April 2 401(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!

In a real stunner that maybe we should have been expected, LPL announced the acquisition of Commonwealth Financial for a hefty $2.7 bn. Ranked as one of the top independent broker dealers, Commonwealth has 2900 advisors with $285 bn of assets. It is a bold move by recently minted LPL CEO Rich Steinmeier.

Commonwealth recently hired Goldman Sachs to vet minority investors before deciding to sell and is owned by founder Joe Deitch and employees – Deitch stepped back to be chairman in 2009 handing the reins to current CEO Wayne Bloom who will report to Steinmeier. They also face a $93.3m SEC fine pending appeal and have seen some of their top RPAs like Alex Assaley from AFS and Brendan Speers at Legacy Planning both depart to Hub.

LPL recently hired Michael Doshier from T Rowe to be head of retirement.

Ohio's Division of Securities sent an investment advisor alert warning their registered reps about potential violations of state laws for the use of unnamed 3rd party platforms that allow advisors to use client credentials to manage their 401k accounts.

Ohio's alert was characterized as due diligence by Ben White, Pontera's senior director & head of public policy, because they did not name Pontera or any other platforms. Like with Washington and Missouri which had also disclosed potential issues to their advisors, state regulators only oversee RIAs with less than $110 m in assets.

As more advisory firms like Commonwealth, Hightower and Captrust leverage 3rd parties like Pontera, FutureCapital, Blooom and Absolute Capital, regulators and DC record keepers are taking notice. The central issue is how DC participants can safely and legally allow their advisors to integrate and manage their DC accounts as technology and regulations try to keep up with the evolving needs of investors.

Boston College's Center for Retirement Research in collaboration with Jackson National conducted a study with 400 financial professionals and 500 investors age 48-78 with at least $100,000 and found serious gaps between what people think they need to cover healthcare and LTC costs in retirement.

Two thirds estimate $1200 below the average $8600 in annual cost and only 27% think they need LTC. Advances in technology have increased healthcare prices.

All of which will lead to enlightened advisors to include management of benefits and healthcare in the workplace in conjunction with retirement planning and wealth management distinguishing themselves from Triple F RPAs and asset allocators.

All parts of the retail defined contribution industry are being affected by three major outside forces creating huge opportunities and similarly sized challenges including:

1. Explosion of plan formation expected to increase by 50% due mostly to state mandates
2. Convergence of wealth, retirement and benefits at the workplace and
3. Expanding technology, especially AI

When presented with the idea that we may be entering a second third party administrator golden age at the 1st Annual TPA Roundtable held at the University of Chicago Gleacher Center last week, there was an equal if not greater amount of skepticism.

Read my recent *WealthManagement.com* column about the incredible opportunities for TPAs to take over the 350,000 DC plans managed by payroll providers and fintechs as well as the expected 400,000 new plans mostly managed by wealth advisors.

Finally, look for the upcoming RPA Roundtables including the RK program in DC June 2-3rd co-located with the DCIIA SPARK Public Policy Forum and the Aggregator Roundtable September 2-3 and Broker Dealer Event September 3-4 both in NYC right before the 9/4 Wealthies.

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

1. Robinhood takes a shot at financial advisors
2. Beyond TDFs for near-retirees
3. Advisors see more market pain ahead
4. 401Go expands offering through a strategic partnership with Mesirow
5. Private equity targets 401(k) 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.