CARY STREET PARTNERS

RETIREMENT PERSPECTIVES

THE VALUE OF A RETIREMENT PLAN ADVISOR

Celia A. Rafalko / R.J. Reibel

Managing a retirement plan for a company is not a small task. Retirement plans come with many technical intricacies and an intrinsic responsibility to the employees, not to mention expense and liability for the company. Despite that, some retirement plan sponsors do not partner with a knowledgeable Retirement Plan Advisor ("Advisor"). It is no surprise that outcomes for both the company and the employees can suffer. The expertise of a knowledgeable plan Advisor can have important benefits.

Reduced Expense

An experienced Advisor will fully analyze your current plan fees, looking for ways to reduce cost. For example, last year we began working with a client who previously had no Advisor. Within 90 days, we reduced service provider fees by 30% by renegotiating with the recordkeeper to lower service fees and shifting away from investments that shared revenue back to the recordkeeper. That change also eliminated the disparity in fees paid by individual participants. With the revenue sharing structure, some employees could pay over $4.00 per $1,000 in plan fees where others may pay less than $.30. Why was that important? Because it reduced the plan sponsor's liability.

Reduced Liability

An experienced Advisor has in-depth understanding of fiduciary issues that can help you avoid them. The company sponsoring a plan has the ultimate responsibility but perhaps not the expertise or time to create and facilitate the processes to review the investment choices, perform service provider due diligence and ensure the employees are getting adequate education. By law, the plan sponsor is personally responsible for these fiduciary requirements. But, it can delegate these challenges to an experienced Advisor who knows what needs to be done and how to do it effectively and efficiently.

There are plans, some with sizeable assets, that are invested by the plan trustee on behalf of the employees. These are called a pooled plan. In this structure, because the employees can't invest their own money, the plan trustee is personally responsible for the investment outcomes. An experienced Retirement Plan Advisor can help assess this risk for the plan sponsor and if it is the right approach, then provide investment advice that may improve the outcome.

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carystreetpartners.com

Celia A. Rafalko
Financial Advisor, Corporate Benefits & Retirement Services, Director
celia.rafalko@carystreetpartners.com
804.888.7765

Raymond James (R.J.) Reibel
Corporate Benefits & Retirement Services, Vice President
raymond.reibel@carystreetpartners.com
804.616.3415

Improved Plan Design

Recently, we met with a new client that had an expensive plan design—a 3% non-elective safe harbor match. The principals could participate but only with low contribution limits. Within the first few meetings, we suggested a plan design that would allow the principals to receive up to $54,000 each in profit sharing contributions in addition to their personal deferral without increasing the company's cost. As far as we know, their current plan administrator and advisor had never mentioned this option in the years they had worked together. While this is just one example, there are many plan changes that an experienced Advisor can suggest that may reduce complexity, cost, or liability.

Educate Employees

We believe the employees suffer with no Advisor support. Without an investment professional to provide guidance and answer questions, many may feel adrift when making investment choices. A good education plan executed with a knowledgeable Advisor will potentially improve retirement readiness and could help reduce stress. In a participant-directed plan, it is the employer's responsibility to provide investment education, a requirement that an Advisor can mitigate while also helping employees save well and invest wisely. Why not have an advocate on your side with the expertise to provide guidance for your company and your employees?

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