Retirement Plan Business
Making Your Practice More Productive
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An Introduction to Productivity Growth

Productivity growth is an essential ingredient of capitalism.

You need only look at the quarterly Bureau of Labor Statistics productivity numbers that measure output per worker. They’re key to your forecasting, and everyone else’s forecasting too. Unless productivity goes up, your standard of living remains static, your growth remains static and your clients’ retirement plans remain static.

It’s true for your retirement practice also: productivity growth is a necessary part of success.

Productivity issues cut across the retirement practice spectrum.

Here, for example, is how the typical retirement practice leader manages his/her time:

- **Client Services**: 43%
- **Operations**: 23%
- **Marketing**: 17%
- **Sales**: 17%

It adds up to 100%, but that leaves no time allocated for getting ahead of the curve. And productivity doesn’t just happen. You have to plan for it because you’re not running an assembly line where a machine can replace workers and grow the productivity ratio. You can’t hire your way out of the problem because the business is skill-intensive and therefore top-heavy. Increasing the ratio of support staff to advisors doesn’t solve the problem. Adding more advisors doesn’t yield economies of scale. Take a look on the following page at how different practices compare—depending on the importance of retirement in the business.
A snapshot of how different retirement practices compare.

<table>
<thead>
<tr>
<th></th>
<th>Emerging Specialist</th>
<th>Core Specialist</th>
<th>Large Specialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of 401(k) Plans</td>
<td>25</td>
<td>55</td>
<td>62</td>
</tr>
<tr>
<td>Retirement Assets</td>
<td>$61M</td>
<td>$268M</td>
<td>$3.6B</td>
</tr>
<tr>
<td>Team Members</td>
<td>2.3</td>
<td>3.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Practices Hiring New Staff</td>
<td>30%</td>
<td>39%</td>
<td>64%</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>$161K</td>
<td>$587K</td>
<td>$1.705M</td>
</tr>
<tr>
<td>New Plans Sold/Year (DC Wins)</td>
<td>3.9</td>
<td>6.6</td>
<td>8.2</td>
</tr>
<tr>
<td>% Practice Leader Time on Marketing/Sales</td>
<td>25%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>% Practice Leader Time on Client Service</td>
<td>48%</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>Hours Prospecting</td>
<td>10.0</td>
<td>22.5</td>
<td>21.8</td>
</tr>
</tbody>
</table>

The challenges, particularly the percentage of time spent serving clients and prospecting, remain even as practices grow. Sheer size doesn’t scale the issues, nor does revenue grow proportionally to assets under management.

Retirement advisors understand. They report the same behaviors again and again:

- Not segmenting clients and prospects.
- Not tracking where time goes.
- Not leveraging work across the entire client base.
- No systematic plan for improving profitability.
- Poor use of technology.

Advisors are vocal about tactical fixes—real advice from real retirement advisors:

1. **It’s OK to say no**
   
   “It’s OK to turn down business that doesn’t fit.”
   
   “Fewer accounts really are better.”
   
   “You can do everything right to inspire and motivate but don’t waste time on lost causes.”
2. Delegate

“Delegating is the most productive way to grow.”
“Investing time in key personnel is worth the payoff in the long run.”
“Sometimes I am not always the best person on the team to complete a given task.”

3. Scale for efficiencies

“It’s important to re-engineer the business every two years.”
“Systems and time management are the foundation. You have to make time for them in the beginning or you’re always playing catch-up.”
“Minimizing providers and funds makes you more efficient.”

4. Price for profit

“I really need to track client profitability.”
“Fighting to be the lowest fee provider is a losing game.”

5. The kind of client matters

“One big plan is better than 20 small plans.”
“Going deep into a niche is the best way to develop your business.”

6. Client management

“I should have spent more time developing a service model before I had clients.”
“Re-selling current clients is as important as earning new business.”
“I really need to be a salesperson and not a technical expert.”

Productivity is a challenge, but we have ideas to help you fix it.

Recalibrate your client service model to plan more, react less and provide clients with service that matches their needs.

Manage time so that it’s planned and so that what’s important gets the most attention.

Make your processes scalable so that work is reusable across all your clients.

Understand profitability and how it works; then make plans to grow it and measure it.

Make technology into a strategy that helps you work more productively and also plan the future.
Here’s how the ideas work.

