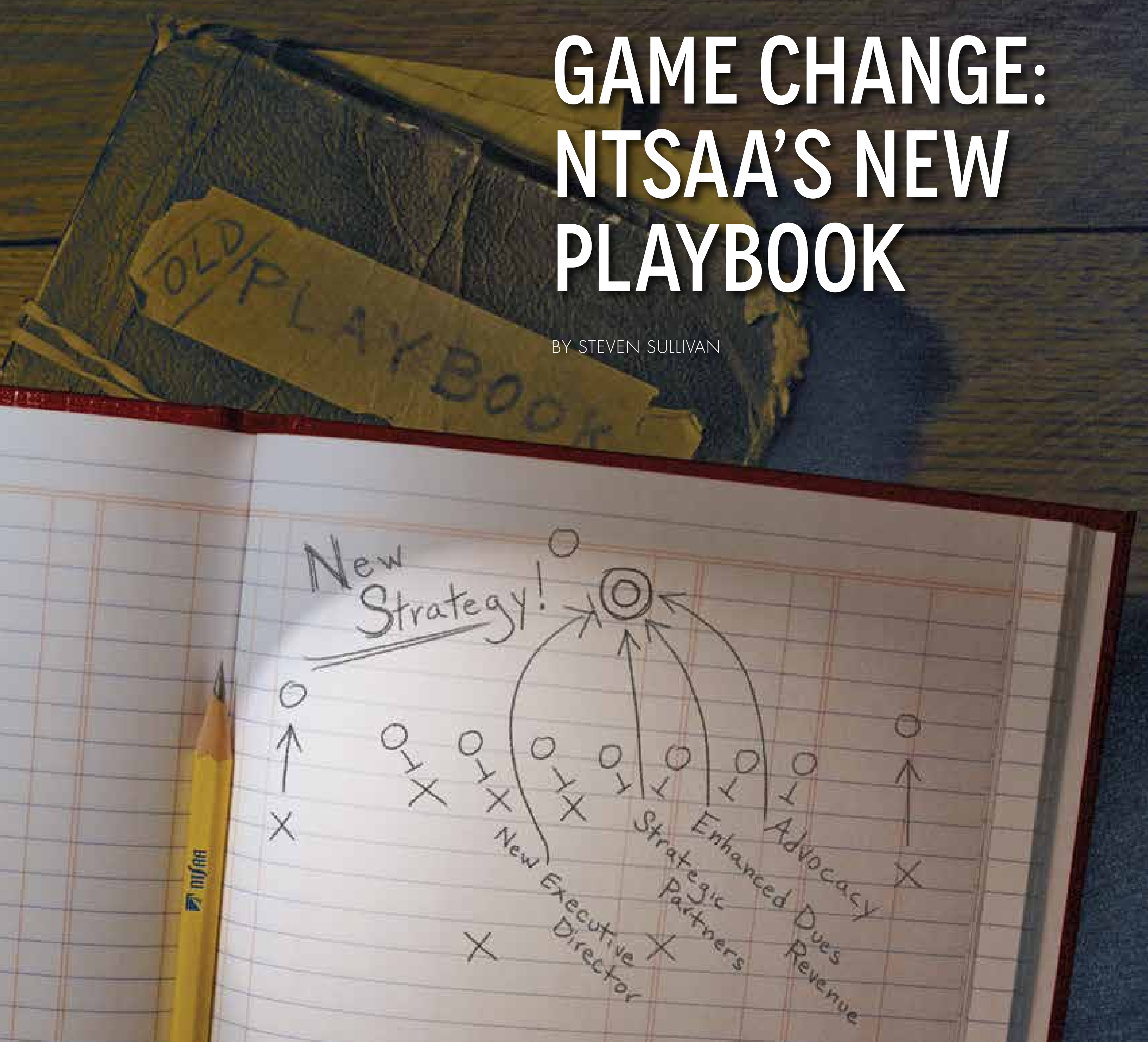
THE OFFICIAL PUBLICATION OF NTSAA

# 403(b)® ADVISOR

WINTER 2013 VOLUME 3

# GAME CHANGE: NTSAA'S NEW PLAYBOOK

BY STEVEN SULLIVAN



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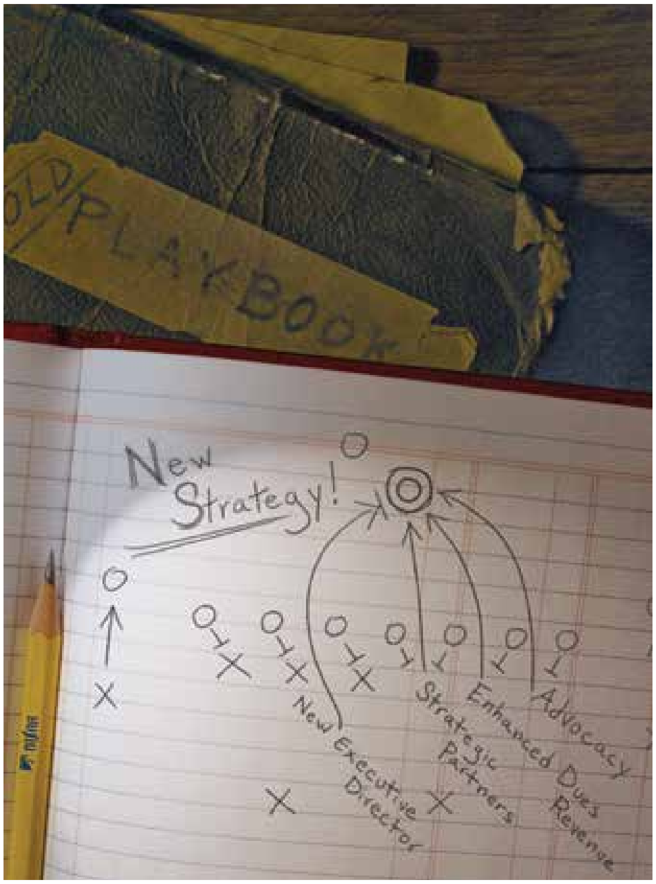
The Exclusive Magazine for 403(b) and 457 Investment Professionals

Winter 2013 Volume 3




COVER STORY


## 18 GAME CHANGE: NTSAA'S NEW PLAYBOOK

With a whole new membership structure, NTSAA's strategic partners have doubled its membership and replenished its coffers. And it isn't even half-time.

STEVEN SULLIVAN


*Cover:*
*Illustration by Wood Ronsaville Harlin, Inc.*

## FEATURES


### 20 TAMING THE ELEPHANT

Part of a good advisor's job is to help clients from getting trampled in a financial stampede caused by emotional investing.

PATRICK K. CARROLL

### 24 TAKING CARE OF THE FUTURE SELF

How can you get people to set aside money their current self wants to use and save for their future self in retirement?

ART MARKMAN, PHD

### 26 THE DOCTOR IS IN: CHECKING THE VITAL SIGNS OF YOUR CLIENT RELATIONSHIPS

Many of us use annual checkups to keep tabs on our physical health but checking the vitals of your professional health, through client relationship checkups, is just as important.

ANDREW SOBEL

### 30 NTSAA'S ULTIMATE 403(b) SUMMIT: THE BEST OF BOTH WORLDS

NTSAA's 403(b) Advisor and Compliance Summits come together this summer in Chicago.

STEVEN SULLIVAN


*Correction: The author photo on page 21 of the fall issue purporting to be James Rowley is in fact Chuck Riharb. Here is James Rowley's photo. We regret the error.*


## COLUMNS

**04 ADVANCE LOOK**
The Inner Leonardo
STEVEN SULLIVAN

**06 TRENDSPOTTING**
Why 403(b) Advisors Are Needed Now, More than Ever
KEITH W. YOUNG

**8 GOVERNMENT IMPACT**
My Grandma's Simple Lesson on Retirement Policy
CHRIS DEGRASSI

**10 (b) HEARD**
Evolution of Influence
SCOTT A. HAYES

**40 TAKEAWAY**
Sam's Story
ELLIE LOWDER

## DEPARTMENTS

**12 VALUE PROPOSITION**
Help Your Clients Pay for College and Retirement
SCOTT MOFFITT

**14 ON THE LEVEL**
Is Your Public School District Employer Being Told it's a Fiduciary?
ELLIE LOWDER

**16 BEST PRACTICES**
What's Wrong With This 403(b) Plan?
DEBRA L. WARNACUTT
CHRISTINE P. ROBERTS

**34 CHEAP TECHNOLOGY**
The PowerPoint Killer and Your Mafia Family
YANNIS P. KOUMANTAROS
ADAM C. POZEK

**36 GRADE POINTS**
Bridging the Generation Gap in Retirement Services - Part 3
SARAH SIMONEAUX

**38 SALES NUGGETS**
Beyond the Standard Routine
KENT SCHUTTE

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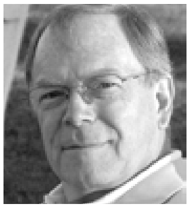
ADVANCE LOOK



# The Inner Leonardo

BY STEVEN SULLIVAN

I've never been a big fan of themed issues of a magazine. The ad sales folks say it's easier to sell ads in an issue with a specific focus but I find them limiting and restricting. I'd much rather cover as much territory as our readers and writers can encompass in a single issue and let them take it from there.

Sometimes, however, themes can happen all by themselves, arising spontaneously and serendipitously from the random material. And I find that kind of exciting. Like finding the patterns in something you assumed to be chaos.

I think this winter 2013 edition of *403(b) Advisor* is just such an issue. For me, the theme that emerges is this: It's no longer sufficient for a successful 403(b) advisor to be simply a purveyor of retirement products. Or even just an expert on investments and financial markets. In order to cut through the clutter of financial advice that comes at us from the media, both mass and social, he or she must go into some unfamiliar, even surprising territory.

According to Scott Moffitt, that territory should include college planning. Many people are going to have to balance saving for retirement with saving for their children's college education. Just trying to fill out the Free Application for Federal Student Aid (FAFSA) form can be a hair-pulling experience for even the most sophisticated parents.

"Offering an educational 45-minute workshop on the basics of the FAFSA is a great way to meet families," Moffitt writes in the Value Proposition on page 12. "When done properly, more than half of your audience will be interested in meeting with you to discuss their financial situation."

That you need to do your homework in order to become such an expert goes without saying. Becoming an expert in Social Security, state employee retirement systems, and Medicare—as recommended by Kent Schutte in the Sales Nugget on page 38—requires homework, too.

"Successful 403(b) advisors will have the ability to do so much more for clients than just reviewing their investments," Schutte asserts.

Sales psychology is something you're no doubt familiar with. It's probably part of your DNA. But in "Taking Care of the Future Self," psychologist Art Markman introduces a new twist, something called "cognitive science."

Cognitive science, covering the disciplines of psychology, artificial intelligence, philosophy, neuroscience, linguistics and anthropology, is the study of the mind and its processes, including how we make decisions and how learning influences behavior.

Behavior such as emotional investing, for example. Patrick Carroll, in his article on page 20, shows you how to be something of an amateur psychiatrist, helping your clients through the emotional rollercoaster of bull and bear markets.

"There are six primary emotions that people have about money," Carroll advises. "These emotions are fear, greed, confusion, security, powerlessness and loneliness. Each of these emotions can get people into trouble unless they take charge of them."

Michelangelo was a sculptor. Sure, he painted the ceiling in the Sistine Chapel, but he was most comfortable working in stone. Leonardo did everything: painting, engineering, inventing, designing, writing, music, mathematics, architecture, science, anatomy, whatever. You may be a 403(b) Michelangelo, but getting to the next level may mean getting in touch with your inner Leonardo.

