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6 retirement trends on the horizon for 2012

From pressure on margins due to fee sensitivity to demonstrating value through measurable results, Dan Hall, vice president of The Standard's retirement plan sales, shares six trends that may impact advisers and their clients this year.

Plan advisers will desire more flexibility and customization from service providers

In order to deliver a comprehensive solution to plan sponsors, advisers will be looking for service providers that are flexible and can enhance their own value proposition. For example, if an adviser's value proposition is centered on their investment advisory services, and the adviser will act as an ERISA 3(21) and/or 3(38) fiduciary to support these services, the adviser may need to partner with a service provider who can deliver a participant enrollment, communication and education program that meets the unique needs of the plan sponsor. The opposite is also true: advisers who choose not to provide fiduciary support services (or are precluded from providing them by their broker dealer) will need to partner with a service provider who can deliver these services.

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Pressure on margins increases, resulting in potential diversification

As plan sponsors become more aware of fees being charged to their plans, benchmarking will become the norm, potentially creating downward pressure on adviser compensation. Some advisers may see the need to offset this lower fee revenue by diversifying into other service areas, such as individual wealth management, rollover consulting or other alternative channels of potential revenue. Advisers will also need to consider partnering with other service providers to create service delivery model synergies and practice scalability.

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Increased focus on an adviser's ability to demonstrate their value through measurable results

More advisers are tailoring their value proposition to goals that are measurable and quantifiable. With the focus of the industry on retirement readiness, many of these goals will focus on whether participants are actually on a path to a financially-secure retirement. Statistics showing average deferral rates will get less focus, and metrics illustrating whether participants are truly saving enough on an individual level will have more impact. Advisers who can show measurable results will have an advantage. Tailoring plan objectives towards a plan sponsor's goals and showing measurable progress towards those goals will solidify an adviser's standing in the eyes of their client.

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Clear-cut acknowledgement of fiduciary status

Although the industry is still awaiting regulatory clarification on the definition of a fiduciary, it is clear that advisers will need to determine if they will act as a plan fiduciary going forward. Those that choose to act in such a capacity will need to acknowledge it clearly in their service agreements, along with their fee for performing these duties. Those that choose not to act as a fiduciary (or are precluded from doing so by their broker dealer) will need to be able to offer outsourced solutions from other service providers that can potentially offer fiduciary relief. Finding and providing solutions that offer fiduciary protection will take on a new urgency for those advisers not able to act in a fiduciary capacity.

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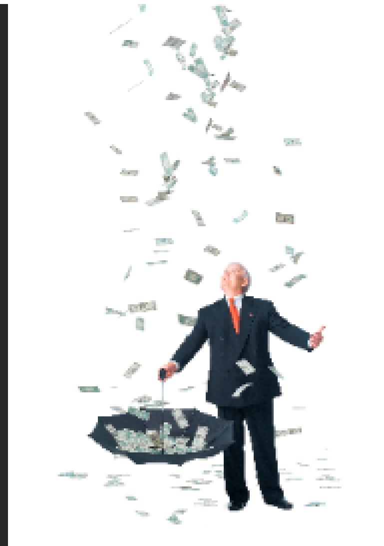
Similarities between 401(k) and 403(b) plans will allow significant growth in assets under management

With the 403(b) marketplace becoming more like the 401(k) marketplace, advisers should find significant growth opportunities through not-for-profit/tax-exempt organizations. New regulations in the last couple of years require most 403(b) plan sponsors to be much more engaged in the plan, increasing their awareness of fiduciary responsibilities along with plan compliance and oversight. Most 403(b) plan sponsors now require many of the same plan services as 401(k) plan sponsors, including help with service provider selection due diligence, plan design, investment selection and monitoring, participant education and communication, retirement readiness tools and fiduciary support services. In addition, there is also ancillary opportunity for advisers to diversify into rollover consulting and individual wealth management. Advisers may find less competition in this marketplace, and those with the right experience and expertise should find ample potential for significant growth.



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A continued shift toward fee-driven models

While the larger plan marketplace has primarily been fee-based, the smaller market is now moving towards that model as a result of the new fee disclosure regulations. The new regulations are also creating much more awareness of fees among small market plan sponsors. Increasingly, plan sponsors will be aware of the specific services advisers will be providing and the corresponding fees for those services. Getting paid commissions from the specific investment options offered in a plan is rapidly becoming obsolete because of the inherent conflicts of interest.