PRACTICE MANAGEMENT | March 1, 2024

Manage My Wealth, Please

Plan advisers note increased demand from participants for individual wealth management, noting that they can often do so at lower fees or more creative fee models.

Reported by BETH BRAVERMAN | *Art by* ANJA SUSANJ

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In today's marketplace, it's more the rule than the exception that a retirement plan adviser will have an individual wealth management division they're working alongside with, or at least adjacent to in a parent firm.

A 2023 survey by the March McLennan Agency found that nearly 80% of firms now offer a hybrid model that offers both wealth and retirement services. The trend reflects consolidation within the industry as advisers looking to provide additional services that will drive revenue and continued demand for such services from participants.

"There's a shift taking place with the role of the adviser, from being really focused on investment performance to needing to be a financial guru and educator on a broader range of financial topics," says Olivia Eisinger, GM of advisory at Apex Fintech Solutions. "When consumers think about their finances, it's not retirement over here, and wealth over there, and then insurance there and debt. It's all one financial life."

Eighty percent of plan participants are interested in access to a professional, whom they can call with questions to make investment and savings decisions for them, according to a 2023 online survey done by Voya Investment Management. The same survey found that 84% of employees want personalized advice and guidance that constructs investment portfolios based on their risk tolerance levels.

"People, unfortunately, are not generally comfortable or educated to manage their own investment savings for retirement," says Todd Lacey, chief revenue officer with Stadion Money Management, which is owned by Smart Pension Ltd. In Watkinsville, Georgia. "That's been the trend for a long time."

Building On Existing Relationships

The idea of a plan advisory syncing participants—even members of the C-suite—up with individual advisement is still relatively new to the industry, but it's gaining acceptance quickly. Proponents of the convergence of retirement and wealth management say it's simple: workplace savers increasingly want wealth management, and the trusted organizations already advising on their employer's plan are ideally situated to provide the service.

"We do see that participants that use a financial adviser want some sort of previous relationship or connection to that adviser before they make that transition," says Elizabeth Chiffer, a retirement analyst at Cerulli Associates in Boston.

Often, the relationship begins within the plan, with financial wellness services for participants. As participants grow older and start to have more complicated lives, they may also begin using in-plan managed account services, Chiffer says. That work may allow advisers to collect other participant data, such as out-of-plan assets, and use that information to start a conversation about wealth management.

Another opportunity for some advisers is capturing individual retirement account rollovers from participants who are leaving the plan entirely.

"Capturing the rollover assets is certainly a point of competition, and a point of interest for the adviser and for the recordkeeper," Chiffer says.

Opportunity In Life Milestones

While the decade before retirement is an obvious time when many participants start looking for more personalized wealth management, advisers say that other important life milestones, such as receiving an inheritance, expanding a family, or getting a divorce also often motivate such interest. Jason Gerber, managing partner at Prime Capital Investment Advisors in Little Rock, Arkansas, says that in addition to life milestones, market volatility also often drives more plan participants to inquire about wealth management services. He notes that this happened when the market tanked and the economy faced uncertainty in 2020.

"Some of these different market cycles demonstrate the need that people have for someone to help them make decisions about their money," he says.

Those decisions often lead to broader conversations in which advisers can talk to a participant about when or if it makes sense to move assets out of a plan.

"The biggest thing that people need is often financial planning," says Jania Stout, senior vice president of the Retirement + Wealth division at One Digital in the Washington, D.C., area. "Then, after they get information, they can choose whether to keep their assets in the plan or to roll them into a wealth solution. It really depends on their wealth tolerance and stress level around doing it on their own."

Keeping Costs Low

Stout says that such services, typically billed as a percentage of assets under management, generally cost more than what participants are paying for in-plan services, but less than what they might pay to work with a pure wealth management shop.

"We are discounted from what you'd get out in the market," she says. "The reason for that is that we don't have to factor in the cost of finding the opportunity."