*Steve Sullivan is editor of* 403(b) Advisor *magazine. He lives in Baltimore, Md.*

# Why 403(b) Advisors Are Needed Now, More than Ever

BY KEITH W. YOUNG

## Are we headed off a cliff or ready to climb a mountain? The answer lies in how we respond to a changing and challenging 403(b) market.

During the past several months, record low interest rates, volatile markets, and a prolonged world-wide economic slowdown have insurance and investment executives scrambling for alternative strategies and ideas in the retirement market. They're cautious and concerned about their companies' future sales and profits. At the same time, many participants in 403(b), 457(b), IRAs and 401(k) plans are looking for advice and direction on where to save and how to preserve their money in this unstable economic climate.

Now, this low-interest rate environment has caused some insurers to scramble—increasing readiness and carefully monitoring their short- and long-term capital positions and reserves and investment and capacity issues.

Where can companies that offer fixed and indexed annuities and guaranteed death benefits invest the billions of dollars of premium they collect today and get a decent spread or return for policyholders and their portfolios? Should they use a "portfolio" rate or a "new-money" rate? How much in new single-premium deferred annuity (SPDA) sales does a company really have an appetite for in this low-interest rate environment? Will a market value adjustment or a guaranteed lifetime income rider with an SPDA keep clients from moving their accounts to other companies when interest rates spike up? Should a company now focus on flexible-premium sales and ration single-premium sales? Will there be disintermediation risk issues and major losses in their investment portfolios if interest rates increase in the future? Are companies properly reserving for their guaranteed lifetime income riders or guaranteed withdrawal benefit riders?

These issues are just the tip of the iceberg. There's also the more fundamental need to change how the 403(b) industry does business to meet rapidly evolving consumer expectations in terms of products, distribution, service and technology. Insurers and investment providers across the industry will have to overcome significant hurdles as they look to bolster their top and bottom lines in the future. Yet even in such uncertain economic times, there are opportunities to generate profitable growth by attracting new customers and taking market share away from competitors.

### DEBT AND UNCERTAINTY

Insurers and providers of variable annuities and mutual funds also face market volatility. Some have experienced flat or even decreasing new sales in the 403(b) and 457(b) markets. Customers are concerned about market risk, past experiences, and fees. Also, mutual funds' net cash positions are at all-time highs; record numbers of savers and investors are turning to bank accounts and CDs to park their cash; and global money managers and foreign investors are loading up on Treasuries as a safe haven.

Many experts are predicting low-interest rates and market volatility for at least three to five years. Dr. Roger Porter, a professor at Harvard, says that there are typically three ways of getting out of a recession: consumer spending, a housing recovery, and exporting more large manufactured goods to the world.

Unfortunately, Americans now are experiencing a record $852 billion of revolving debt and most aren't saving enough for retirement. According to the June 2012 Aggregate Revolving Consumer Debt Survey, credit card debt is the third largest source of household indebtedness, averaging $15,587 per indebted household as of June 2012. Only the $13.5 trillion mortgage debt market and the $1 trillion student loan debt market are larger.

Even a President Reagan-like tax cut wouldn't drive consumer spending as it did in the 1980s. Why? Because the tax cut would only help many consumers pay back the debt they owe to the already bailed-out banks.

Even though many experts believe the housing market may recover faster in certain areas, it may take 10 to 15 years for many owners to see the value of their homes return to 2007 levels. And with a global recession and the European Union members in a free fall, it's difficult to keep the dollar low and export more large manufactured items.

## WHERE TO SAVE?

All these conditions do have a great impact on insurers, investment providers, field associates, and consumers in the 403(b) and 457(b) world. Recently, several insurance companies have abandoned or scaled back their distribution focus, hoping to cut costs and increase profits. Others are moving toward direct sales, and some are withdrawing products, lowering commissions, and even leaving the market. As a few traditional companies make dramatic changes in the market, non-traditional competitors are like sharks in the water, circling for a feast. They're entering the market to capture a share of the more than $800 billion of assets that are now saved in 403(b) plans.

While markets remain unsettled and interest rates stay low, many field associates and companies understand that teachers and government employees still need to save additional monies to supplement their state pension plan for retirement, especially in the states such as Texas and California that don't offer Social Security to their employees. The question is where to save?

The average person faces a tradeoff between saving in traditional fixed or fixed indexed annuities that offer safety and guarantees and low interest rates for maybe a long period, versus variable annuities and mutual funds that put their account value at risk in a volatile market.

One solution may be a platform offering fixed, indexed, and variable annuities and mutual funds. A customer's risk tolerance and age could determine the savings mix in the different products available.

Another solution may be a guaranteed lifetime income rider. This is appropriate if a person wants an annuity that provides a guaranteed stream of income for life while annuitizing the contract. The Department of Labor is also exploring the rider's value and use in 401(k) plans.

Advice, direction, help. These are the reasons why a 403(b) or 457(b) advisor is needed today more than ever before. Most employees want a knowledgeable advisor, someone they can trust. Without an advisor, many school district employees in the K–12 market and government employees won't save additional monies for retirement. With participation in 403(b) plans historically hovering between 26 percent and 28 percent, market volatility and low interest rates will lower participation rates even more.

For agents to survive in this new 403(b) and 457(b) world, flow or periodic premium is the key. Most companies now prefer it over single-premium sales. These flow or periodic premium products offer the customers the ability to contribute premiums at different times, so when rates do improve, they'll benefit.

The future of the agent and advisor in the 403(b) market remains bright. The market continues to grow; people still need to save in a 403(b). People need and want your advice, experience and expertise. There are major opportunities for those who want to work in this market. Just ask a successful NTSAA member.

*Keith W. Young is CEO of Secure Wisdom LLC in Southlake, Texas.*

# My Grandma's Simple Lesson on Retirement Policy

BY CHRIS DEGRASSI

Looking back now, I realize my Grandma O'Brien was one of the smartest people I've ever met. Born of immigrant parents, she left school after the 9th grade to help support her family. She worked so that her younger brothers could complete high school and, after the war, go on to college with help from the G.I. Bill.

Grandma didn't have the opportunity to complete her own formal education, but she was nobody's fool. In fact, I often find that when I'm sitting in my office trying to solve a problem or think my way through an issue that just seems too complex, the answer finally comes to me from something simple my grandmother said or did when I was a boy.

I remember running errands with Grandma in her neighborhood on the north side of Chicago. We would walk to the Jewel Food Store on the corner to pick up some groceries, mostly canned goods and other staples. Grandma would hold the grocery list, written in her perfect cursive penmanship, marking them one at a time as we walked through each aisle. Every once in a while I'd be "Grandma's legs" and run to get an item we'd missed. And maybe stop to take a look at the toy aisle.

At the checkout line, before taking out her Marshall Fields coin purse where she kept all her cash pinned together, Grandma would carefully check her list, making sure she had her coupons and that she'd checked all the sale items on her list. I remember Grandma telling me that it's good to give your money to others but foolish to give your money away. Every time, down to the penny, Grandma knew exactly how much the items in her basket would cost.

It was a six-block walk back to her second-floor apartment. Grandma always stopped at least once on the way home to shove a couple tightly wound dollar bills into someone's hand. "Thank you, Missus," would be the reply. I always thought it was funny that at the grocery store and on the way home, everyone called my Grandma O'Brien "Missus."

Back at her apartment, my job was to fill the pantry with what we'd bought before sitting at the kitchen table to have a cold glass of Canfield's chocolate soda. She always had a can of Canfield's ready for me in the ice box. I'd take my favorite spot on top of the radiator at the back of the kitchen and swing my legs while sipping the soda. Then, at just the right moment, "He's a good man, just down on his luck," she'd say without ever looking at me. Give, but don't give away.

That's right about when Grandpa would get home from his morning shift. I'd know he'd been at work because his shirt had a patch on the left side with his name on it. The patch read Ray, but Grandma called him O.B. No sooner was Grandpa in the door than Grandma would say, "All right O.B., don't get too comfortable. It's time to run our errands."

Into the Ford this time for a short drive. Our trip was a couple miles down the road to the stores near the corner of Milwaukee and Pulaski. We were headed to see Nick the Butcher before getting something sweet at the Gladstone Bakery.

We'd walk in the door and were always greeted by a smile and a warm, "Hello, Mrs. O'Brien! We were all wondering if you were coming in today. Ray must be trying to find a parking spot, and this must be your grandson, Christopher."

This is when I'd just miss dodging the thumb Grandma would wipe across the side of my mouth, getting that last bit of chocolate soda that I meant to save for later. They never called her Missus at the butcher shop.

No list was ever needed for this trip. No coupons or sale sheet clipped from the Trib. "What's good today?" my Grandma would ask with a smile on her face, as Nick would disappear into the back of the store, returning with a special roast or

corned beef wrapped in white paper.

And later, that magical pastry box filled with baked delights, tied exasperatingly shut with white string, always seemed to be waiting for us on a shelf at the bakery. The rye bread and pound cake were easy to spot, but I could never wait to see what was in that wonderful pastry box!

So here I am in my office, the soft glow of the late afternoon sun gently filling the room, smiling at these vivid memories that I've been too busy to think about for many, many years. Every meal at Grandma's house was the best!

I started the day trying to figure out how I could possibly address all the postulations of well meaning people who are absolutely convinced that they have all the answers, and know what's best for others. Finally, I can confidently push aside the stacks of research and myriad opinion pieces on financial planning practices and retirement policy, no longer dreading writing this article and the looming deadline I've dutifully ignored.

Good retirement plan policy all comes down to the simple lessons my Grandma taught me while running errands on Saturday mornings: Be smart with your money and don't pay too much for canned goods from a place where there call you Missus; take care of others; be willing to share because some people may need more help than others; and know when it's smart to trust others to take care of you. They're likely the people who place an extra treat in the pastry box for your grandson.

I think I'm going to find a cold glass of Canfield's chocolate soda. Love you, Grandma.

---

*Chris DeGrassi is executive director of NTSAA in Arlington, Va.*

# Evolution of Influence

BY SCOTT A. HAYES, TGPC

It's hard to believe it was nearly two years ago that I stepped onto the stage at the NTSAA National Conference in Orlando and began serving my term as president of the association. This was our first conference since our membership had voted to partner with ASPPA, and while we were all optimistic about this nascent relationship, I don't think we fully understood the transformative nature of that decision and the resulting rebirth of NTSAA.

At that conference, we launched this magazine as the first tangible benefit of our ASPPA partnership, and in the process we gained a national audience of more than 12,000 subscribers through whom to promote NTSAA's education and advocacy objectives. I'm proud to be a founding member, contributing author, and ongoing advisor to this publication.

In December 2011, NTSAA took an evolutionary leap forward when ASPPA reaffirmed its commitment to this partnership and hired NTSAA immediate past president Chris DeGrassi as the new executive director of NTSAA. We recognized the need to have a full-time leader as numerous states began contemplating pension reform and a handful of large companies concurrently sought to legislate their way to market share through their lobbyists rather than compete for it. With Chris at the helm, our leadership council authorized the formation of a state coalition that's enabled us to become a formidable opponent everywhere we've engaged even though we don't have the multi-million dollar budgets of these special-interest companies.

I'm also proud that NTSAA is leading the charge on a national fee transparency initiative. As we all know, the DOL fee disclosure rules don't apply to non-ERISA governmental 403(b) and governmental 457(b) plans. Yet fee disclosure and fee transparency are arguably more important in these plans since there are often multiple products and providers from which participants can choose, with a wide range of fees and services. We believe that our members and their clients are best served when they're educated consumers of products and services, and we're confident that our disclosure document will eventually become the industry standard for fee transparency in the non-ERISA plan universe.

