Advisor Connect | Compliance Essentials

MAKING IT ACTIONABLE

At a glance, compliance tests assure that every retirement plan produces a meaningful benefit for rank-and-file employees. They also ensure the plan demonstrates fairness in the benefits those same employees get in comparison with the benefits achieved by owners and highly-compensated employees.

While it isn’t your responsibility to oversee these tasks, we think it’s important to keep in mind that data requests and compliance tests are part of how our mutual clients experience their retirement plans and, by extension, how they experience us.

We need good, timely data to avoid operational errors that can create compliance issues which, in turn, cost real money and time to fix. In other words, it’s always better to stay current than to catch up. Failures, even if they are entirely a client’s own doing, will understandably impact their perception about the complexity and effort of maintaining their retirement plan. It’s harder to maintain alignment on long-term goals if they are focused on short term problems.

With Good Data:

We will know, for example, if company owners are reaching their contributions limits. Knowledge like this gives us good reason to talk about additional plan features or other plan design options. Those options may provide our clients with opportunities to save more on current year taxes and invest more for the future. This proactive strategy is one of the ways we can demonstrate our consultative role in helping clients optimize their path to long-term success.

Otherwise:

Even excellent operational or investment performance can be become routine and, in many cases, be regarded as a commodity service. It’s important that we work together to communicate our collective value and keep plans on track.

ACTIONS TO TAKE NOW

1. Use this topic to help set expectations and create comfort with the essential elements of operating a retirement plan. Many plan sponsors don't fully appreciate those facets of our service; compliance testing can be a springboard into that conversation.

2. Create awareness about these data requests and compliance tests. Explain what we need from clients so we can make the process as easy for them as possible.

3. Communicate what clients can expect to hear from us based on the routine information we gather and the tests we run.

We invite you to get in touch if you have questions about our compliance testing process and how it impacts your clients.