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why plan advisors should partner with third-party financial wellness providers

Financial wellness programs are becoming a key factor in determining which plan advisors win retirement plan contracts. They just shouldn't try to do it themselves.

Company retirement plans now represent the last great hope for the majority of American workers to retire with dignity and financial security. Therefore, content-rich and customized financial wellness resources for retirement plan participants are increasingly crucial in the eyes of regulators and plan sponsors.

Indeed, the ability to provide a robust financial wellness program is becoming a key factor in determining which plan advisors win (and keep) mandates for large- and mid-sized retirement plans across the country.

Unfortunately, too many retirement plan advisors are spreading themselves thin trying to provide comprehensive financial wellness resources to plans they serve on their own — consuming limited resources and time while needlessly driving up the risks of negative regulatory scrutiny, as well as dissatisfaction among plan sponsors and participants. Under these circumstances, nobody wins.

Naturally, this raises the question of whether it makes sense for plan advisors to delegate or outsource financial wellness capabilities to a well-resourced third-party provider. Consider the following:

1. Regulatory oversight makes third-party validation more crucial than ever.
As the Department of Labor steps up its scrutiny of possible relationships between plan advisors and participants, partnering with a dedicated third-party financial wellness platform establishes a very clear separation: the advisor serves as a fiduciary to the plan while the financial wellness provider focuses on participants' needs. This division can serve as a key safeguard against potential legal or regulatory liability by involving a neutral third party that derives no benefit from any individual participant's financial decisions. This allows advisors to offer plan sponsors greater peace of mind in meeting their fiduciary obligations.

2. Effective financial wellness platforms require significant resources and bandwidth if you "go it alone."

Plan sponsors seeking to enhance plan participants' financial lives, improve company morale, make the company a more attractive place to work or strengthen their ability to meet the plan's fiduciary responsibilities, increasingly recognize the need for personalized coaching and planning for each employee. This approach should be based on an in-depth assessment of each participant's needs. From there, it's all about consistent tracking to ensure that participants are making progress toward their financial goals, combined with detailed analytics and reporting capabilities to help plan sponsors develop deeper and actionable insights into their participant communities. Even for the most well-resourced advisory practices focused on retirement plans, building and maintaining the staff, systems, processes and know-how needed to provide these services at a level of quality that satisfies plan sponsor clients and regulators would be a daunting challenge.

3. Effective financial wellness offerings can greatly enhance the loyalty of plan sponsors to their plan advisors.

Financial wellness is a process, not an event, and as plan participants become invested in the process of improving their own financial health by following their established roadmaps, the plan's advisor and financial wellness platform can rapidly find themselves elevated from the role of replaceable service providers to the much more valuable position of trusted long-term strategic partners. Moreover, once plan sponsors have access to the extensive data a strong financial wellness partner can provide — i.e., how many employees have set up a budget, established a plan, spoken with a financial counselor or increased their retirement plan contributions, etc. — and begin to see its connection to company morale, they will also become much more likely to focus on the value the advisor is providing, rather than viewing the relationship with the plan advisor in stark dollars-and-cents terms.

As regulatory pressure and plan sponsor expectations continue to grow, comprehensive financial wellness programs that enable companies to truly make a positive impact in their employees' lives will continue to progress from a "nice to have" option to a "must have" deciding factor.

As plan-focused advisors begin to explore their options for adding financial wellness to their capabilities, they may be best served by identifying strong third-party turnkey providers who can act as their partners and provide an immediate boost to their value proposition.