NTSAA has come a long way in these past two years, but we still have a long way to go. If your business has anything to do with 403(b) or 457(b) retirement plans, your livelihood is at risk as states explore pension reform, as special interest product providers try to legislate you out of business, and even as federal tax reform looms. NTSAA is the only trusted, national voice advocating on your behalf and I implore you to get involved. Encourage your peers to join, come to our annual conference, make a contribution to our political action committee (http://www.asppa.org/Main-Menu/partners/NTSAA/ntsaapac.aspx), and get involved!

Although my tenure as your president has come to an end, I'll continue to stay involved with NTSAA. In fact, I'm honored to have just been elected to the ASPPA Board of Directors, where I'll continue to advocate for the values of our NTSAA members and work hard to ensure that we continue to exceed our members' expectations. I'd like to thank the NTSAA Leadership Council, the various committee chairs, and the countless volunteers who have made this one of the most rewarding experiences of my professional life. I couldn't have done it without your commitment and your support.

*Scott A. Hayes, CFA, is executive vice president and chief compliance officer at Institutional Securities Corporation (ISC) in Dallas, Texas.*

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BY
SCOTT MOFFITT


# HELP YOUR CLIENTS PAY FOR COLLEGE AND RETIREMENT

**The relationships you've already established in your practice provide the perfect opportunity to add college financial planning to your retirement planning portfolio.**

There are millions of American families who are concerned about the overwhelming costs of college. Can they help provide financial assistance to their children during the college years while still holding out hope for a financially sound retirement for themselves? The cost of college has increased by two to three times current inflation over the past two decades. Coupled with the economic challenges that have hit most families over the past decade, this has made paying for college a very real financial challenge.

Unfortunately, there are simply not enough financial professionals trained in the financial aspects of college planning to be able to help the tens of thousands of families who need guidance. Mistakes made in the process of paying for college can unknowingly and unnecessarily cost a family thousands of dollars in debt. It doesn't have to be this way.

Very often families rely on the schools and guidance counselors to provide them with college information. While it's true that they can provide a lot of valuable information regarding the academic components of college planning, they're simply not trained to provide much-needed financial advice to families.

This is why there is a huge opportunity for financial professionals who are trained in college planning. They can partner with schools and guidance departments to help them educate parents on how to more effectively pay for college without jeopardizing their own retirement. Financial professionals, such as individuals working in the 403(b) market with schools, have such an untapped opportunity to deepen their relationships with the schools and their employees by offering college planning.

Families who are interested in college planning are typically upper-middle-class families with substantial income and assets. The reality is that college is going to cost tens of thousands of dollars (and in many cases six figures!) and even those who have the means are interested in finding ways to reduce this burdensome expense. There are many ways by which a family can greatly reduce their out-of-pocket cost, including need- and merit-based aid, proper college selection to maximize financial offers and reduce the length of time to a degree, athletic scholarships, and many other strategies.

## THE MYSTERIES OF FAFSA

Helping a family understand the Free Application for Federal Student Aid (FAFSA) is an important step in this process. Offering an educational 45-minute workshop on the basics of the FAFSA is a great way to meet families. When done properly, more than half of your audience will be interested in meeting with you to


## Lowdown on Education Tax Benefits

Lost in the tax code's education-related provisions? A special IRS information center explains the tax credits (the American Opportunity Credit, Hope Credit and Lifetime Learning Credit,) deductions (tuition and fees, student loan interest, qualified student loans and work-related education), savings plans (529 plans and Coverdell accounts), and exclusions from income (educational assistance benefits and working condition fringes). Just go to www.irs.gov and search for "Tax Benefits for Education: Information Center."

discuss their financial situation.

This meeting will involve them sharing their full financial picture with you. As a financial professional, you find yourself in front of qualified families with identifiable problems you're able to assist with. Additionally, because they're running out of time to solve the college funding problem, they're motivated to act. Purely from a sales perspective, the opportunity doesn't get much better than this.

Most families faced with paying for college in the very near future are also dealing with other financial challenges. Their retirement accounts are much smaller than they envisioned they'd be when they reached this stage of life. Many believed they'd have sufficient equity in their homes to handle college expenses, but the recent crash of the residential real estate market squelched that plan for most.

Others are recognizing that they're halfway through their working careers and if the second half goes like the first, financially speaking, they're going to be in trouble! They're coming to the realization that all of these items must be addressed at the time they put their college plan together if they have any hope of correcting these financial problems. They also recognize that accomplishing these things is simply too important to do it alone.

### BUILT-IN RELATIONSHIPS

Tremendous opportunities exist for financial professionals to be able to lead these families through the financial challenges associated with college. Doing so will lead to lifetime clients who are extremely grateful for the assistance they received from you. They'll trust you now to help them with all their financial needs, and they'll be willing to share this with their friends who have the very same concerns.

Becoming a college planner doesn't require financial professionals to stop what they are doing. In fact, those working in the schools and hospitals already have the relationships with the organizations; all that needs to be done is some basic training. Motivated individuals can become knowledgeable within a couple of weeks, spending a couple of hours per day acclimating themselves to the college planning process. Finding a reputable organization to provide training and presentation materials will greatly reduce the time it will take to get up to speed and start helping families.

You may want to give college planning serious consideration if you're working in schools and hospitals. You've developed good relationships with those institutions, and this is a complementary way to expand your business to new markets.

*Scott Moffitt is the president and co-founder of College Planning Relief®, the nation's premier college planning training and marketing program for financial professionals. Scott is also the author of the book* College and Retirement, You Can Do Both. *For information on CPR and Scott Moffitt, go to www.collegeplanningrelief.com.*

BY
ELLIE LOWDER, TGPC


# IS YOUR PUBLIC SCHOOL DISTRICT EMPLOYER BEING TOLD IT'S A FIDUCIARY?

## A basic primer to help you discuss with your plan sponsor clients whether they're fiduciaries for their 403(b) plans and how they can protect themselves from potentially inaccurate information.

What is fiduciary responsibility? Does it apply to a public school district employer?

Fiduciary responsibility is contained in the Employee Retirement Income Security Act (ERISA), which applies to the responsibility within retirement plans for employers that are not exempt from Title I of ERISA. Public education employers are exempt from ERISA under ERISA Section 3(32). There is no fiduciary exposure for them under ERISA.

### THE INTERNAL REVENUE SERVICE

Final 403(b) regulations, effective on Jan. 1, 2009, govern and set forth the compliance responsibilities for all employers sponsoring 403(b) plans. There is no reference to fiduciary responsibilities in those regulations. In fact, the IRS does not have the authority to impose fiduciary responsibilities on any employer.

### STATE STATUTES

In most states — roughly 90 percent of them — the legislation authorizing public school districts to establish and maintain 403(b) plans does not impose fiduciary responsibility on those employers. Such responsibility wouldn't be applied under state trust laws because 403(b) assets aren't required to be held in trust, and those assets are generally not held in trust. Every public school district employer should ask its legal counsel to review the statutes in each particular state. You should be familiar with the statutes in your state and be prepared to offer copies of those statutes to employers.

### STATE COMMON LAW

It's unlikely that state common law has any impact on public school districts in terms of their fiduciary obligations for the 403(b) plan. Obviously, an employer could be sued for a variety of reasons, based on misconduct or negligence, that would cause a 403(b) plan participant to suffer losses. However, this author is not aware of any such actions that are based on fiduciary issues.

### WHY WOULD YOUR EMPLOYER CLIENTS BE TOLD THEY'RE A FIDUCIARY?

We've heard of public school district officials being informed by various entities that "you're a fiduciary," often coupled with, "but for a fee we'll help you manage your fiduciary liability responsibilities." This information is generally inaccurate because the entity simply hasn't done the homework necessary to verify its accuracy.

### HOW CAN YOU HELP SET THE RECORD STRAIGHT?

If your employer clients are approached with that assertion, you can help protect them by recommending that they require the citations that cover their fiduciary liability exposure. You can even offer up the citations that you should have received from your benefits providers' legal counsel. You may often find that no such citations will be provided (because they may not exist). It's important for you to be aware that taking costly actions to protect against fiduciary obligations isn't in their best interest if those actions aren't required.

How should your employer clients select investment providers (and their products) to avoid the appearance of the assumption of fiduciary responsibility?

Remember that the IRS requires that employers and their providers share information for any and all transactions in the plan with the designated third-party administrator (TPA) unless the plan sponsor self-administers their plan. They should communicate with providers to be sure they've signed service provider/information-sharing agreements confirming that they'll share the information and process transactions in order to meet those compliance requirements and obligations.

Once that's been confirmed by each current provider, they should be ready to meet the compliance requirements of the final 403(b) regulations. The TPA (if there is one) can and will help with this process. And the employer should be prepared to de-select any provider that cannot agree to share information to meet compliance requirements.


## WORKING AND COMMUNICATING WITH EMPLOYEES

The long history of 403(b) plans in public school districts has been one of permitting employees to select their own investment provider(s) and appropriate product(s) for directing their voluntary retirement savings contributions. In some states, that ability is protected under state "open market" law, which has been updated to permit employers to work with multiple providers only to the extent they can and will comply with the information-sharing obligations necessary for compliance. The need to de-select a specific provider that can't or won't share that information can be easily explained to "disenfranchised" employees as a measure to protect the tax status of their 403(b) accounts.

However, downsizing the number of providers based on the employer's perception of what constitutes low-cost, low-service investment and annuity options could, in fact, create exposure when employees aren't happy with the result of the choice. This is an unnecessary and potentially risky move for the employer and its governing board. It can be viewed as interference with the longtime relationships of the employees and their selected investment providers.

## ACCOUNTS OF DE-SELECTED PROVIDERS

The accounts of providers de-selected on and after Jan. 1, 2009, continue to be a part of the 403(b) plan as non-grandfathered orphan accounts. Employees holding those accounts may encounter difficulties when requesting transactions (such as loans or hardship withdrawals) unless the employer agrees to assume responsibility for determining eligibility for those transactions. Before de-selecting a provider on and after that date, the employer will want to be sure that the de-selected provider will continue to share information for those non-grandfathered orphan accounts promptly. Otherwise, those transactions may not be readily available to impacted employees.

As a 403(b) financial advisor, you should:

- Routinely call on employer clients to answer any questions they may have about their 403(b) plan. A perfect opportunity is to let the payroll staff know that the basic limits for their plan have increased for 2013 (as outlined in the *NTSAA Alert* and the *ASPPA asap*, posted the week of Oct. 15, 2012).
- Establish yourself as the authority on the 403(b) plan. If you're seen as the go-to person, employers won't hesitate to share issues, so you'll know ahead of time about any contemplated changes.
- Arm yourself with knowledge about the statutes in your state. These actions should ward off 403(b) plan changes before they occur.

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*Ellie Lowder, TGPC, is a consultant with TSA Training & Consulting Services in Tucson, Ariz. This information is not intended to serve as tax or legal advice. Employers are urged to consult tax or legal professionals to confirm the information. Advisors are urged to ask the benefits providers to check the specific statutes in their states and to stay in close touch with their employer clients.*


BY
DEBRA L. WARNACUTT &
CHRISTINE P. ROBERTS

# WHAT'S WRONG WITH THIS 403(b) PLAN?

**Second in a three-part series, this article highlights some of the operational errors that can be discovered during a 403(b) plan audit.**

Universal availability is a concept unique to 403(b) plans. It provides that all employees must be permitted to make elective deferrals if any other employee is allowed to make them. This concept is important because it helps to identify the number of plan participants for purposes of determining whether an audit is required.

Based on this definition, it appears that it would be simple to determine if the plan needs an audit—just take an employee head count. It's not that simple, however, because certain employees may be excluded from the count. The most common exclusion error relates to the application of the "20-hour rule."

Worthy Academy misapplied this rule by looking only at the employee's expected weekly schedule, though it should be based on the employer's reasonable expectation that the employee will work less than 1,000 hours during the year. As a consequence, Worthy Academy improperly excluded employees from participation in the plan.

