Episode 45: Should contractual retirement income options live inside of 401k Plans?

Bob French 00:00
Are you a financial professional wondering how to transition your clients from the accumulation to the distribution phase? How to engage individuals looking for a professional with true Retirement Income expertise? How to mutually develop a solution that resonates with them? Or how to grow your practice in a meaningful way that's based on best practices for financial planning. Then you've come to the right place. Sign up for our two day masterclass for financial professionals, hosted by Wade and Alex on January 23, and 24th. From 12 to 130. Both days, your future practice will thank you for it. Go to risaprofile.com/masterclass. Peanut butter and jelly Oreos and milk and now annuities and 401K's

Wade Pfau 01:05
Hey everyone, welcome to another episode of retire with style. I'm Wade and I'm here with and we're very happy to welcome a special guests this week. Bonnie Treichel of endeavor retirement. And Alex if you'd like to kind of give her background a little bit and we're happy to welcome you to the show Bonnie.

Alex Murguia 01:11
Alejandro Bonnie did we not say at the beginning of this that Wade was gonna bring Bonnie was gonna do the intro to Bonnie did we must say that Bonnie Is Wade putting me on the spot?

Wade Pfau 01:35
I don't have surveillance.

Bonnie Treichel 01:38
So now Alex, you have to come up with something to say you could just say my name and I can fill in the gaps.

Alex Murguia 01:43
Here is Bonnie. Bonnie, you wanted to let the audience get going? I know you're a great dinner guest.

Bonnie Treichel 01:58
That's a great place to start. I'm a great dinner guest and I really enjoy food and travel. So that's a little about me. No. Thank you guys so much for having me today. You know, Wade, and Alex, it's been great getting to know you. And I'm really excited to be here. As you mentioned, my name is Barney Treichel. I am an ERISA attorney by background, I try not to practice law as much as possible. So I spend more of my time working as a consultant primarily to retirement plan advisors, and helping them with governance frameworks. For their clients who are plan sponsors. When we say plan sponsors, those are people who've decided to have a retirement plan, perhaps a 401k or a 403B so that they can help their employees to have access to workplace retirement savings.

Alex Murguia 02:44
Great. A couple questions, Bonnie, what possessed you to be an ERISA attorney? Or is that something that you kind of meandered to it?

Bonnie Treichel 02:52
Yeah, good question. You know, I think my parents are still wondering the same thing, right?

Alex Murguia 02:59
Not that there's anything wrong with that. Just, it's really specific.

Bonnie Treichel 03:03
Yeah, it's not really what most you know, kids grew up saying, like, I want to be an ERISA attorney. And, you know, I really focus like when you think of an ERISA attorney, you could be on both like the health and welfare side and retirement and I really just focus on the retirement side of the house. So I fell into it pretty much. I started out doing securities defense work. So I was doing litigation for many of the same firms that I ended up doing ERISA work for, but I did litigation for a year and decided that really wasn't the past. For me, I didn't really enjoy fighting with folks and doing a bunch of Doc reviews. So then I transitioned into the ERISA space and did that for a while before actually becoming an advisor for a period of time. And now in the consulting world.

Alex Murguia 03:51
And then just we have two sets of listeners we have, you know, I think it's haves these right now, but consumers and advisors. from a consumer standpoint, I want to do a little bit of a, just an explanation of ERISA that stands for

Bonnie Treichel 04:08
the Employee Retirement Income Security Act. And that was passed all the way back in 1974. And I think one thing that's somewhat interesting is, you know, in many ways, it hasn't changed much. So when we think about the legislative process, it's pretty cool that something that was passed to protect consumers. So if you think about it, if you're a consumer, and you have a workplace plan, you contribute money to your retirement plan, but really, it's your employer who's making those decisions about how that money should be handled, right. So they choose the investment advisor and they choose the record keeper and the custodian where that money is going to sit. And so that's why we needed a federal law to really help create the rules or you know how this game should be played, for how to protect that workplace savings and So that's, that's when we say, ERISA, that's that federal law that's protecting employees and their savings, and really that framework around it.

Wade Pfau 05:09
And Alex, just to make a point to the audience, because this is an issue that's come up before Irisa is not the same as Risa, we kind of realized that it's a very similar name, and it can come across sounding the same. But we're not talking about the the retirement income style awareness. Right now, it's a completely separate topic, although there can be some some overlap with just ERISA with retirement income, providing that to employees, the fundamental shift that happened with the traditional defined

benefit world and increasingly becoming defined contribution with 401k. And I think that is something that we'll be discussing quite a bit in this episode with just this whole idea of how to approach retirement income options inside employer retirement plans.

