May 7 401(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!

With the stock market unstable due to tariffs, the robust April job report with 177,000 new positions exceeded expectations but may be what Glassdoor characterized as the calm before the storm. During that same period, the S&P lost 6.65%.

Though lower than the 185,000 jobs created in March, the April report is expected to bolster the notion that the Fed will keep interest rates steady despite pressure from the White House to lower it.

Education, healthcare, and the hospitality & leisure industries accounted for over half the new jobs with business services up by 17,000.

While the war for talent and certainly the great resignation is over, employers will continue to focus on retention if not recruiting using benefits, especially retirement plans, which are mostly paid for by participants, to differentiate themselves.

The race to the bottom continues with Empower announcing a zero fee S&P index fund managed by BlackRock leveraging securities lending.

Though a few basis points here and there will not greatly affect outcomes, the move is sure to catch the attention of advisors, plan sponsors and participants as the focus on fees continues with more assets than ever moving into index funds.

Intuit agreed to settle their forfeiture lawsuit which had survived a motion to dismiss.

There are 3 types of forfeiture cases focused on the issue of whether plans may use the assets to offset the match rather than pay down administrative expenses benefiting participants: 1. The documents do not allow it; 2. The documents are vague or allow both; or 3. The documents do allow it.

The Intuit case fell into the 2nd category.

Though not precedential, in denying the motion to dismiss the judge ruled that plaintiffs had alleged enough to show that the activity was a fiduciary, not settlor function, that Intuit was not acting in the sole interest of participants, and was not complying with plan documents.

Eventually, the issue may be decided by the Supreme Court with split decisions in various districts. Meanwhile, advisors should carefully review and revise plan docs as needed.

Pontera announced that World Investment Advisors, formerly PensionMark, with 350 reps will be using their services to manage the DC accounts of wealth clients.

Despite efforts by some record keepers and a very few state regulators, Pontera keeps adding new clients with assets surging providing more secure access than if advisors did it themselves as more RPAs focus on wealth and a growing number of RIAs look to manage their clients' DC assets.

As the defined contribution industry turns its focus to serving participants beyond just saving for retirement, the question is who is best suited to help – advisors or record keepers? It is an existential question driven by the need for each group to generate additional revenue as plan fees continue to decline. Can advisors or providers who rely on plan fees alone compete? And will record keepers and advisors who focus on participants go to war or find a way to co-exist?

Read my recent WealthManagement.com/RPA column about whether the battle for participants will heat up or if advisors and record keepers can come to consensus.

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

- OneDigital partners with Broadridge
- Are more jury trials on the horizon for ERISA lawsuits?
- TDFs top $4 trillion
- The growing case for alts in DC plans

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.