This is a compliance failure that could put the plan's tax-qualified status at risk. An equal risk would exist if Worthy had enrolled employees who didn't qualify as eligible under the plan.

## INVESTMENTS AND PROHIBITED TRANSACTIONS

One of the differences between 401(k) plans and 403(b) plans is the nature of the plan's investments. In a non-church 403(b) plan, participants may chose to invest in annuity contracts or mutual fund custodial accounts. Group contracts are considered plan assets; however, individually issued contracts are not plan assets.

When investment contracts aren't correctly identified, they may not be included in plan assets and participants holding the contracts may not be considered plan participants. Improperly excluded investment contracts may cause the sponsor to believe that an audit isn't required when, in fact, it is. DOL Field Assistance Bulletin ("FAB") 2010-1 may help plan sponsors to accurately identify the nature of the investments in the plan and ensure that the funds are properly included or excluded from plan assets.

Another operational error that frequently occurs is failure to remit employee contributions to the plan "as soon as the funds may reasonably be segregated from general assets of the employer." This results in a prohibited transaction and requires the employer to restore lost earnings on the late remitted contributions. A seven-business-day remittance safe harbor is available for a small plan with fewer than 100 participants that isn't subject to audit.

Compensation used by plan sponsors when calculating employee salary deferrals and determining annual deferral limits may not match the way compensation is defined in

the plan document. In the case of Worthy Academy, the plan defined compensation as W-2 Box 1, while Worthy Academy's payroll has been excluding overtime and bonuses when calculating plan contributions. As a result, the contributions aren't accurate and Worthy will have to restore contribution shortfalls plus lost earnings.

Errors may also arise in administering 403(b) plan loan programs. Loan repayments may not be collected as required, which could result in a taxable distribution to the participant, an excess loan amount may be issued, or the vendors may ignore the loan policy rules. If the loan was funded by a non-plan asset, the loan itself isn't considered a plan asset and will be out of the scope of the plan audit.

## ACCURATE DATA

In 403(b) plans, participants may transfer "tax-free" assets from one contract to another, and it's important for the parties to be aware of the plan's contract exchange rules. Because there are often multiple investment vendors in 403(b) plans, it's important for plan sponsors to ensure that accurate demographic data—such as hiring date, birth date, and termination dates—are maintained and provided to all vendors. When plan sponsors don't accurately maintain this information, the vesting earned by participants can't be accurately calculated and the distributions paid to the participants may not be correct. In addition, the investment vendor may issue a Form 1099 in the name of the annuity company rather than in the name of the plan.

ERISA Section 412 requires 403(b) plans to be covered by a fidelity bond in order to protect the plan from loss or dishonesty perpetrated by the plan administrators. Some plans have purchased fiduciary insurance, which covers plan fiduciaries, instead of a fidelity bond, which covers the plan. DOL investigators often cite plans for failing to obtain a bond, for deficiencies in the amount, and/or for naming the plan sponsor rather than the plan as the insured party.

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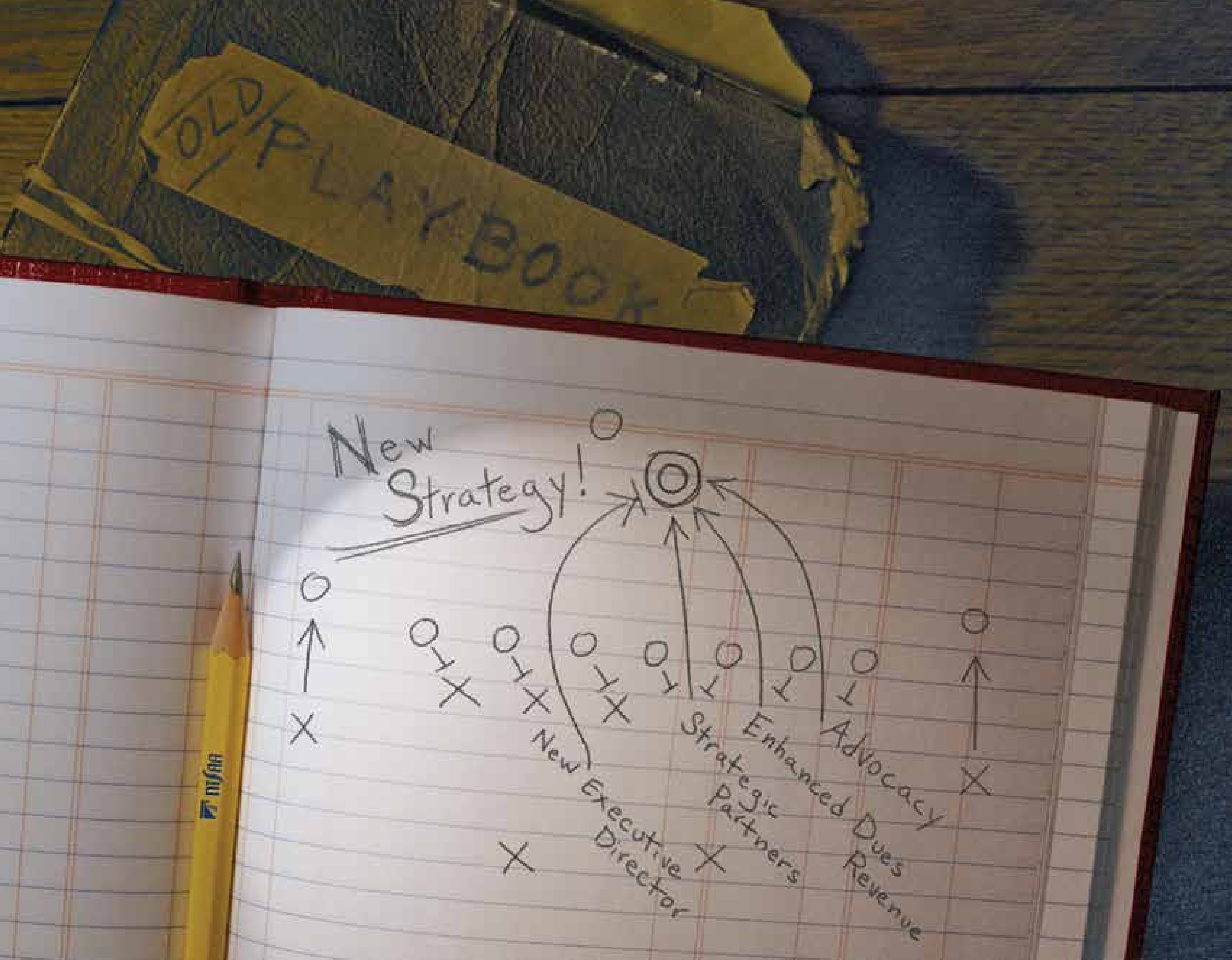
# GAME CHANGE: NTSAA'S NEW PLAYBOOK

## With a whole new membership structure, NTSAA's strategic partners have doubled its membership and replenished its coffers. And it isn't even half-time.

BY STEVEN SULLIVAN



Preparation for game day usually involves reviewing game films, analyzing strategies, and working them in practice. But when your opponent's strategy is to change the playing field, it may be time to come up with a whole new playbook.

The need for a new playbook became apparent when certain big players in the 403(b) game began trying to legislate their way into scoring position rather than competing for it. In one state after another—Michigan, California, Ohio, Florida, Texas, and others—NTSAA found itself battling well-heeled and well-connected forces seeking to "simplify" retirement plans at the expense of participant choice—and succeeding.

"Our opponent in this fight is a giant multi-billion-dollar, Fortune 100 corporation," wrote NTSAA executive director Chris DeGrassi in the last issue of this magazine. "NTSAA is an association of individuals. Alone and separately, 403(b) advisors don't stand a chance. But as members of NTSAA they've been able to muster resources that have successfully subdued the giant in five states so far."

## MORE RESOURCES

But the cost of waging such a battle was clearly beyond the means of an association of just 700 or so individual members. In order to protect the interests of the more than 5,000 advisors working with educators and non-profits across the country, NTSAA needed more resources. The alliance with ASPPA was a major help, but ASPPA had its own battles to fight. Something else needed to be done.

"Our old model of recruiting individual members was expensive and time consuming," DeGrassi says. "We spent a great deal of time doing direct mailers, web meetings, phone calls and traveling. Knowing where we needed to get to from an advocacy standpoint to have an effective grassroots, it just wasn't possible to grow 700 members on a one-by-one basis."

Using the recently inaugurated National Association of Plan Advisors (NAPA) as a model, NTSAA proposed a new membership structure composed of corporate or strategic partners. For annual dues of $30,000 for distributors or $60,000 for investment providers, these partners would buy individual NTSAA memberships for 600 or 300 of their employees and advisors. NTSAA would still be an association of individual members, but their memberships would be subsidized by the investment of strategic partners.

"The idea was to facilitate the growth of our individual membership through an institutional partnership structure," says DeGrassi, "marrying the high level executive benefits that CEOs were enjoying—advocacy and political intelligence and market insight—with the on-the-ground interaction with members from an educational, professional and representation standpoint. A number of partners began to step up and express a willingness to invest in the association, essentially buying a group of individual memberships and making them available to their advisors and employees."

The ASPPA board of directors approved the proposal in late October last year and immediately launched the program. NTSAA began 2013 with 15 corporate partners and an increase in membership revenue of close to 600 percent, which translates to around $650,000. Membership doubled from 700 to more than 1,500 in less than four months.

"We're born again, so to speak," says Scott Hayes, NTSAA's former president. "We've passed the transition of the merger with ASPPA and now we're moving forward with things we've never been able to do before in terms of advocacy and education."

## VOICES OF SUPPORT

"We've been actively involved with NTSAA since U.S. Retirement Partners was founded in 2008," says Jim Schlucter, the firm's senior vice president and national director of practice management. "The strategic partnership provides a complete package of comprehensive membership benefits for one flat fee. The legislative advocacy benefits are quite significant, but I also like that individual NTSAA memberships are included. It's a much more efficient way to get all of our advisors involved."

"The mission of NTSAA aligns with The Legend Group's belief in preserving a wide variety of investment options to retirement plan participants," says Mark Spinello, the firm's CEO. "We're pleased to form an alliance with an organization that works to ensure participants continue to have the ability to make their own choices."

"As an NTSAA Strategic Partner, ADMIN Partners gains access to strong market advocacy, great education opportunities and a network of talented professionals," adds CEO Mark W. Heisler. "This relationship is essential to ADMIN Partners' continued success and profitability in our market niche."

Ed Forst, CEO of Lincoln Investments, agrees. "Lincoln Investment has become an NTSAA strategic partner as an endorsement of the unrivalled education, support and forums NTSAA provides as an invaluable resource for our national network of financial advisors. NTSAA is a highly effective voice in promoting the importance of a more open marketplace and opposing a "one size fits all" approach to retirement investment planning. Lincoln Investment is proud to participate actively in NTSAA campaigns to maintain an employee's right to choose investment providers, which is of the utmost importance to our advisors and their clients."

Taking the field with its new playbook may not always give NTSAA home-field advantage, but a team like this will ensure that it always has the offense it needs to get the ball over the goal line when it counts.

*Steven Sullivan is editor of* 403(b) Advisor. *He lives in Baltimore, Md.*

# Taming the Elephant

BY PATRICK K. CARROLL

## Part of a good advisor's job is to help clients from getting trampled in a financial stampede caused by emotional investing.

When it comes to handling financial decisions, people often deceive themselves and don't even realize it. They may feel they're making decisions intellectually; they study the issue, they do the research and then they make what they feel is a rational decision, based on facts. Unfortunately, all too often, the exact opposite occurs. Even after digging down and looking at the facts, in most cases they're allowing their emotions to make the decision for them.