Alex Murguia 05:56
I think you're spot on. And for, you know, there's consumers listening to this or advisors listening to this in terms of what are we going to talk about, like, I think there's applicability for both, I mean, a person's largest investment tends to be the you know, other than the house in terms of asset value tends to be their foreign key balance. And there's a whole dynamic that goes on, behind the scenes that any consumer should actually be informed about, you know, with regards to the protections or the options that they have in place, and from an advisor standpoint, a lot of advisors are managing 401K plans, be it small plants and the like, and there are certain hurdles that they need to be aware of. And so I think, you know, having Bonnie on is great value for both. But we you know, the first thing we want to get out of the way in terms of having Bonnie as a guest here, and this goes in our in our theme is that she is part of our advisory board for the RISA. The RISA is laughter in Spanish ERISA, the last thing that is is laughter. And so, Bonnie, if you don't mind, just letting the audience knows what drew you to this craziness that Wade and I are working on? And why did you think you were simpatico with this with this approach? Yeah, well,

Bonnie Treichel 07:17
probably a couple of things. You know, one is, I really have a lot of respect, Alex, both for you and for Wade, and just the work that you've done historically, with some of the research that you're contributing to the industry. So I think that's a great, great starting point with just kind of aligning on just values as, as you know, the humans that you are. But the second piece is when we think about this concept of retirement income. And I think we'll probably spend a little time just talking about that today. But for me, and you know, maybe I'll briefly mention it, we'll get into it a little bit more. But it's really thinking about, as we mentioned, I work in the defined contribution space, or the workplace saving space. And so we spend so much time thinking about how to help people save, but we haven't historically spent a lot of time thinking about how do we help people think about how to get money back out of that plan. And so this alignment with you was a really great opportunity to think about, hey, what does that look like? And how can we take the work that you guys are doing with RISA, and maybe find ways to bridge that gap from the 401K plan, or the defined contribution space, and bridge that gap from what you're doing on the individual side with RISA and bring that to the retirement plan space? So that's one reason that it really interests me is that overall, when we think about how do we help people retire with dignity, or be able to think in terms of that stream of income? What is my what is my paycheck, so to speak, look like in retirement? That was why it was really of interest to me.

Alex Murguia 08:56
Boy, I wish I could speak like Bonnie just Yeah, eloquent. That was that was like a write this down. That's fantastic. It's so funny. With that in mind. Thank you. I mean, seriously, thank you. It's such a value, add us that corporate phrase, to have you on board. We can't wait to you know, really start, you know, turn turning the ideas around and seeing what we can do on our end. But, you know, on the defined contribution space, what What trends are you noticing in terms of retirement income, what do you see? How is that sort of Pangea shifting?

Bonnie Treichel 09:33
Yeah, so and again, I'll try to speak in terms of both kind of from the consumer perspective, as well as the advisor perspective, thinking through that we have both of those audiences. But when we think about it in terms of your your 401K plan today, and I'm going to use the term 401k plan throughout and when I say that, it doesn't mean I'm excluding 403B plans or other defined contribution plans. But today I would say it's immature in the 401k space. I think retirement income and thinking about that paycheck for life on the individual side is much more mature than we are in the defined contribution space, we have such an opportunity in that 401k space to start to grow and to learn more about it. And I think people are starting to really realize, hey, we've got to focus more on this because we have put so much money into these plans. We had the Pension Protection Act back in the mid 2000s, in 2006, which started this idea of how we could really be auto enrolling people and getting more money into plans more efficiently. But what we haven't come alongside and done as DB plans have become a thing of the past. We haven't had the corollary to say how do we efficiently get money out of plans and provide education for our consumers or for the sometimes called participants? But how do we get that education to the end consumer to help them think in terms of that stream of income. So I think it's all the sudden becoming more of a hot topic, but it requires a lot of education, and it's still fairly immature, it's really exciting to see that we have regulators and legislators really focused on it. We have solution providers, so the insurance companies, the asset managers also really focused on it. We have different industry groups and and organizations, folks, such as you know, John Faustino over at Broadbridge, Fi360, also a member of the recent board, and some other industry groups, the retirement income Consortium, and Napa, which is part of the American Retirement Association, we've got a lot of these different factors coming together to focus on it. But there's still a lot of work to be done.

