August 13th 401(k) Real Talk

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!

As expected, Trump issued an executive order directing the DOL to reevaluate guidance on alts and crypto in DC plans within 6 months clarifying their position on fiduciary responsibilities while working with other agencies to harmonize their positions. While pension funds regularly use private market investments which the Georgetown Center for Retirement Initiatives claims to boost returns by 15-22 BPs, unlike small to midsize plans, these pension managers are more sophisticated with greater resources to evaluate less transparent investments which includes CITs.

Meanwhile, the Trump family has launched their own cryptocurrency adding $620m to Trump's personal net worth.

What does ChatGPT say about private equity investing? It appears to be a safer diversified investment than it really is because the managers control its own valuations leading to over use undermining asset allocation.

Because PE firms self-report quarterly, they can smooth out returns and are not marked to market providing wide latitude by general partners to determine fair value. And crypto is the epitome of volatility which can rattle many investors especially those close to retirement.

All of which has ERISA litigators licking their chops if alts and crypto become popular in DC plans.

The Texas State Securities Board issued guidance on the use of data aggregators clearing the way for advisors with clients in Texas to use firms like Pontera in held away accounts like DC plans.

The Board guidance includes:

- Evaluation of the nature and scope of the service
- Review of agreements and policies
- Cybersecurity practices
- Proper record keeping
- Client disclosures about risk

Though some major record keepers have banned use of Pontera claiming data risks, some believe the motivation is to be able to manage those assets themselves. Other record keepers will not indemnify accounts that use these services but firms like Pontera have their own insurance policies.

Meanwhile, Pontera has added former EBSA Director Lisa Gomez as a strategic advisor.

The demand by DC participants to allow their advisors to manage their accounts is growing and may better engage decision makers likely to have an advisor to provide more resources to their DC plan.

According to the brilliant folks at 401kMarketing, cold calling and mass email campaigns are dead. It's getting harder to get people to answer an unknown caller due to spam with uninvited calls considered to be disruptive. Same with emails that use errors in 5500 forms highlighting a plans' failures.

Instead, to build trust, 401k Marketing recommends:

- Educational content
- Short videos

- Plan sponsor guides
- Webinars
- Focus on what's working like plan design

They highlight the importance of LinkedIn which most plan sponsors start with – do you have a picture? What is the message? Have you posted anything? What's your education and experience?

Marketing isn't a quick hit – it's about consistency, clarity and relevance to build a brand and 3 months isn't a timeline – it's a test. Great advice.

The biggest paradox in the DC market is that while the relationship between a plan sponsor and their RPA is the most important, much less time is spent on due diligence than with investments and record keepers.

Read my recent [Wealthmanagement.com/RPA column] on how this paradox is hurting plans and participants especially by advisors who recommend "Do as I say, not as I do."

Last but not least, [this week's LinkedIn poll] asked: Given the choice, what type of retirement plan would employees prefer? 42% say they would want a DB plan followed by 38% in a traditional DC plan and 18% for DC plans with retirement income and just 5% on their own even with an advisor.

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

- Small businesses rarely claim retirement plan tax credits
- Voya's earnings surge, helped by OneAmerica acquisition
- Guide for DC plans investing in private markets
- HSA withdrawals increase as health care costs grow
- Lessons from *Top Gun* for advisors

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.