While the emotions people feel toward money are complex, they're not uncontrollable. The risks of "emotional investing" are well-documented, but avoiding this trend is too often addressed in overly complicated terms.

In the book *Happiness Hypothesis*, renowned social psychologist Jonathan Haidt uses a simple analogy of an elephant and a rider. The elephant represents a person's emotional world—both conscious and unconscious—while the rider represents the person's rational world—their conscious, reasoning self. People think that it's the rider—the intellect—who calls the shots, but it's really the elephant who's in charge. If the rider wants to go left, and the elephant wants to go right, it's likely that both of them are going to go right—in the direction desired by the elephant.

So what does this mean for people and their relationship with their money? It means that many people make financial decisions based on emotions, despite their protestations to the contrary. As a result, they may make unwise financial decisions based on emotional reactions to external events. Volatility in the stock market often makes people feel afraid and causes them to sell low or buy high in the market. Or they may feel overly anxious and put all of their money in low-yielding investments that don't keep up with inflation. They may intellectually want to do something, but their emotions will likely compel them to do the opposite. The elephant is in charge!

Taking control and taming the elephant means people need to become aware of their emotional responses so they don't make unwise financial decisions. There are six primary emotions that people have about money. These emotions are fear, greed, confusion, security, powerlessness and loneliness. Each of these emotions can get people into trouble unless they take charge of them. Let's analyze each one.

Fear is probably the most powerful emotion. Financially, this means the fear of not having enough money or of losing too much money in certain investments. Remember March 2009, the bottom of the recent bear market? We received calls from a number of investors that day asking us to sell and liquidate their holdings. Fortunately, they listened to us and held on—with the market starting its ascent that very month. To deal with this emotion, investors need to understand what they're invested in and what they'll need in the future. A written financial plan can help show them exactly what they need.

Fear is followed closely by confusion. Confusion causes more indecision and makes people afraid of moving backward or forward. This is often caused when they're overwhelmed by the huge amount of financial information available from the various media sources. How can this emotion be conquered?

To begin, advise your clients to stop watching and listening to so much media and instead focus on a trusted source. As a qualified financial advisor, you can position yourself as that trusted source with authoritative research and a written long-term plan. Note how the term written keeps coming up when we talk about planning. If it's not in writing, how can anyone follow it?

Another emotion is greed. Greed can make people take risks and invest in things that seem too good to be true. Look at Bernie Madoff's organization. We all know the adage, "if it sounds too good to be true… it is." Advise your clients to be careful about what they invest in and provide expert advice without conflict of interest.

The emotion of greed also takes over when markets continue to rise and people don't want to be left out. This leads to investors buying near the top of the market when they should in fact be buying at the bottom of the market. Again, your calm, steady hand and impartial advice can help them avoid that trap.

Most people would not consider having a sense of security as an emotion to monitor. But people who feel they have their investments in "safe" places such as CDs and money market accounts may be giving themselves a false sense of security. In reality, inflation will destroy their purchasing power and could cause them to outlive their money. Help them realize that seeking security above all else is actually very risky.

Watching the stock and real estate markets swing up and down in this time of volatility can make people feel powerless, another financial emotion. People panic watching the economy. But even as they feel powerless, they don't make any decisions for better or worse. Being proactive and adjusting plans and goals can go a long way to helping investors feel they're actually in charge. This is much easier to do with an unbiased advisor to guide them.

The final emotion is a feeling of being alone—adrift in a sea of financial advice and volatility. People are bombarded by the opinion of "experts" in the media along with friends and relatives who are also "experts" on the best place to invest their life savings.

The answer: Don't rely on the advice of media, family and friends unless they're actually financial professionals. Instead, your advice as a qualified financial advisor can help them understand these emotions about money. The right advisor will work with investors to design the investment strategy that allows them to accomplish their goals.

The important question is: Is the elephant in charge or is the rider? The first step is for people to realize that while they cannot control all the external factors, they can take charge of the internal ones to ensure that they can achieve their financial goals. You can be the steady voice that helps the rider take control.

*Patrick K. Carroll, CFP®, is founder and principal at Rockville, MD-based Wealth Strategies Group and has worked with family and individual investors in the Washington, D.C. area for more than 30 years.*

## Financial Literacy: Think Outside the Box

Many advisors do a terrific job of educating plan participants, but their resources and reach are limited. Is there a creative alternative to helping people prepare for retirement? Here are two suggestions:

### Make participants educators

One of the most powerful ways to teach someone is to train them to be a teacher. What if we created a system designed to teach plan participants what they should be telling their children and families about financial literacy, including retirement planning? If we teach parents what to say to their children, guess who also learns something in the process?

### Giving back

Many advisors are eager to give something back but are unsure about how or where to get started. Teaching financial literacy—whether within a DC plan or at local high schools and colleges—must be delivered in person to have the maximum impact. With the need so great and the resources that are available, it seems pretty straightforward what needs to be done—the question is how and who.

*Fred Barstein, founder and executive director of The Retirement Advisor University*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*—Christian Jachym, Director,*
*Non Profit Account Management team*

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# Taking Care of the Future Self

BY ART MARKMAN, PHD

**How can you get people to set aside money their current self wants to use and save for their future self in retirement?**

As a retirement investment advisor, you're fighting an uphill battle. You sit across the desk from people who may be 20 or 30 years away from retirement. It feels far off. It is far off. And so people resist setting money aside now for the future.

Perhaps the biggest source of human misery is the tradeoff between short-term and long-term goals. We're wired to do what seems best to us right now, even if those actions conflict with what's best for us in the long-term. That's why people trying to lose weight eat that piece of cake instead of dieting. It's why students play another video game rather than studying for an upcoming exam. It's also why we spend our money now rather than saving for retirement.

That fundamental fact about human psychology is the reason why we've created elaborate retirement instruments. As the sociologist Viviana Zelizer points out, the way we treat money is interesting. Currencies were created in order to provide a uniform source of value that could be used in any situation. It allowed societies to get away from bartering and supported trade over longer distances.

Yet, since the beginning, humans have created special types of money. If you give someone a gift of cash, for example, you expect them to use it to buy something special, even though—from an economic standpoint—that money instantly becomes part of that person's overall wealth.

Retirement accounts are also odd from an economic standpoint. They create barriers to using funds in the present. But these accounts are crucial, because they allow us to protect our future self from our current self. Our current self has needs such as paying bills. It also has wants such as a new car, an updated kitchen, or a spiffy smartphone. We take that money away from our current self to give to our future self.

Although we have these retirement accounts, few people save enough money for their retirement. There are lots of reasons for this. For one, there are many expenses in the present that are important, and so it's just hard to find enough money to save for the future. But even when it is possible to save for the future, your "old" self feels distant from who you are now. It's hard to deny your current self to benefit the person you'll be after you retire.

So, what can you do to help your clients save enough for retirement?

This question was explored by Christopher Bryan and Hal Hershfield in a paper in the August 2012 issue of the *Journal of Experimental Psychology: General.*

They point out that there are two distinct ways to try to convince people to save for their future. One is to remind people that it's in their own best interest to save money for the future. That is, people must be reminded that the money they save now will be money they get to use later.

The second is to appeal to people's sense of social responsibility. People may have a hard time visualizing their future self, but they certainly know that self is someone close to them. And most people spend money on their close relatives in addition to themselves. So, appealing to people's responsibility for their future self may be an effective way to get them to save for the future.


## WHICH STRATEGY IS MORE EFFECTIVE?

To test this idea, employees at a university were given one of two persuasive messages about retirement savings. One message focused on how retirement savings were in the person's best interest. The other message focused on how saving for retirement was a responsibility to that person's future self.

The researchers also gathered information about how socially close, as opposed to financially close, people felt to their future selves. Socially close means thinking about the relationship you'd have to your own future self. When most people think about retirement, they focus on their financial responsibilities to themselves in the future. But, if they focus on other aspects of their relationship to their future self (that they have to be kind and nurturing to that future self) they're much more likely to save for retirement.

Finally, the researchers gathered information from the university benefits office about how much money people chose to save for retirement after seeing the messages.

The message about self-interest had no influence on people's behavior. That is, reminding people that it was in their own self-interest to save for retirement didn't spur additional savings.

The message about taking responsibility for the future self did affect some people, though. In particular, people who felt socially close to their future self were much more likely to save additional money for retirement after being exposed to the message about responsibility. Those people who didn't feel socially close to their future self weren't much more likely to save for retirement.

One way to think about this result is that people would never deny their children food, clothing, or other key necessities. In a very real sense, though, when people don't put money away for the future, they're denying their future self. It's just harder to see the cloudy future than it is to see the actual child sitting at the dinner table.

The results of this study provide a window into the way people think about retirement savings. It also suggests a strategy for helping people protect their long-term selves from their short-term selves. First, get people to feel socially close to the person they're going to be in the future. Ask them to spend some time writing down a description of who they'll be and what they'll do when they get to retirement age. After getting people to feel closer to their future self, remind them of their responsibility to that future self. Have them treat that future self as a member of the family.

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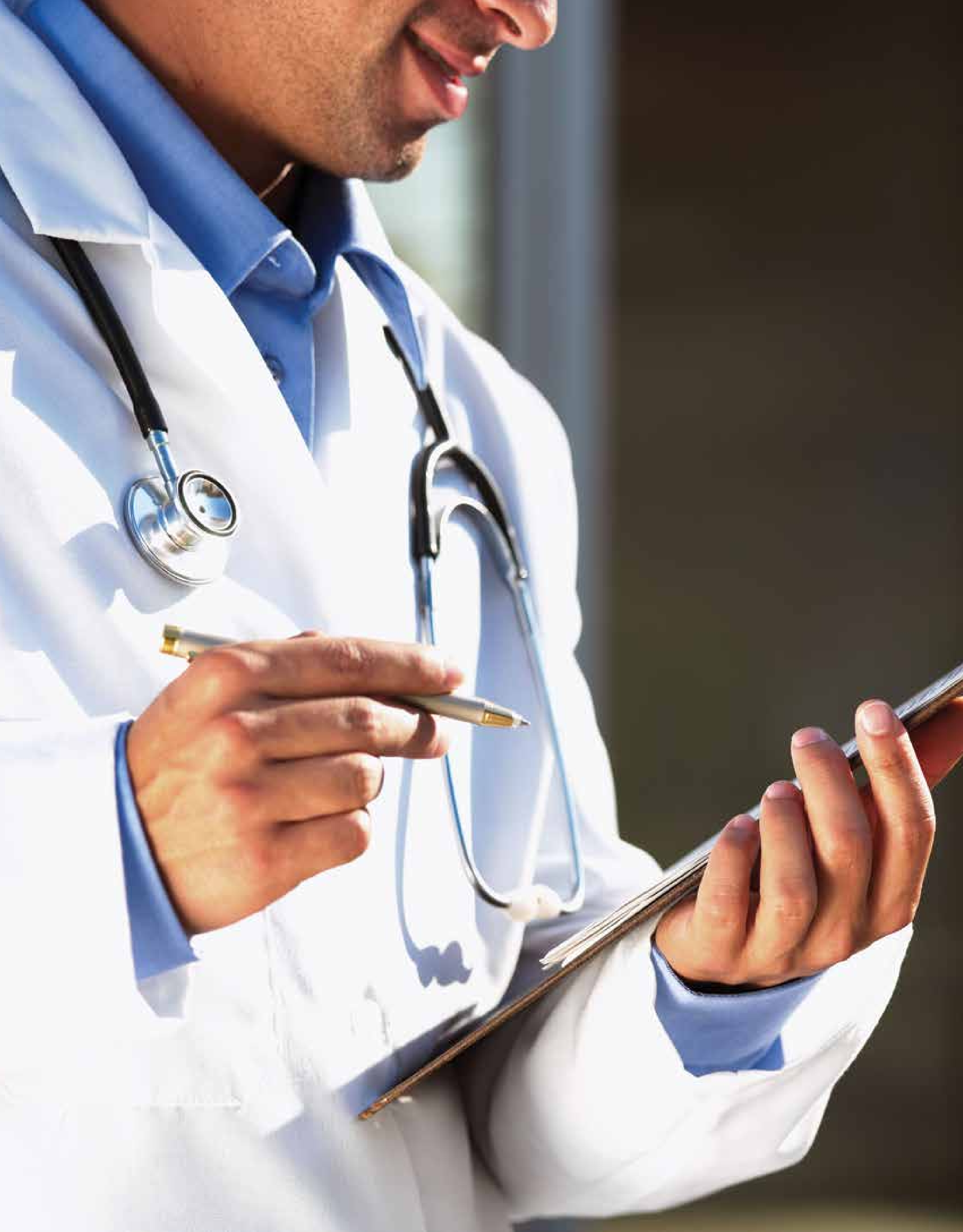


# The Doctor Is In: Checking the Vital Signs of Your Client Relationships

BY ANDREW SOBEL

**Many of us use annual checkups to keep tabs on our physical health – but checking the vitals of your professional health, through client relationship checkups, is just as important.**

Most doctors firmly believe that certain types of regular screening tests and checkups are essential and help save lives. And most of us, no matter how much we despise devoting an hour or more to getting poked and prodded, dutifully go for a checkup each year. After all, our health is vital to our overall well-being and happiness. Annual checkups can play a vital role in your professional health as well—especially with regard to your client relationships, which are the lifeblood of every financial services professional.

