



ACI Advisors Corner

What you should know before meeting with a 401(k) prospect

By Tobi Cogswell
March 4, 2009

Plan sponsors get calls every week from people trying to sell them the latest and greatest for their 401(k) plans. As an advisor you want to be able to meet with them, develop trust and ensure their future loyalty. When the “flavor of the week” calls them with something new, you want them to call you first, before they do anything.

You can prepare yourself by reviewing the most current 5500 package before meeting with a prospect. This is available as public information from Freerisa.com. The talking points and questions to ask will just jump out at you and you can show your prospect that you took the time to tailor your meeting just to them. Some things to look for are:

- 1) **Look at the effective date of the plan in 1c.** If it was more than a couple years ago, has anyone looked at the plan since then? Is it still meeting the needs of the plan sponsor? When they have gotten required amendments from their TPA or recordkeeper, have they also had some consulting done? Required amendments are an excellent time to make other changes to the plan because they are already paying for the amendment. They might as well wrap some discretionary changes into the amendment as well. Every DC plan must be amended and restated for EGTRRA by April 2010; if a plan sponsor isn't given the opportunity to make other changes at the same time they may be paying more than they have to for plan documentation.
- 2) **Look at the date the 5500 was signed.** Calendar year plans are due the following July 31st or October 15th with an extension. Was the 5500 signed on October 14th? That means the plan sponsor got the forms extremely late. Why did this happen? Did the plan sponsor send the data late to the TPA? If so, are there any procedures you can help them with so that this doesn't happen in future years? If the plan had more than 100 participants at the beginning of the year and required an audit, was the audit finished late? Can you help the plan sponsor make a timeline for future years that all parties will agree to? Did the plan sponsor send their data to the TPA timely but the TPA sent the forms late? That brings up an entirely new discussion about the responsiveness of the TPA, leaving the door open for you to make suggestions.

For example, maybe the plan sponsor is with a bundled provider and is not getting the kind of service they feel they should be getting. Again, this leaves the door open for you to suggest that perhaps a TPA might be able to give them more options with regard to complex plan allocations or testing methods, and perhaps a TPA might be more responsive to their time requirements.

- 3) **Question 8a can give you a good idea of the plan's provisions.** Skipping the participant counts on page two for a moment, look at the Pension benefits listed in question 8a. If you see code “2F” it is an indication that this plan, or any part of it, is intended to comply with ERISA section 404(c). 404(c) compliance is a way to abate Fiduciary liability, and is about process more than anything else. It is almost assured

that the plan is not complying with this code section. Having even a small discussion about this code section will prove your value, and your prospect will want you back for more.

This is a summary review of only part of the first two pages of the 5500 and there is much more which can be learned. If you would like a complimentary basic 5500 review please feel free to give me your name and the name of a prospect and I will be happy to assist you in developing talking points.

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