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 the past 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!

While almost everyone is excited about how AI could transform their businesses and lives, DC providers are the exception.

According to a Cerulli report, TDF providers do not envision using AI for asset allocation, personalization, risk management or glidepath construction nor do they see AI having a material impact in the near future.

On the other hand, DC Providers do think AI will help with summarizing legal documents.

Hindered by inertia, complacency, outdated tools and technology as well as overreaching regulations, the DC industry is a slow adopter of technology which may open the door for outsiders who can bring, for example, advice at scale to the masses.

With $5 trillion of AUA and $100 billion AUM used by over 2400 advisory firms and 300,000 wealth management accounts, Orion's recent partnership with Pontera could substantially increase the number of advisors that can integrate their wealth clients' DC accounts with other assets providing holistic financial planning.

Previously, Pontera users could retrieve information from Orion – the new integration partnership will greatly increase the opportunities.

And while some record keepers are wary about working with Pontera either because of cybersecurity issues or because they want to retain the assets themselves, as more wealth advisors enter the DC market to serve the expected new 400,000 401k plans, it might make sense for these providers to support, not thwart, these advisors efforts.

Eyeing the over $11 trillion in assets, more PE firms are preparing to enter the DC market with [KKR hiring Melissa Kivett], a DC veteran, to lead not just PE product and distribution but also KKR's DC annuity efforts through Global Atlantic, a wholly owned subsidiary. Kivett has held senior positions at TIAA and Prudential.

Apollo has been hiring for their DC group while other PE firms like Partners Group and Neuberger Berman are well entrenched with Franklin close behind looking to manage sleeves in target date funds and managed accounts.

Unlike ESG funds, firms like KKR are expecting the Trump DOL to be more friendly towards alternative investments like PE.

Maybe to grab headlines, Abernathy Daley 401k Consultants, a division of a NYC based family office, claims that over 600,000 DC plans, or 84%, have at least one regulatory or fiduciary red flag which could result in fines, sanctions or lawsuits.

Analyzing 5500 forms, Abernathy claims it had uncovered numerous instances of overpaying on a widespread basis while other plans are underserved and exposed. The DOL announced recently that it restored $1.4bn last year from investigations.

Though lawsuits have not targeted smaller plans as much as some have predicted, arguably the issues in these plans, if not the assets, are greater than larger plans which could provide opportunities for aggressive and knowledgeable advisors, consultants and attorneys as well as regulators.

When asked at the inaugural RPA Aggregator Roundtable in 2018 if independent retirement plan advisors could survive, the overwhelming answer was, “Yes, but they will struggle to grow.” That sentiment proved precient as the RPA M&A market exploded.

Now the question is whether independent “purist” RPAs, touting their conflict-free business model as an advantage, can grow. The answer is likely the same with the purist independents now fighting a two front war for survival.

Read my recent WealthManagement.com column about the future of purist RPAs and how other industries have adjusted to convergence and consolidation.

And last but not least, last week's LinkedIn poll asked whether assets in forfeiture accounts can be used to offset a plan sponsor's match contribution. 53% think they can while 44% do not and the rest aren't sure.

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

- ESG funds struggle to gain traction
- Hub acquires $2 billion Pennsylvania Commonwealth advisory firm, capping 48 deals in 2024
- District court dismisses managed account lawsuit
- RIA/RPA M&A activity hits new high in 2024
- Creative Planning CEO net worth balloons to $11 billion

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.