In fact, you should *absolutely* review the "health" of your client relationships on a regular basis. Here's why: Most clients vote with their feet. They don't tell you they're unhappy—they simply start to give their business to your competitors. Client relationship checkups can help you gauge the health of your relationships, prescribe changes when necessary, and identify ways to further grow them.

I recommend infusing your client health checkups with Power Questions. In my new book, *Power Questions*, I explore dozens of questions that light fires under people, challenge their assumptions, help them see problems in productive new ways, and inspire them to bare their souls (which, of course, strengthens the bonds in the relationship).

All business interactions are human interactions. And part of being human is acknowledging that you don't know everything about everything—and that you *certainly* don't know everything about the other person's needs. Questions help you understand these things more deeply, and they're an essential tool when assessing the health of client relationships.

When client relationship checkups aren't performed regularly, the relationships can take unexpected turns. I had a similar experience with a client, a large corporation that used IBM as a major supplier of technology and services.

IBM's then-CEO Sam Palmisano decided to visit my client's CEO. A week ahead of the visit, my client's relationship manager for IBM called his counterpart to discuss the upcoming CEO summit between their companies. Apparently he didn't get a return phone call during that week! The story goes that when Palmisano met with their CEO, he opened by saying, "My people tell me we have an 'A' relationship with your organization." My client's CEO responded, "Well, my team tells me your relationship with us is a 'C.'" There was a complete disconnect between what the supplier (IBM) and the client thought about the health of the relationship.

I had another client, an experienced private banker at a major financial institution, who thought she had an excellent relationship with her client—a successful entrepreneur. In many ways she did, but over time their interactions became routine.

My client had stopped asking the kinds of thoughtful questions she had used early on in their relationship. She also didn't educate her client about the range of potential services her institution was capable of providing. One day, the client sold one of his companies for a large profit, and asked another financial advisor to manage the proceeds. When my client discovered this, she was mortified.

The entrepreneur told her, "I didn't see you as having the capabilities and product range to deal with my needs in this transaction." She was blindsided and dismayed. She realized he hadn't even discussed his concerns with her, but in retrospect understood that she had missed the signs and signals that a regular "relationship health checkup" might have uncovered.

Even when your clients are teachers, administrators and employees of nonprofit organizations, the most accomplished professionals can dramatically misread the health of a key client relationship! The successful firms I work with all have some type of process in place to determine the health and strength of their most important client relationships.

As these anecdotes illustrate, client health screenings are necessary when managing client relationships. Here are nine questions you should ask yourself when you're considering the health of your client relationships:

## 1. DO YOU HAVE ACCESS AND 'SHARE OF MIND?'

Is your client willing to make the time necessary to hold regular discussions about his investments and overall financial situation? Some people are notoriously busy, and it does take time to get on their schedule. But if you don't have access, you may not be considered relevant! Even if you think you have a good relationship, but the client says, "There's nothing going on. It doesn't make sense to meet," that's still a bad sign. It means she doesn't really value your ongoing insight and perspective.

## 2. DO YOU AND YOUR CLIENT TRUST EACH OTHER?

Trust is the essential foundation of every long-term relationship. It's the feeling that the other person will come through for you. It's the belief that they will meet your expectations. It's the confidence that they will demonstrate integrity, deliver competently, and focus on your agenda, not theirs.

Does your client accept or at least carefully consider your recommendations? Or does he act as if he knows better than you, and keeps suggesting investment ideas that are either poorly conceived or inappropriate? If your client is constantly micromanaging you, then he may not trust you, and you need to find out why and/or reestablish your expertise in the relationship.

## 3. DOES YOUR CLIENT OPENLY SHARE INFORMATION WITH YOU?

In a healthy, trusting relationship, there is transparency. Does your client keep you abreast of changes in her financial situation and major events in her life? When you're a vendor, you get very limited access to information—it's on a "need to know," restricted basis. When you're a trusted advisor, your client treats you as part of the inner circle.

## 4. IS YOUR CLIENT HAPPY WITH THE WAY YOU MANAGE THE RELATIONSHIP AND HOW YOU COMMUNICATE?

Have you tailored your management of the relationship and the type and frequency of communications to your client's specific needs and desires? You have to treat each of your clients like a "market of one" and customize the relationship to his needs.

Based on discussions with your client—which you should have at least annually—you need to determine things like:

- What types of information about his investments—and in what format—does he like to receive?
- How often does she like to meet? Is it by phone or in person?
- How does he like to communicate? Email? Phone? Other written communications? Fax?
- Does she expect to be contacted during especially tumultuous market conditions? Or does she have a very long-term orientation and not particularly care about what happens day-to-day or month-to-month?
- What kind of year-end "gift," if any, does he like to receive?

This last point may seem like a minor issue, but one client I interviewed told me that every year he received a package of cheeses, crackers, and other rich treats from his financial advisor. Yet, he had special dietary requirements and basically threw the basket in the trash. His advisor had never bothered to ask what kind of year-end gift he would like, or to give him a couple of options to choose from.

## 5. IS YOUR CLIENT GIVING YOU REFERRALS TO NEW CLIENTS?

The most successful financial advisors grow their business primarily through referrals and word-of-mouth. Are your own clients spreading the word for you?

It's not necessarily enough to do a good job. You have to remind your clients that this is how your business grows, and that you'd be grateful for introductions to friends or colleagues who may have a need for your services.

Many advisors are up-front about this when they start a new relationship with a client. They say something like, "We gain new clients primarily through referrals and word-of-mouth. After we've been working together for a while—and we've demonstrated our worth to you—I hope to be able to ask you for suggestions of people you know who might benefit from what we do." An active referral is a sign of a high level of satisfaction with your services.

### 6. ARE YOU THE FIRST PERSON THE CLIENT CALLS WHEN SHE NEEDS SOMETHING IN YOUR AREA OF EXPERTISE?

This is an essential litmus test of a healthy relationship: loyalty. If the client views you as interchangeable with your competitors or even with other types of advisors, then you're a vendor, and you'll be subjected to constant price pressure as the client continually shops around.

### 7. DOES YOUR CLIENT FEEL LIKE HE'S MEETING HIS GOALS?

You may think you've done a great job for your client in a difficult market, but he may not see it that way. He may look at one particular market index and say to himself, *Why are my investments lagging behind?*

You can address this in two ways. First, by ensuring you've carefully discussed your client's goals. Are they clear to both of you, and are they realistic? Second, you should have a regular, detailed discussion not just about performance but also about risk and diversification.

There are very few performance benchmarks that will perfectly align with a customized investment portfolio, and you need to make sure your client understands this. Remember, client goals are rarely just quantitative—things like peace of mind and risk reduction can be just as important as quantitative measures!

**Even when your clients are teachers, administrators and employees of non-profit organizations, the most accomplished professionals can dramatically misread the health of a key client relationship!**

### 8. IS WORKING WITH THIS CLIENT A SATISFYING, REWARDING EXPERIENCE FOR YOU?

Some clients just drain you. They're overly demanding, they check up on your every move, and they basically drive you crazy. When their investments do well, they'll credit themselves, and when they don't do well, they'll blame you. This isn't a healthy relationship. Life is too short—if you can't fix a situation like this quickly, you should get out and double-down on more promising clients.

### 9. IS THE RELATIONSHIP ECONOMICALLY REWARDING FOR YOU?

You could have a great personal relationship with a client, but for a variety of reasons be losing money on the work. Sometimes, weak profitability is your fault—you may have underestimated the amount of work and cost required to manage a particular client's investments. But sometimes it's a sign of a client who knows the cost of everything and the value of nothing, and who has bargained you into giving untenable discounts.

What about questions *not* to ask? Asking your client, "What else can we do for you?" isn't going to be very productive. Most clients will just look at you and say something like, "Just keep up the good work!" You have to determine how else you can add value by getting to know your client and deepening your understanding of her goals, needs, and personal and professional life. Most clients can't make the connection between a need they have and the solutions you can offer. That's *your* job.

Just as you shouldn't make assumptions about or neglect your own health, you shouldn't do so when it comes to the health of your client relationships. Each year, go through this checklist and rate each of your relationships. Are you weak, average or strong on each of these nine points? Better yet, rate yourself and then ask these same questions to your client. Then, compare the answers. Through quality communication and thoughtful questions, you can strengthen your client relationships and add value to them at the same time.

*Andrew Sobel has been both a consultant to senior management and an executive educator and coach for 30 years. He's the author of* Clients for Life, Power Questions, Making Rain, *and* All for One: 10 Strategies for Building Trusted Client Partnerships, *all published by John Wiley & Sons, Inc. He can be reached at http://andrewsobel.com.*

BY
STEVE SULLIVAN


# NTSAA'S ULTIMATE 403(b) SUMMIT: THE BEST OF BOTH WORLDS

## NTSAA's 403(b) Advisor and Compliance Summits come together this summer in Chicago. The result is both a return to—and a break from—tradition.

You know teachers. You work with them every day. You know the ones who consider themselves professionals, who take pride in what they do. You know the ones who subscribe to professional journals and magazines, attend seminars and workshops—even when they don't have to. You know the ones who keep current in their field and continue their education beyond the minimum requirements for tenure and pay grade.

They're the ones you admire, the ones you enjoy working with. They're the ones who make your job worth doing.

And then there are the others. The ones who checked out years ago, who just bide their time, take up space, and get by until it's time to retire. They haven't updated their skills in years, they still teach from the same old familiar texts, and they really don't care that their students are as bored and unmotivated as they are.

You've got both kinds among your clients because, let's face it, you have to. They both have the same ultimate goal—to retire with comfort and dignity—and they both need your services. But still, you know which kind of teacher you respect.  And if you really had a choice, you know which kind you'd choose to be your clients.

Now think about it from the teachers' perspective. Because they do have a choice. They're surrounded by agents and advisors who want them as clients, no matter what kind of teachers they are. And if they're paying any attention at all, they'll know which advisors really know their stuff, are competent technically, and understand the needs teachers didn't even know they had. They know who can answer their questions about Social Security, their state teachers' retirement systems, the pros and cons of early retirement, how annuities work, and what investments make the best sense at various stages of their career.

