



NEWS RELEASE

## Latest Fidelity survey reveals four secrets of successful plan advisors

10/1/2015

- Aligning with Clients' Areas of Focus
- Demonstrating Value Against Key Success Measures
- Involving All Plan Sponsor Functions: CEOs, CFOs and HR
- Partnering with Recordkeepers

BOSTON – Fidelity Investments® today announced the results of its sixth annual Plan Sponsor Attitudes survey, which revealed four secrets of successful plan advisors. These insights are critical given that, of the plan sponsors surveyed, an overwhelming majority (84 percent) use an advisor. Of those who do, 17 percent are actively looking to switch advisors – the highest number since the survey was launched. The study surveyed sponsors of plans that use a wide variety of recordkeepers and range in size from 25 to 10,000 participants.

"Since we launched the survey in 2008, plan sponsors' areas of focus have evolved and broadened significantly," said Jordan Burgess, senior vice president, head of specialist field sales overseeing defined contribution investment only (DCIO) sales at Fidelity Financial Advisor Solutions. "While they have been consistently aware of their fiduciary responsibilities, plan sponsors have grown more focused on preparing employees for retirement. This shift creates both challenges and opportunities for plan advisors in what is becoming an increasingly competitive market."

To stand out among growing competition, advisors should consider adopting some of the habits of their successful counterparts:

### 1. Aligning with Clients' Areas of Focus

A large proportion (86 percent) of plan sponsors said they have participants who are delaying retirement due to a lack of savings. This has contributed to a greater awareness among plan sponsors of the consequences of delaying retirement and an increased focus on preparing their employees for retirement. To help address these concerns, advisors should educate plan sponsors on plan design features that may improve savings rates. For example, implementing auto-enrollment may improve participation rates, which average 86 percent for plans with auto-

enrollment and only 52 percent for those without. Combining auto-enrollment with an automatic annual increase program can be extremely effective. Of the participants who automatically take part in annual increases, only 7 percent disenroll within the first 12 months.<sup>1</sup> Understanding the benefits of these features can help to drive their adoption. While plan sponsors are increasingly focused on the costs of delaying retirement, two-thirds of them have not defined clear savings or retirement income goals for their plan participants. Advisors can play an important role in providing guidance on structuring plans for retirement. According to Fidelity research, defined contribution plans should strive to provide at least a 50 percent level of income replacement throughout retirement.

## 2. Demonstrating Value Against Clients' Key Success Measures

In addition, it is crucial for advisors to align and demonstrate their value against key success measures defined by their clients. Plan sponsors cite investment expertise as their No. 1 reason for using an advisor, with nearly two-thirds saying that they evaluate their advisor or consultant at least annually. The top areas of review are value delivered, investment performance, and cost and fees. Other factors, including effectiveness in ensuring plan compliance and meeting fiduciary responsibilities, also play a role in how plan sponsors assess advisors.

## 3. Involving All Plan Sponsor Functions: CEOs, CFOs and HR

Typically, three key functions within the plan sponsor organization are involved in making plan decisions: the owner or CEO, the finance team, and the HR team. While they have knowledge of plan expenses and investments, owners and CEOs typically focus on advisor selection. Chief financial officers and others in finance-related roles reported a good understanding of the majority of fiduciary duties, particularly testing and reporting, plan expenses, and provider selection, while colleagues in human resources were most likely to demonstrate expertise in managing plan documents, handling contributions, as well as participant communications. While there are differences in levels of understanding, all three functions are involved in a variety of plan decisions in one way or another, and each of them may be more broadly focused than is typically assumed. Advisors should look to include all key players in plan design decisions and help bridge any gaps in understanding.

## 4. Partnering with Recordkeepers

While advisors remain the primary provider for a wide array of services, including monitoring investment performance and asset allocation, the capabilities of recordkeepers have expanded significantly. Of the plan sponsors who use an advisor, nearly all of them (92 percent) said they have a relationship manager from a recordkeeper who plays an important role for their plan. On top of day-to-day troubleshooting, well over 85 percent of advised plan sponsors said their recordkeepers have – over the past five years – started to offer services in areas such as employee communications and education, retirement and rollover planning, fee and fiduciary disclosure, and information on plan design and testing. In addition, the influence of recordkeepers on plan design changes tends to increase with the size of plans.

Advisors continue to play the primary role in consulting on plan design. As the role and capabilities of recordkeepers grow, plan sponsors demonstrated increased satisfaction when both advisors and recordkeepers have an impact on plan design decisions. This is an opportunity for advisors to remain engaged – even with sponsors of larger plans – by identifying areas where they can team up with their clients' recordkeepers and work together as partners, allowing them to focus on areas where they are uniquely positioned to deliver value, such as consulting on plan design.

Additional information on the survey as well as resources and tools – including fund analytics and details on investment options – can be found at [advisor.fidelity.com/attitudes](https://advisor.fidelity.com/attitudes) (for defined contribution professionals only.)

#### Fidelity Financial Advisor Solutions, Defined Contribution Investment Only (DCIO)

Fidelity Financial Advisor Solutions is a leading provider of investment management and retirement services to defined contribution professionals nationwide, supporting advisors, recordkeepers, TPAs and plan sponsors in a collective effort to help participants achieve better retirement outcomes. As a retirement leader, Fidelity has deep knowledge of plans and participant behaviors. The firm combines this knowledge with a legacy of asset management —62 percent of Fidelity's \$2 trillion in managed assets are retirement assets as of June 2015— to become a key manager in the investment-only arena with over \$77 billion in total DCIO assets.

#### Plan Sponsor Attitudes Survey: Methodology

The 2015 Plan Sponsor Attitudes Survey was conducted in collaboration with E-rewards, an independent market research company, via an online survey in March 2015 of 952 plan sponsors who use a variety of recordkeepers. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan (ranging in size from 25 to 10,000 participants and up to \$100 million in assets under management), and the survey focused on those plan sponsors (803 or approximately 84%) using the services of a financial advisor or plan consultant. Fidelity Investments was not identified as the survey sponsor. The experiences of the plan sponsors who responded to the March 2015 survey may not be representative of those other plan sponsors who use the services of an advisor. Previous Fidelity surveys were conducted in 2008, 2010, 2012, 2013 and 2014.

#### About Fidelity Investments

Fidelity's goal is to make financial expertise broadly accessible and effective in helping people live the lives they want. With assets under administration of \$5.1 trillion, including managed assets of \$2.0 trillion as of August 31, 2015, we focus on meeting the unique needs of a diverse set of customers: helping more than 24 million people invest their own life savings, nearly 20,000 businesses manage employee benefit programs, as well as providing nearly 10,000 advisory firms with technology solutions to invest their own clients' money. Privately held for nearly 70 years, Fidelity employs 42,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit <https://www.fidelity.com/about>.