1. Create a dynamic client service model

Almost everyone starts with categorizing clients by plan size. But if you want to grow your productivity, there are better ways, based on profitability and revenue growth. Think about it as taking apart the pieces of your practice—clients, teams, services—and spreading them out on the table. Then putting them back together so that each piece, and the whole, is more efficient.

Evaluate your clients by criteria that predict a productive relationship:

**Quantitative**

- **Revenue**
- **Profitability**
- **Average Participant Balance**
  - **Opportunities for Cross-Selling**
  - **Opportunities for Upselling**
  - **Rollover Opportunity**
  - **Mergers and Acquisitions Opportunity**

**Qualitative**

- **Brand Name**
- **Visibility**
- **Good Reference**
  - **Length of Relationship**
  - **Other Relationships**
  - **Wealth Management for C-suite**

(Some practices don’t do rollovers, M & A, or wealth management for the C-suite.)
There is no formula, so use your knowledge, experience and long-term self-interest. Put the pieces back together in three groups with services scaled to match, standardizing your deliverables and setting clear expectations:

Segment your clients into three groups with scalable services:

**Most Profitable Clients**
- Senior People
- Lower Account Loads
- Custom Solutions
- High-Touch Relationships

**Core Clients**
- Baseline Service
- Packaged Solutions
- Pricing for Consulting

**Emerging Clients**
- Consistent Fund Menu
- Consistent Service Providers
- Web-Based Meetings
Build a staffing model with clear roles to reduce overlap.
Encourage subject matter experts so everyone doesn’t have to learn everything. Establish a primary contact for each client so one person is accountable and clients get a relationship they can count on. Send each client a team chart so they can fully use the depth and breadth of their team. Add a matrix of team member bios by team member roles to reduce unnecessary calls and build client confidence and retention. Set objective trigger points, e.g. every $1,000 in added AUM or for adding staff. Use interns to free skilled professional staff to do more important work. This also gives you an on-the-job opportunity to evaluate potential future hires.

Institutionalize the client service model and your consulting tools.
A clearly defined model creates a consistent sponsor experience that improves relationships with decision-makers like finance, human resources, field HR and external players at the client’s ERISA firm and CPA. Part of the model should be a written service plan with an annual relationship review that outlines goals, services and success measures. Tracking these can be a deciding factor in client retention.

A library of consulting tools is a necessary part of efficient practice management. It eliminates duplication of effort. Clients value a clear methodology that makes your service rational and predictable. And the tools can be used in the sales process to demonstrate to prospects how you’ll add value.

Know how you’re doing.
Measure the effectiveness of the changes by year-over-year growth in revenue per worker. Celebrate your successes. Repeat any parts of the process that can be done better.

2. Manage time as carefully as money
Time management is active, not passive. Make everyone in the firm part of the effort by delegating so you have more time, and so they can prove themselves. Publicize the parameters of success and how to produce it.

Make time a tool.
Set a weekly time allocation for each function, and then ask teams to manage by outcome, not hours. Block your time so you’re allocating instead of defaulting. Track your time by activities and clients so you can establish standards, and then improve on the standards.
Don’t be rigid.
Since this is all about productivity, encourage morning people to do the tough work in the morning, and afternoon people to do it in the afternoon.

Leverage provider relationships to save time:

- Technical Expertise
- ERISA
- Compliance Expertise
- Advisor Marketing Support
- Sales and Service Ideas
- Plan Sponsor Referrals
- Client Relationship Support
- Participant Education

That said, working with fewer providers can mean greater efficiencies and support from the ones you still work with.

Know how you’re doing.
Remember that the primary reason for time management is to give you time to execute the other productivity strategies. So measure your effectiveness by year-over-year tracking of non-essential time, which should be going down.
3. Scale your sales efforts to your goals

This is an easy and obvious concept that’s often lost in the excitement of prospecting for new clients. Some prospects are too expensive or too unlikely to pay off. Some processes can be made more efficient. And some good ideas aren’t being used to their full advantage.

Start by concentrating your clients close to home. Traveling takes money and large amounts of time, so set your geographic limits at a one-hour car ride, cull your prospect list accordingly and let distant clients leave through attrition.

Use your prospecting time wisely.