Gerber says his firm aims to keep wealth fees between 0.8% to 1.2% of AUM.

"We try to be commensurate with what they're paying in the plan, but that's not always the case, given additional needs and planning, but it's always spelled out very clearly," he says. "We make sure that participants understand what they're paying."

Eisinger says that the shifting role of advisers may also mean it's time to change how they think about fees and pricing for their services. For clients with low account balances, for example, or who want to keep their assets in plan, it might make sense to consider a non-AUM fee arrangement, such as a flat rate for certain services, or a subscription fee.

"When RIAs get paid by a percentage of AUM, the narrative is that they're motivated to help clients grow their wealth," she says. "But that story doesn't articulate that the adviser is there when a life event takes place or a client needs to think through the implications of another financial decision."

Tags	Financial Wellness, Retirement and Wealth Convergence, retirement plan advisers, SC: Convergence, Wealth Management
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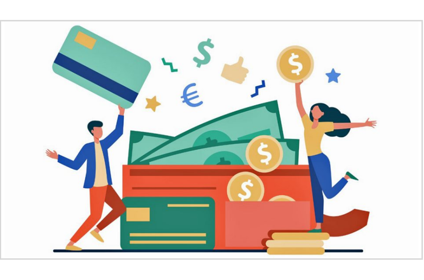
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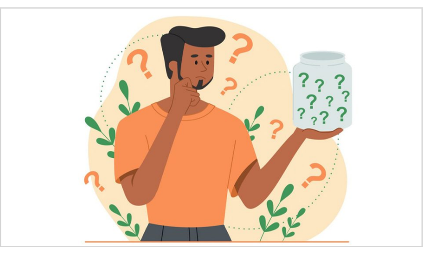
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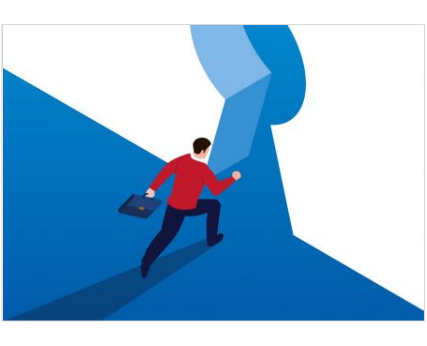
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CLIENT SERVICE | March 1, 2024

Financial Advisers Push to Manage 401(k) Assets

As demand increases for more holistic financial planning services, firms are looking to expand the market of financial advisers managing 401(k) assets.

Reported by NATALIE LIN | *Art by* ANJA SUSANJ

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In the past, firms connecting financial advisers to qualified retirement plan investments as well as the advisers working with clients on their 401(k) assets might have been reserved for high-net-worth clients, or even left separate from other investments.

But a combination of demand for holistic financial services, along with technology, may bring financial advisers and 401(k) plan management closer together, according to industry players. For financial advisers who were managing defined contribution assets, there's now an easier system to do so; for those who aren't, a growing need for financial advice among workers who have been saving in DC plans for decades may prompt them to start looking for a solution.

Firms such as Pontera are facilitating the management of 401(k) plans on behalf of their customers. "What we are today is a company that provides adviser insight and the ability to manage customers 401(k)s," says Yoav Zurel, Pontera's co-founder and CEO. "Our platform is used by thousands of financial advisers serving their clients across the country."

Filling the Void

Jay Jumper, founder, president and CEO of Future Capital, says he started his business after seeing a need to connect financial advisers to qualified retirement plan investments. At the time, his mom had retired from the local school board with $54,000 in her retirement account, and he was working at what is now Truist Bank in the trust department, managing high-net-worth customers.

"What I saw very quickly as nobody was really there to help my mom manage her $54,000 like somebody would make a high-net-worth customer," Jumper says. "I saw that there's a lot of people like my mom out there, and they happen be holding a 401(k) or 403(b) in the DC marketplace. That's really what got me started, going after this large pool of assets with few trusted advisers attached to these assets."

