

Greetings & a warm welcome to this week's edition of 401k Real Talk. This is Fred Barstein contributing editor at WealthManagement.com's RPA omnichannel and CEO at TRAU, TPSU & 401kTV - I review all of this week's stories and select the most important and interesting ones providing open honest and candid discussion you will not get anyway else. So let's get real!

[Blackrock announced that it is eliminating its DEI initiatives](#) following similar announcements by Goldman Sachs and Citigroup citing significant changes to the US legal and policy environment under the Trump administration. Their dedicated DEI staff has been merged into the talent and culture group.

Many companies, especially those that rely on government contracts, are making similar moves with publications and associations renaming or scrapping their DEI awards and related research projects. Big investment firms like BlackRock will be wary of ESG investing as many state retirement plans pull back on firms that do.

Where will this end? After just over a month in office, it's not hard to speculate that we are just at the beginning of anti-DEI and ESG initiatives.

Even as he is being considered to head up DOL's EBSA division, [Encore President Dan Aronowitz](#) wrote a lengthy article blasting the spat of forfeiture lawsuits and hailing the recent dismissal of the HP case.

Aronowitz stated, "We live in an era of regulation by litigation," claiming that plaintiffs' attorneys have been the primary fiduciary police.

He argued that there is no obligation for plans to use forfeiture accounts to reduce participant expenses v. delivering on promised benefits though he did acknowledge issues like in the Charter Communications case recently filed by Jerry Schlichter where plan documents were not followed.

Can we expect a more proactive DOL/EBSA if Aronowitz is confirmed which might be difficult if he follows Trump's mandate that 10 rules must be eliminated for every new one promulgated.

A [McKinsey report sounded an alarm](#) about the looming wealth advisor shortage which could reach 100,000 by 2034. Noting that the demand for fee based service has risen with revenue increasing 60% over the past 10 years with personalized advice relationships climbing from 53m in 2024 to an estimated 70m in 2034, they offered suggestions on how financial advisory firms can respond.

Along with AI and better talent acquisition, McKinsey noted that teams using centralized services are more productive citing, for example, centralized lead generation which many current firm still struggle with. Not mentioned is leveraging DC plans to more easily find new clients and hidden wealth.

All of which could further fuel advisor M&A as larger firms with access to capital are more likely to be able to leverage tech like AI, recruit and train talent, as well as offer centralized services making advisors more productive and eliminating unpopular tasks like cold calling.

Partnering with DCIIA's Retirement Research Council, MFS published their [2024 Plan Sponsor Survey](#) providing

insights into what plans are concerned about and their focus. Highlights of the report include:

Continued focus and concern about litigation and regulations, especially SECURE 2.0 implementation.

Lukewarm response to implementing retirement income with just 17% very or extremely likely to offer it within the next 12-18 months

Though 61% claim that their participants have access to an advisor, 38% get it through a managed account and

Reducing investment options

Though tilted towards larger DC plans, the issues seem to be germane for most of the market

Any fragmented industry that can consolidate eventually will is a concept outlined in the Harvard Business Review article, “The Consolidation Curve”. That theme has played out and will continue to do so in the defined contribution industry with plan sponsors now stepping up and shaping its future.

Read my [recent Wealthmanagement.com column](#) about how as plan sponsors wake up, there will be more focus

on advisor due diligences and RFPs which will result in further consolidation of advisors just as it did with record keepers.

And last but not least, last week's LinkedIn poll asked:

[How has the wave of litigation affected participants?](#)

Most believe it has resulted in lower fees while just a few believe it has hurt participants.

## FINISH

So those were the most important stories from the past week. I listed a few others I thought were worth reading covering:

- [What DOL layoffs could mean for DC plans](#)
- [Raymond James hires AI chief](#)
- [Betterment pitches solo 401\(k\) to RIAs](#)
- [401GO partners with isolved](#)
- [What isn't financial planning](#)

Please let me know if I missed anything or if you would like to comment. Otherwise I look forward to speaking to you next week on 401k Real Talk.