Save in-person meetings for hot prospects; use webinars, e-mails and phone calls to better manage your time with the core of your clientele. Create a year’s worth of marketing events at once. Put them on a calendar, and do a monthly check-in to ensure they’re getting done. Realize prospecting economies of scale by developing a library of smart answers that can be quickly tailored to RFP questions. Rate prospects on your chances of closing, and then spend more time working on the best chances.

Create your client communications for your most profitable clients, and then use them accordingly for the other two groups. Following is one example of how to do it on the following page.
## Tiered Communications by Client Type

<table>
<thead>
<tr>
<th></th>
<th>Most Profitable Clients</th>
<th>Core Clients</th>
<th>Emerging Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Live Contact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone Outreach</td>
<td>4x/year</td>
<td>2x/year</td>
<td>Reactive</td>
</tr>
<tr>
<td>Meetings</td>
<td>4x/year</td>
<td>2x/year</td>
<td>Web-based</td>
</tr>
<tr>
<td>Consulting</td>
<td>Senior</td>
<td>Junior</td>
<td>Junior</td>
</tr>
<tr>
<td>Onsite Training</td>
<td>Yearly</td>
<td></td>
<td>Additional Fee</td>
</tr>
<tr>
<td>Advisory Council</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>Relationship Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Yearly</td>
<td>As Needed</td>
<td>Additional Fee</td>
</tr>
<tr>
<td>Relationship Planning</td>
<td>2x/year</td>
<td>As Needed</td>
<td>Reactive</td>
</tr>
<tr>
<td><strong>Direct Marketing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newsletter</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Advisor Update</td>
<td>2x/year</td>
<td>Yearly</td>
<td>Yearly</td>
</tr>
<tr>
<td>Year In Review</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Value-Add Webcasts</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cross-Sale</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Value-Adds</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Research Papers</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Topical Decks</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Industry Conferences</td>
<td>Joint</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social Outings</td>
<td>Yearly</td>
<td>Yearly</td>
<td>✓</td>
</tr>
</tbody>
</table>
Create a theme for quarterly meetings with your most profitable clients, and use the appropriate ones for meetings with your other groups. Following are some examples:

**Quarterly Meeting Themes**

**Q1**
- Year In Review
  - Plan Milestones
  - Goal Setting
  - Provider Review
  - Fee/Cost Analysis
  - Annual Calendar

**Q2**
- Fiduciary/Governance
  - Fiduciary Training
  - Fiduciary Checklist
  - Best Practices
  - Investment Policy Statement (IPS) review
  - Insurance Coverage
  - Levels: 3(21), 3(38), 3(16)

**Q3**
- Investment Topics
  - Use of Alternatives
  - Target Date Fund
  - Deep Dive
  - Share Class Options
  - Guest Speaker: Market Outlet, Portfolio Manager

**Q4**
- Participant Trends/Perceptions
  - Participant Demographics
  - Perception Study
  - Best Practices
Consider outsourcing non-essentials. In theory, that means anything not dependent on you, the practice leader. In practice, outsourcing is a continuum, for example:

**Consider Outsourcing Non-Essentials**

<table>
<thead>
<tr>
<th>Less Dependent On You</th>
<th>More Dependent On You</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>HR</td>
</tr>
<tr>
<td>Marketing</td>
<td>Sales</td>
</tr>
</tbody>
</table>

Know how you’re doing.

Year-over-year, you should be seeing more effective prospecting, marketing and communication that happen smoothly and systematically. They should start to feel like friendly tools instead of chores you resent.
4. Build profitability into your processes

Start with your low-margin clients, the bottom 15%. Reconsider the services you provide to this segment. You may have to raise your fees to achieve profitability. It may make sense to outsource some of the work to provider partners. Alternately, you may find that these clients may be better served by a practice specializing in low-margin clients. In turn, this will free your team members to add value to key accounts, find new clients or streamline practice operations. Here’s a way to do it:

Segment Your Clients by Profitability

1. High Time Low Revenue
2. High Time High Revenue
3. Low Revenue Low Time
4. High Revenue Low Time

Execute based on the segmentation.

We’ve just talked about Box 1. Box 2 clients are valuable and may not understand all that you’re doing for them. Tell them, then ask for referrals, make sure they understand that their fees are competitive and conduct a risk assessment.