They know who's the true expert and who's blowing smoke. They can sense who's committed and who's faking it, who's in it for the long haul and who has one eye on the clock and the other on the door.

They don't want a slick salesman who's there for the easy buck and then disappears. They want an advisor. They want a professional. And the same attributes that mark the professional teachers you most esteem—continuing education, participation in professional conferences and workshops, membership in professional credentialing organizations—also mark the true professional advisor.

### ULTIMATE SYNTHESIS

As luck would have it, an opportunity to demonstrate your professional commitment is just around the corner: NTSAA's Ultimate 403(b) Summit, June 23–25, at the Hyatt Regency in Chicago. That's three days of sales ideas, thought leadership, business intelligence, industry advocacy,

Suzanne Baldino Jones, Sue Diehl, Walter McBay, Kent Schutte and Joe Rollins (left to right)

and compliance best practices. Mix and match sessions that create a conference experience that's as unique as your business.

"For many years there was a single conference that was mainly focused on technical issues, including regulatory information and lobbying," says NTSAA president David Blask of Lincoln Investment Planning. "When the 403(b) final regulations came along, the conference split in two: the technical portion and the advisor's conference. The technical portion was particularly important because we were all trying to figure out exactly how this new world would work, particularly with the introduction of TPAs into the mix with public schools.

"Now that's completed and we're going back, but not to the old way. The Ultimate Summit is a new merger, a hybrid, a synthesis of the two, having both the technical and the sales sides of it in one place. Folks may think, 'Well, I'm on the technical side, should I attend?' or 'I'm an advisor, is this still for me?'

"The answer is a resounding 'yes!' Bringing the two Summits together creates a great smörgåsbord. You may wander into a breakout session you don't think you'll be interested in and suddenly you're learning things you can apply when you go back home. And you'll run into people you haven't met before, get into conversations, and pick up little pieces about how they deal with issues like access and communication and education."

The smörgåsbord is abundant and varied, with general sessions, workshops, and table discussions across four tracks: product, technical, advisor, and compliance. Motivational speakers—Bill Rancic, Donald Trump's first "Apprentice" winner, and Age Wave's Dan Veto—will remind you (in case you need reminding) why you love doing what you do.

ASPPA Executive Director and CEO Brian Graff will share his insights on where the 113th Congress is likely to lead us in the coming year, and NTSAA Executive Director Chris DeGrassi will provide an update on the organization's extensive lobbying activities in state legislatures across the country.

Suzanne Baldino Jones, president of Admin Partners in Cherry Hill, N.J., will moderate a panel on fee disclosure in non-ERISA plans, featuring Debra Davis, assistant general counsel and director of government affairs at ASPPA, and Mark W. Heisler, CEO of Admin Partners.

"Merging the advisor and compliance summits has given us an opportunity to bring other members of our organization to the conference, not just the executives," says Jones. "Our sales people will get a lot of needed information from the advisor portion, and our compliance and the operational people will be able to be educated as well. We see it as an opportunity to bring both sides of the organization together and learn from each other. So they can walk a mile in each other's shoes."

## A MAP AND A FLASHLIGHT

Ellie Lowder of TSA Consulting and Training in Tucson, Az. and Roxanne Marvasti, PenServ Plan Services, Inc., Horsham, Pa. will conduct a compliance-track workshop on the intricacies of working with those strange hybrids, charter schools.

"People who have attended previous all-in-one conferences, which, in my opinion, is the way to go, have learned not just from the wonderful programs but from their peers as well," says Lowder. "Both advisors and compliance officers are able to brainstorm together to achieve

Workshops challenge and engage attendees at the Summit

best practices in the way to properly manage and handle their businesses. That results in a smoothing out of the services and the value that everyone brings to the table. Having an annual conference, then, is key in the educational process."

"I think that bringing the conferences together is a splendid idea," adds Marvasti. "It brings together both sides of the equation. You talk, interact, and network with people who aren't necessarily on your daily radar, but who are affected by what you do. You may not know their problems and they may not know yours, but you may come up with solutions you never thought about before, just by virtue of being there. NTSAA's Ultimate 2013 Summit provides a map and a flashlight and blazes the trail in professional education."

Marvasti will also be moderating a panel of industry leaders (Nevin Adams of EBRI, Greg Garvin of VALIC, and John Heywood of Vanguard) who will highlight the market trends to watch out for.

Amy Simonson, principal and co-founder of Verity Asset Management, Durham, N.C., will host a table-talk discussion for home office personnel called "Working With Advisors, Creating for Clients."

"I think any practitioner who wants to be considered an expert in his or her field should look for opportunities to be engaged in the issues of the day," says Simonson. "The Ultimate NTSAA 403(b) Summit is the place to do that, where ideas can be exchanged and perspectives shared and everyone contributes to a dialogue that not only benefits each of us individually, but the industry as a whole. NTSAA's 2013 Ultimate Summit provides an opportunity to move past that initial shock of the change in regulations and look ahead toward new and emerging best practices."

And in the Summit's closing session, former NTSAA president Scott Hayes of ISC Group, Inc. in Dallas, Texas, will pass the gavel to Blask, his successor.

"If you've never been to the NTSAA annual conference," says Hayes, "you need to come for three reasons: First, the community and networking. Second, the sales ideas. If you walk away with one actionable idea you can take back to your practice, it was worth the price of admission. And third, you should come for the learning because there's very valuable content that's displayed throughout the conference."

"I'd be really surprised if anybody who attends this conference doesn't walk away with two or three really good bits they'll take home and write up as a memo or new contacts they'll put in their Rolodex," Blask adds. "So, I think it's more important than ever to attend."

Obviously, attendance isn't free. Professionalism has a cost. It costs to attend meetings, network with colleagues, earn credentials, accumulate continuing education credits. Professionalism, which separates you and the teachers you admire from the rest, is an investment. And investments earn dividends. At least good ones do.

But then, you know about investments. You're a 403(b) professional.

"If you're going to be a professional in this market space," says Mark Spinello, CEO of the Legend Group, "then you have to be a NTSAA member or you'll be left behind. There is no practical way for an individual to maintain a current level of knowledge, and run a practice at the same time. So your failure to maintain currency in your jurisdiction could cause you ultimately to lose your practice because you're not paying attention. So if you don't have the time to pay attention, and you don't have the means, you have an association that will do that work for you. Don't miss the opportunity."

**Here's where to invest: http://www.asppa.org/ntsaa403bsummit. We'll see you there.**

*Steven Sullivan is a freelance writer living in Baltimore, Md.*


BY
YANNIS P. KOUMANTAROS, CPC, QPA, QKA
& ADAM C. POZEK, QPA, QKA, QPFC

# THE POWERPOINT KILLER AND YOUR MAFIA FAMILY

## 1 Just Sayin'
www.JustSayinApp.com

Social media continues to be an extremely cost-effective means of getting your message out to a lot of people with relatively little effort. But now that more and more people are using social media, it would be nice if there was some way to set yourself apart from the crowd. Just sayin'. Actually, Just Sayin' is the name of an app that can do exactly that. With someone like Ricky Gervais involved, it's a safe bet this app wasn't developed with business users in mind but if you post to Facebook or Tweet, Just Sayin' is worth checking out.

What does it do? It allows you to post any combination of audio, text, photo or video to Facebook or Twitter. The app's website says it all, "Just Sayin' is a disruptive innovation, created to give back the use of voice in social media conversations, and to stand out in a largely text-based world. [It] is to radio as Twitter is to newsprint."

## 2 Corkulous
www.corkulous.com

Corkulous is an incredible idea board for iPad. Use it to collect, organize and share your ideas in a way that feels completely natural. Since in prior editions of this column we featured the Microsoft OneNote equivalent, it seemed natural to feature Corkulous on this presentation-focused cheap technology feature.

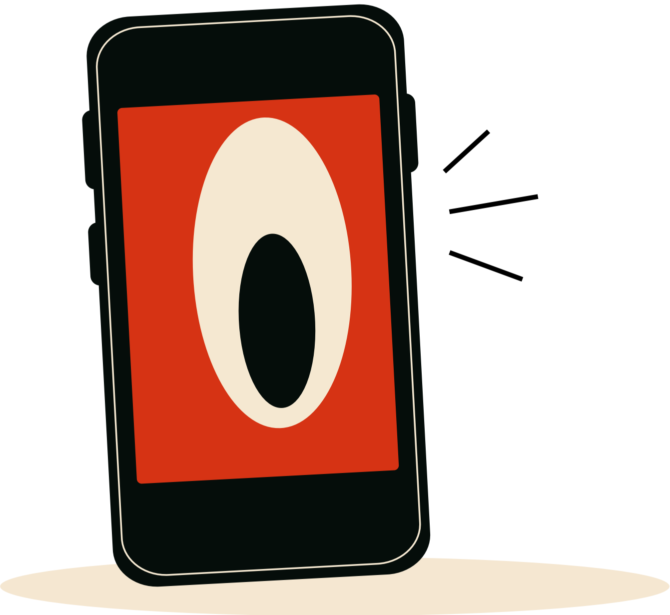
Cork boards have been used in homes and businesses for years to create collages of ideas. That's how Corkulous created the graphic user interface for this application. Put up pictures, graphics, text boxes; draw lines, connect thoughts, and much more. At a free price tag, Corkulous is a great way to "brainstorm" that presentation material before creating it. Now you can put together that online family tree or create that hypothetical mafia family you've always wanted!

## 3 Prezi
http://prezi.com/

Obviously, we love cheap technology and making presentations. Advisors and plan consultants alike are called on to present our service offering, be it to a committee, an individual, or a group of referral sources or prospects. Meet Prezi, the PowerPoint killer. That's right: Microsoft — we said it — and it's time for competition to enter the slide presentation marketplace and give consumers a choice.

Prezi is a communication tool that helps you organize, present and share your ideas in a creative, visual environment. The human brain and neurological system is fascinating. Many of us have heard people refer to themselves as "visual learners," so why do we continue to create two-dimensional slides full of words? Prezi solves this bad habit by creating visual bubbles of comments, data and thoughts, then uses state-of-the-art technology to zoom in and out of the various "bubbles."

Sound complicated? Words don't do justice to this cheap technology. In fact, the best way to learn about Prezi is to go to the website and watch the 1.5-minute video presentation; it'll blow your mind. Price tag for Basic is only $4.92 per month; Pro is a little more at $13.25 per month; looking cooler than your competition, priceless. Plus this little beauty integrates seamlessly with iPads and other tablets. The best part though? You can import directly from PowerPoint!



## 4 Chirp
www.Chirp.io

You're about to give a presentation to a room full of people—maybe participants, maybe potential new clients, whatever. You want to provide handouts or follow-up information, but how do you do it? No one bothers with paper anymore; it's time-consuming and pricey to give out thumb drives to everyone; email would work if only you had everyone's email addresses.

Why not Chirp it to them? Chirp is a really cool app for both iOS and Android that allows you to share any form of electronic information by sound. Yep, you read that right. Simply choose what you want to share—a web address, your electronic business card, a PDF, etc.—and Chirp plays a series of high-pitched tones through your device's speaker. Any other devices within earshot will "hear" the tones and immediately download the information you selected.

Pretty cool, huh? It gets better. Since the data are transmitted by sound, you can also Chirp information to others over a phone call or webinar. Of course, your listeners must be running Chirp on their phones in order for the transmission to work. But at the amazing low price of $0.00 (free, in other words), your entire audience can download the app and get it running before you even finish your introductory remarks.

