

the dana report

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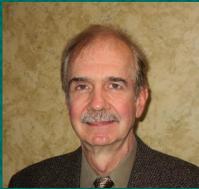
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ABOUT THE FIRMS



Dana Consulting Group, Ltd. and Jennings Law Firm, Ltd. were established to provide employers with a single source of comprehensive legal and consulting services relating to retirement plan and employee benefit matters.

If you know someone who would like to receive *the dana report*, click the link below.



➔ SECURE ACT IS NOW LAW

The President signed the Secure Act into law on December 20, 2019. We have prepared a firm memorandum on the pertinent provisions of the new law and posted that to our website (www.danaconsulting.com) under the Education Services tab. If you have any questions about how the new law will impact your own plan or your clients' plans, please give Lee T. Jennings in our office a call at (630) 802-7644.

➔ PARTNERING WITH A TPA FIRM

PlanAdvisor Magazine is a publication that tracks the retirement industry, mainly from the investment side. The magazine surveys financial advisors each year and in their most recent survey 43% of respondents indicated their top goal for 2020 is to add new clients. No surprise there. Also a whopping 75% of them said 401(k) plans is their main target for this growth.

We are reprinting on our website under the Advisor Services tab an article called Partnering with a TPA Firm. Here are some things to think about. Over 50% of 401(k) plans with assets under \$2 million have no financial advisor. These plans are easier to win than the mega-plans. They are also easier to retain since most advisors who are cold-calling plans are targeting the larger plans. So where does the TPA firm fit into this? Plan design is a major goal in the small plan market. Owners of a small profitable company are looking to reduce taxes and there is no better way to do that than with a retirement plan. These small plans also don't want the mega-plan investment platforms where you never get to talk with somebody except for offshore call centers. Small employers want more individualized service - they want somebody to pick up the phone who is not reading from a script. TPA firms excel in this market. Plan design is our bread-and-butter and we generally assign each client a dedicated administrator. When one of our clients need to contact us, they know exactly who to call and it is not the Philippines. We work with the investment platforms who cater to the small market and we know who to call there when there is a problem.

We found it interesting in the survey that only 8% of responding advisors were targeting defined benefit and cash balance plans in their marketing efforts. The small plan market is where cash balance plans are seeing their greatest popularity. For the advisor, these plans grow fast. It is not unusual for the assets to grown to \$1 million by the third

year. You can turn a \$300,000 client into a million dollar plus client is just a couple of years.

Dana Consulting Group concentrates on the small plan market. We work with advisors and others who service the retirement plan market to bring innovative solutions to qualified retirement plans. Our affiliate, Jennings Law Firm, can also provide legal advice where needed. If you have an interest in getting into the retirement plan industry, or increase your current business book, give Lee T. Jennings in our office a call at (630) 802-7644.



GREAT 401(K) IDEAS AT THE TIME THAT LOOK BAD NOW

Ary Rosenbaum is an attorney who specializes in ERISA matters such as qualified retirement plans. We enjoy reading his articles since he is quite perceptive on a lot of things. We are reprinting an article he recently wrote about great ideas at the time that turned out bad, such as having your payroll company manage your 401(k) plan. The article points out that "Most plans that are out of compliance are plans that were former clients of payroll provider TPAs." The new SECURE ACT (see our article above) is trying to make MEPs more appealing to small employers. You should also understand that it is the payroll companies who are the biggest proponents of these MEP arrangements.



MORE SCARE TACTICS TARGETED AT PLAN SPONSORS

In our August newsletter (which can be accessed from our website under the Education Center tab) we included an article called Retirement Plan Sponsors - You Are Not Going to Jail. We ran this article to remind our readers about scare tactics being used to get plan sponsors to fire their existing service providers and hire the callers' providers. Lest you think we overblow the length to which cold callers will go to attract new business by suggesting somebody may go to jail, one of the many publications we read each month once again raised the specter that everybody is going to jail. In the article we read, the author used the following quote: "But, as Harvey Keitel's character told Nicholas Cage's character in National Treasure, 'Someone's got to go to jail, Ben.'" This author routinely uses these tactics to sell his book.



EMPLOYERS NOT IMPROVING THEIR EMPLOYEE RETIREMENT PLANS

According to a study by the Society of Human Resource Management, "the vast majority" of US employers recognize

that retirement savings and planning benefits are very or extremely important to their workers. However, most employers are not making any enhancements unless those enhancements provide direct tax benefits to the employer. In fact, only 12% of surveyed employers indicated they increased benefits over the past year.

Our Comment: There are a variety of ways a company can improve their retirement plan without increasing costs. Automatic enrollment/escalation is just one example and multiple surveys provide this feature substantially improves an employee's ability to increase their retirement fund. Most plans we deal with are "top-heavy" and so the plan sponsor has a mandatory contribution obligation but there are multiple ways to design that contribution without increasing costs. Fully bundled plans market themselves as cheap and easy but sometimes that comes at a cost, which is little assistance in plan design. If you would like to discuss your company's plan (or your clients' plans), please give Lee T. Jennings in our office a call at (630) 802-7644.

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