Concentrate on expanding your relationship with Box 3 clients through new services, consulting and referrals. Try to get to know them better through people that influence them, and by including them in low-cost group events.

Box 4 clients are your top priority. Give them more value, review pricing, add new services without adding new fees and track your results. Do everything you can to keep them by adding value and keeping your pricing competitive.
Learn and understand what drives financial performance, then track it on a dashboard that’s updated monthly. Here are the important variables:

**Performance Drivers**

- Pre-Tax Revenue
- Average Hourly Billing Rates
- Revenue per Professional
- Profitability by Client
- Margins

Now that you’ve got the dashboard and the process to make sure it’s kept up-to-date, add more specific efficiency metrics like professional hours per client, non-professional hours per client, billable hours per client, etc.

**Set a minimum fee.**

Set a minimum annual fee for the services you provide to plan sponsors. And if there are new prospects who will make their decision solely on cost, it’s okay to walk away if their revenue will be less than your minimum. What you deliver is valuable, and the market should know that.

**Price based on risk.**

Instead of basing your pricing model on plan size, base it on your risk and exposure. Your core package may include investment consulting, committee meetings, plan design and provider management. A second client of similar size who also wants an annual fiduciary audit, 3(38) fiduciary services, compliance support for failed testing, more consulting or custom model portfolios should pay more.

**Know how you’re doing.**

You’ve set up the dashboard and check it month by month. Set goals for when you should see profitability growth.
5. Treat technology as a strategy, not as equipment

Technology can be the tipping point to a business growing exponentially and efficiently. As you seek ways to enhance your client relationship model and provide additional value for the fees you charge, you must leverage technology to provide efficiency, time savings and a comprehensive source of client data. Begin with things you may already be doing: digitally manage projects, communication and organization. These three steps can contribute greatly to productivity, and the learning curve is steep but short. Hire a consultant recommended by other firms. There’s no reason to set it up yourself.

Plan and buy for the future, not for the present, and don’t buy on price. Only printers have reached the stage of being a commodity. If you build apps or websites, build them first for mobile, then design for tablet and computer as extensions. It’s easier to do in that order, and you must have a mobile presence.

Go deeper into technology.

Become fluent in holding remote meetings, beginning with your least important clients. Once you’re a pro at it, explore the possibility with more important clients, some of whom will be pleased and eager to make one or more meetings remote.

Create an online tutorial to assist clients in using your firm’s tools. Build a centralized knowledge center to improve productivity. The first thing you put in it can be your RFP answers repository from strategy 3 above. Then expand it with the following essentials, and anything else that you might use again:
Use social media to establish your expertise and build your brand.

Don’t be aggressive—do offer useful information that’s not about you. One good example is a weekly Tweet that directs clients and participants to a *New York Times* or *Wall Street Journal* article about investing or other financial issues that you put on your website. It’s a good way to persuade clients to visit you weekly. And it will grow your productivity by taking the place of traditional marketing that’s dramatically more labor intensive and less efficient.

**Plan your digital future.**

For example, advisor-less wealth management on the web is attracting a lot of attention. It may not affect you. But a website that offers advisor-less investing to plan sponsors for their participants is a strategic threat. And an opportunity you might want to be part of.

Expect a change in your clients’ attitudes toward digital as younger people rise to influence and leading-edge expertise replaces competence as the price of entry for keeping the business. They’ll expect you to be leading them, not following.

You’ll need to have an idea of what’s coming, how it affects you and how you’ll respond to it. Keep in mind, from the beginning of this paper, the skilled machine that dramatically grows productivity by replacing skilled workers. There isn’t one now for retirement practices, but once there is, you’ll want to have one.

**Know how you’re doing.**

There are three measures:

1. You’re reaping gains in productivity from digital meetings, project management, etc.
2. Your plan sponsors and their participants look forward to your weekly article recommendation.
3. Your understanding of digital investment management, when it might arrive and how you’d exploit it.

**Two years from now.**

We’ve suggested ways to make your client service model more flexible and rational, manage time, service clients in proportion to how well they pay you, focus on profits and have a strategy that prepares you for the future.

If you put our ideas to work, two years from now your retirement practice should be more productive. Look for productivity growth of a few percentage points, which could mean a competitive advantage and increased profits.

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