He says the gap in the marketplace remains for providing advice to 401(k) participants, with only 3% having a relationship with a financial adviser. Among the 3% of advisers, approximately 90% to 95% of the do not allow their advisers to help their customers 401(k) assets.

"It's all about access," Jumper says. "The retirement providers don't necessarily want to give access to advisers. The big thing that everybody's talking about is convergence to wealth and retirement. What most people think is wealth getting into retirement. But convergence goes both ways, because retirement is going through the retirement relationship with a participant to get the wealth assets. Unfortunately, retirement providers have the upper hand because they have the data that wealth advisers don't have."

Password Management

Pontera's CEO Zurel also saw a void in the financial advisement space in connecting advisers with 401(k) assets—but in his case, it was largely about overcoming friction points that would turn off advisers and participants from DC plan management.

He says if advisers aren't using software like that from Pontera's, they have two cumbersome options to help customers with password and login management.

"Option A is to basically ask for a customer's power of attorney, collect login information from the customer and then log in on behalf of the customer to effectively conduct trade inside these accounts," Zurel says.

While this is a commonly used practice, he says the method comes with significant hurdles in terms of cybersecurity management and auditing requirements and creates a lot of overhead for the advisory firm.

"Then the second path is what we call the homework model where advisers essentially ask customers to send paperwork from the 401(k) and the adviser processes the paperwork internally and then shoots back an email to the customer recommending the trade that should happen," he says. "That can be extremely frustrating for the customer who has chosen an adviser for a reason, and now they need to go and do all the homework by themselves."

According to Zurel, Pontera's technology offers efficient management of these 401(k)s that does not involve homework for the customer or collecting their username and password. Pontera can connect advisers with a portfolio through a customer-permission experience.

"The adviser sends out a link from our platform via email and then the customer connects their account into Pontera," he says. "Once the connection has been established the adviser is able to receive an analysis of the account, fund lineup, trade restriction, performance reporting, auditing and management of the accounts."

Working With An Advisor

From the side of financial advisers, the technology can help prompt them to incorporate defined contribution savings into their client's portfolio management.

Stephanie Roberts, partner, vice president and wealth manager at Haase Family Advisors at Steward Partners Global Advisory, said her firm recently obtained access to Pontera's platform.

"What we found for a lot of our clients is that these retirement plans are extremely confusing. There are a lot of little nuances to them," she says. "The questions of Roth versus pretax percentage contributions to make, how to invest their portfolios, thinking about rebalancing over time, all of those questions can be a little bit overwhelming."

Roberts says for clients who want to offload decision-making on their workplace retirement plans, Pontera allows advisers to view and rebalance their clients' 401(k) assets via its client-permissioned platform. When it comes to advising on workplace savings along with other assets for clients, she says the firm is continually deepening the breadth and depth of its planning work.

"401(k)s have always been an important part of the equation because they're typically such a large portion of the client's wealth," she says. "It's also so important that we harmonize their investments outside of their retirement plans with what's going on inside the retirement plan. We don't want to be working against each other where we have one portfolio set up for aggressive growth and one for an extremely conservative portfolio unless we're doing that on purpose."

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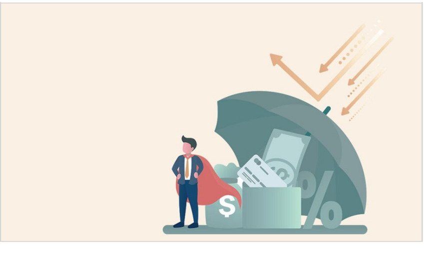
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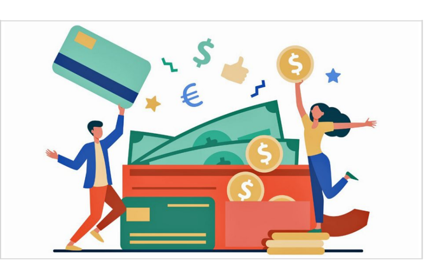
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