are not employed in each aspect of retirement planning. Onerous penalties are possible even when mistakes are made with only the best intentions.

Plan Design

Make Sure the Plan Fits the Sponsor

- Not every Plan Sponsor is the same
- A consulting review can determine whether or not a Plan design meets the Plan Sponsor's goals
- Plans can be designed to optimize owner/executive contributions allowing for contributions beyond the standard annual 401(k)/IRA limits

II. Compliance

The Pension Protection Act (PPA)

The Pension Protection Act of 2006

This piece of legislation significantly altered the retirement space

Beginning in 2009...

- 401(k) retirement plans must provide and disclose a competitive fee structure for both investment and plan expenses and maintain transparency
- Plan Sponsors provide a Notice of the Plan's Qualified Default Investment Alternative (QDIA) and maintain on-going compliance requirements

These PPA mandates will likely help Participants...

- Reduce their fee structures through more cost effective investments
- Provide the proactive solutions they are seeking with higher quality information
- Achieve their Company retirement planning goals through greater understanding of Plans

Platform Reviews to Comply with Fiduciary Responsibilities

- Annual investment reviews and investment policy statements
- Transparency and disclosure

III. Cost

New Trends in the Retirement Plan Marketplace

Why use Exchange Traded Funds (ETF) in Retirement Plans?

- ETFs can offer a more liquid, **lower cost**, and **transparent alternative to mutual funds**.

How ETFs Can Address New Compliance and Fiduciary Issues

Benefits of ETFs in Retirement Plans

- Cost savings of .50% to 1.00%
- Transparency and fee disclosures
- Easily explained to your clients
- Financial advisors can use model/managed portfolios comprised of low-cost ETF's

IV. Comfort

Seamless implementation, conversion, enrollment, and operational procedures to satisfy Employer/Plan Sponsor and Participant

Marketing to Plan Sponsors

Why is now the time to approach Plan Sponsors?

- New regulations are going into effect and Plans may not be in compliance or meet Company objectives
- Increased dissatisfaction with current providers
- Recent investment losses
- The introduction of low-cost ETF-based options

How to Successfully Engage Plan Sponsors

- Make Sponsors aware of their current expenses
 - Many Plan Sponsors still think that their Plans are being provided to them for “free”. They are unaware of the fees that are embedded in the investment lineup or in the platform.
- Make fiduciaries aware of new regulations
- Provide service comparisons of providers
- Provide Plan investment analysis
- Educate them about low-cost ETF-based options, which offer something new and unique- White paper available
- Offer consulting review to ensure best Plan design is in place

Marketing Checklist 1 of 4

Ask your Plan Sponsor/prospect the following questions:

- Does your Plan still meet your Company's objectives, e.g., does your Plan design require you to treat all Participants equally, even though this is not required by law?
- Have you and/or your Plan Consultants examined Retirement Plan alternatives that would be perceived as an improvement by your Employees, including lower investment costs?
- Has the Plan had the required investment performance reviews for Fiduciary compliance?

Marketing Checklist 2 of 4

- Transparency of cost: Have you reviewed your service Contracts with each of your providers (record keeper, TPA and Advisor) to determine if all fees are disclosed and reasonable?
- Conflicts of Interest: Do your Plan providers derive income, e.g., overrides, from the Plan's investments, creating a potential conflict?
- Have the Plan's investment professionals provided the DOL required guidance and education to your Employees?
- Is your Company and the Retirement Plan in compliance with the changes mandated by the Pension Protection Act (PPA)?

Marketing Checklist 3 of 4

Request the following information:

A) For a fee and performance comparison:

- Most recent quarterly investment summary that provides name of fund and total \$ value per fund; and
- Current Contract(s) with Plan Provider(s).

Marketing Checklist 4 of 4

B) For a consulting review:

- Plan Document, Adoption Agreement and/or Summary Plan Description;
- Most recent Annual Report that includes discrimination testing;
- Most recent Plan tax return (5500 series);
- Most recent Employee Census provided to current Plan Provider; and
- A brief narrative of objectives and/or current issues.

Other Marketing Tools

For prospecting:

- CPA and attorney relationships
- Retirement Plan events for Plan Sponsors/Centers of Influence
- Leveraging existing client relationships
- 5500 databases - Larkspur DataMaster Pro

RPG Consultants

We are always available to assist advisors capture Plan assets and build your retirement plan book of business. We provide Advisors with all of the tools needed to win cases, including comprehensive Plan reviews on short notice. We will participate with the Advisor in a meeting with the prospective Client and/or their CPA to add consulting value and expertise.

Please do not hesitate to contact RPG for any Plan information that you may need. It's always better to have an expert to guide you.

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