*Yannis P. Koumantaros, CPC, QPA, QKA, is a shareholder with Spectrum Pension Consultants, Inc. in Tacoma, Wash. He is a frequent speaker at national conferences, and is the editor of the blog and newsroom at www.spectrumpension.com.*

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Adam and Yannis are always on the lookout for new and creative mobile applications and other technologies. If you have any tips or suggestions, please email them at adam.pozek@dwcconsultants.com and yannis@spectrumpension.com.

BY
SARAH
SIMONEAUX, CPC

# BRIDGING THE GENERATION GAP IN RETIREMENT SERVICES PART 3

**These two case studies show how two different firms approached bridging the generation gap in their operations.**

Many retirement services firms operate in teams, so there is already some coordination across generations. We can make the interaction more effective by promoting collaboration on projects that make everyone feel that they're contributing. Collaboration creates trust, an appreciation for others' skills and talents, and a unified effort to fulfill firm goals.

Be sure to identify the what, when, how and why when defining projects or tasks. Millennials especially need a clear picture of what success looks like so their jobs seem meaningful, but this type of clear communication helps everyone. Millennials are also the ultimate multi-taskers and capable of juggling numerous projects at once without feeling overwhelmed.

Because of the intense technical aspects in retirement services work, the older generations sometimes discount the younger generations' abilities to contribute solutions to operational issues unique to our industry. If your firm is considering new software for a given purpose, explain the purpose to a Millennial and let him or her preview it and report back to you.

Be creative in how you use Gen Xers and Millennials to problem solve. With a little education around the technical aspects of an issue, they're frequently able to find technological solutions to complex problems and operational bottlenecks. Let's take a look at two actual case studies from our industry.

## CASE STUDY #1

An institution providing bundled retirement services to a large group of plans on one plan document was struggling to provide accurate and timely testing results during tax season. Most of the problems had been traced to the receipt of inaccurate data or data that had been incorrectly imported into the computer system.

The administrators were experienced Baby Boomers, and two of them held ASPPA credentials. They were excellent at analyzing the failed tests, but they were frustrated from spending too much time chasing down data errors.

When a Millennial employee was hired to help, he was initially dismissed by the team as too inexperienced to be of much use in solving their backlog problems. He annoyed them by asking endless questions about how they handled the census data, why they ran the tests, and why they needed the data they were collecting. He formulated an idea about how to deal with the data in a new way, but because he had no credibility with the team, he went over their heads to the department manager with his idea. The team became even more annoyed with him when they heard what he'd done.

Notwithstanding the negative

reaction to his efforts, the Millennial pushed forward with his idea of handling the data in a new way. With his manager's support, he worked with the internal IT department and with the software vendor to implement automated data importing and data scrubbing solutions that sorted and cleaned the census data for the entire group of plans at one time.

The project was an overwhelming success. He taught the administrators how to use the new automated tools to run their tests overnight using the scrubbed data. Ninety percent of the tests were completed before March 15, and only a handful of them had any remaining data problems.

The Baby Boomer administrators had a newfound appreciation for the Millennial employee's specific skills, and they were excited about collaborating with him on future projects. Although the Millennial learned some things about testing by approaching the problem from the data end instead of from the technical end, he recognized that he still had a lot to learn and was eager to fill in the knowledge gaps.

He asked the Boomers to teach him about qualified plan administration. They were flattered and happily complied. They set up a lunchtime study group to help him and others learn the basics and work through the ASPPA Retirement Plan Fundamentals program. A generation gap was bridged.

## CASE STUDY #2

A large third-party administrator (TPA) firm had 2,000 Form 5500 extensions to file. In previous years, this process had taken four to six weeks, even though the TPA was using sophisticated government form software. An administrator's daughter had recently graduated from college (a Millennial) and was looking for a short-term job. She asked her mom if there were any opportunities to help out in the TPA office. The mom discussed this with her boss, and it was agreed that the daughter would be hired on a temporary basis to do the Form 5500 extensions.

When the staff explained the task at hand, the Millennial realized that the current process was cumbersome and time-consuming. Upon questioning the process, she was assured that this approach was the way that the firm had done it for the past couple of years, and the current process was much more efficient than the prior process.

She continued to ask questions and explore the software that generated the forms. She discovered features in the software that could generate the forms in batch mode using an export file from the database in a specific format. In approximately one week from the time she started the project, she learned the software and created a new process that would expedite the project. She was able to complete her task and generate the extensions in a couple of days using the new batch process.

Her administrator mother asked what she'd like to do next. She answered that she'd completed a six-week task in less than two weeks, so she expected to take the remaining month off. The daughter continued, "Are you paying me to be here or to get the job done?"

Every Gen Y employee we've explained this case to wholeheartedly agreed with her sentiment. Older managers should have several jobs ready to assign before the first one is finished; Millennials focus on the project, not on the time in the office.

## A BRIGHT FUTURE

President Obama was the first president to use email and a Blackberry®. The 50+ age group has been extremely successful with online dating services. Gen Xers and Millennials are heavy users of blogs, Facebook, LinkedIn, Tumblr and Twitter—and they're the pacesetters when it comes to carrying these trends into the business world. There is a growing trend toward knowledge management and client-centric models in the workplace vs. traditional career management of baby boomers.

At the same time, businesses are working to transfer and document technical and client relationship information before it walks out the door. Companies are turning to portal-based technology solutions. Although for the next few years Boomers and Gen Xers will likely manage these changes, many of the changes themselves will be driven by what we've already learned and continue to learn from the Millennials. Their future is our future. The future is bright, and so are the talented young individuals entering our workforce.

*Sarah Simoneaux, CPC, is president of Simoneaux Consulting Services in Mandeville, La. and a principal of Simoneaux & Stroud Consulting Services. She is a former president of ASPPA and previously served on the Education and Examination Committee as a Technical Education Consultant. Ms. Simoneaux wrote the textbook,* Retirement Plan Consulting for Financial Professionals, *which is used for the PFC-1 (Plan Financial Consulting - Part 1) course of ASPPA's Qualified Plan Financial Consultant (QPFC) credentialing program.*

BY
KENT SCHUTTE, TGPC

# BEYOND THE STANDARD ROUTINE

**As the 403(b) marketplace continues to change, 403(b) advisors may need to modify their practices. Shifting to additional financial advice above and beyond reviewing clients' accounts will tremendously improve your market share.**

I recently had a 403(b) client review that really opened my eyes about what's really important for clients.

A teaching couple, who I've been working with for almost 20 years, was in my office for a review. My standard routine is to have a consolidated report of their accounts and supporting data to review performance and portfolio structure, assess their current risk profile, and determine if their investments will match their needs at retirement.

As always, I start out by asking, "Before I review your investments, are there specific questions you'd like me to address?" With one of them already retired and the other planning to retire within the next year or two, they pulled out their note pad and began to ask questions about their DB plans, when should they take Social Security, what options they should consider for medical plans, what the best way to handle their mortgage might be, and several other questions pertaining to the transition into retirement.

Over the years I've learned the best way to address these questions properly is to continually ask them questions about where they want to live, what their travel plans are, and what their children and grandchildren need. After at least 45 minutes of reviewing and providing different recommendations we were able to provide answers and solutions to their questions.

I then asked "Now that we've answered most of your questions, would you like to review your accounts?" Their response was, "No, not really. We've always been satisfied with how you manage our accounts. Why we really like to come see you is you help us so much with all the other financial questions we have."

It was at that point that I realized the true importance of what we do. Successful 403(b) advisors will have the ability to do so much more for clients than just reviewing their investments. Successful 403(b) advisors in the future will:

**...it really comes back to knowing your customer and being able to find solutions for them.**

- Know details of the employment contract or bargaining agreement;
- Know the retirees' health benefits, if their employer offers any;
- Have a clear understanding of the options offered through the state employees' retirement DB plans;

- Be able to explain the different DB plan options;
- Have a clear understanding of Social Security and Medicare;
- Help explain or have a resource for the clients to determine life insurance and LTC insurance benefits along with wills and proper beneficiary designations;
- Understand what essential, important and discretionary expenses they'll confront in their retirement years.

I recognize the list can go on and on so it really comes back to knowing your customer and being able to find solutions for them.

If this all seems a little overwhelming, I strongly encourage you to obtain your TGPC and/or CFP designations. There are also a tremendous number of designations offered through ASPPA that will really enhance your knowledge. I know they've helped me tremendously through the years, not only by adding to my knowledge but also by making me more confident about the advice I give. And this, in turn, generates more clients, which ultimately adds revenue to my bottom line.

*Kent Schutte, TGPC, is CEO and president of Educators Financial Services, Inc. in Cambridge, Minn.*
*Always consult with a professional tax and/or legal advisor to determine your potential tax and legal consequences. Securities and Investment Advisory Services offered through EFS Advisors *A Registered Investment Advisor *Member FINRA & SIPC. www.efsadvisors.com.*

TAKEAWAY

# Sam's Story

BY ELLIE LOWDER, TGPC

**As a financial advisor many years ago, it gave me great pleasure to be of genuine help to those needing to save for retirement. Every financial advisor understands that the personalized service they give makes a great difference for many people who need their help most.**

Though I focused on school district administrators in my personal practice I concentrated on increasing the average case size of my production. I recall a high school shop teacher vividly as a big success in making a real difference in his and his wife's post-retirement life.

There were only five people at the table talk I'd done at the high school but Sam approached afterwards.

"I'm in my early 50s with three sons under the age of five," he said. "My wife doesn't generate income but she does stay at home to raise our sons. I just can't see any way to save for our retirement, even though I know I need to. I hate to waste your time, but can you help us?"

After spending two hours with Sam and his wife, my review of his income tax returns revealed a federal tax refund of $2,000 each and every year. Sam explained that he deliberately claimed zero tax exemptions in order to generate that refund. "We depend on that refund," he told me. "Last year, we needed it to have the garage roof repaired."

It took a while but I persuaded Sam and his wife that we needed to have only the correct amount withheld. I suggested using half of the $2,000 for regular credit union savings from his check, and the other half for contributions to his 403(b) account. I carried the calculation worksheet in my sales kit, and I asked Sam to calculate the proper withholding for his situation, and promised to deliver the signed withholding form to payroll with the salary reduction agreement to start contributions.

Because of the pre-tax nature of his 403(b) contributions, he began at the $1,200 annual contribution level without reducing take-home pay. Each and every year thereafter, he increased that contribution during our annual reviews. That was more than 18 years ago.

Year before last, my husband and I were shopping in a department store. We ran into Sam and his wife. They approached and Sam shook my hand.

"I just wanted to thank you for making such a difference in our lives," he said. "We're able to shop for things we want for ourselves because you took the time to help us understand how we could begin our supplemental retirement plan."

As a commission-based agent in those years, I made $5 per month on the original sale to Sam. Sam told me that he wished he could pay me more, but I said, "Sam, it gives me genuine pleasure to help you and your family. You can help me simply by referring your peers to me."

And that he did. Over the years, not only did Sam make me feel very good about my work, he contributed greatly to my overall production. Real problems. Real solutions. This is what financial advisors do, and I'm very proud of the commitment they continue to make in making a genuine difference in the lives of deserving people.

*Ellie Lowder, TGPC, is a consultant with TSA Training & Consulting Services in Tucson, Ariz.*

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# RETIREMENT NEEDS A NEW PLAN.

If not now, when? In the aftermath of the financial crisis, the U.S. retirement system hangs in the balance. Something has to change. Not just a commitment to save more. But a fundamental shift from "savings" to "lifetime income planning." Why? Because we're living longer. Retirement costs are rising. And fewer of us can rely on a pension to provide income in retirement.

At Prudential, we're combining our experience in investment and risk management to develop a new generation of retirement solutions — annuities that not only help accumulate wealth, but create income that's guaranteed to last a lifetime. Transforming the U.S. retirement system is no small challenge. But together, THIS IS A CHALLENGE WE CAN MEET.

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