Wade Pfau 11:48
In that regard. So in the past, we've seen a lot of just effort to looking at a rollover from the plan into a traditional IRA or that sort of environment. But our plan sponsors increasingly interested in the idea of keeping those assets in plan, perhaps because they feel that they can do a better job providing good alternatives or good options to those plan participants in the retirement phase.

Bonnie Treichel 12:16
Yeah, that's a great question. And I think you're raising a good point, too, because from the advisor perspective, I think one question that comes up is, is in plan retirement income competition for a wealth management advisors business? And I think that's something that, you know, is should be discussed. And also the question of do plan sponsors want to kind of take this on and keep more assets in plan as opposed to letting it become rollovers. And I think that there's just very clearly a place for both, for both to exist, right both rollovers as well as in plan, retirement income options. And the reason I say that is I think there are different consumers, or are different retirement investors that can benefit in both camps. One way that I tend to approach it is that it depends on the total value of a retirement investor or consumers account. So for example, higher asset balances will typically have the opportunity to roll their money out and be able to work with an advisor. Outside of the plan. There's some folks that I'll call kind of in that middle tranche that they may never have enough assets accumulated for most advisors to really want to take on that individual investor or consumer and actually work with them. And that's where it is a great opportunity for them to stay in plan, even after they have retired and no longer work

with that institution. So I think there is appetite from some plan sponsors to be able to keep the money in plan even after some folks have terminated and retired. The other component of that would be that, you know, because of, I don't want to go too far down this path, so you can reel me back. But because of secure act at the end of 2019, there's additional safeguards that are available now in the form of a safe harbor for employers or plan sponsors, that provides a little additional comfort that wasn't there before that if they take certain steps, they can meet this safe harbor, and they would feel more comfort in offering one of these implant options than they would have before. So I think way to answer your question, there is more appetite than there was before to have these implant options.

Alex Murguia 14:40
And what this again, what the safe harbor mean, and what are those safe harbors? Yeah, so characteristics of the safe harbor and another way to phrase have property?

Bonnie Treichel 14:50
Yeah, and I'll save I'll save everyone on the line. I won't go through all of the components. Just this concept of a safe harbor is that we know so if An employer offers a retirement plan, they're doing so by taking on fiduciary obligations under ERISA. And the really great thing about ERISA is that it's this really high standard, because we want to protect consumers. But the downside for the employer is is they mess up than they are going to get in trouble, including having their own personal assets on the line. Or they could have their own personal assets taken if they don't make the right choices in the way they offer the plan, as well as the investment options. So for example, in it offering these in plan options, so if they make available and in plan retirement

Alex Murguia 15:39
to implant options, you mean an implant annuity option? Yes,

Bonnie Treichel 15:42
that's correct. And I'm a little careful with my language is saying plan annuity option. Because some of these newer solutions, some have a guaranteed component, and some are with

Alex Murguia 15:56
implant, contractual income option or implant or

Wade Pfau 15:59
even managed path and something that doesn't get any That's exactly it Wade.

Alex Murguia 16:06
So that's something that you'd side income when you retire.

Bonnie Treichel 16:10
cautious with my language

Alex Murguia 16:12
is Fair enough, fair enough to include both

Bonnie Treichel 16:14
the managed payouts and the guaranteed options. So okay, so back to the question, which was what's a safe harbor, it's basically I describe it, it's like a Get Out of Jail Free, which is not exactly a good description, but it's a the Department of Labor saying, if you do these things, then you will not get in trouble for offering this implant option. So it's, people were concerned that they don't want to select an implant annuity option, Alex to your point, and then the insurance carrier, you know, goes belly up five years from now. So the gist of it is, if you select an insurance company for this guaranteed option, and the plan, Mr. or Miss plan sponsor, as long as you've properly received all of these disclosures and vetted it, then you're not going to get in trouble for that selection, even if something happens to this insurance carrier, five, six years from now. So that's the gist of this kind of additional protection that wasn't there before.

Alex Murguia 17:14
And Wade, maybe you can fix my eloquence when I'm done with this statement. But we mentioned we spoke with Faustino about John, I'm talking to him, like he's my high school buddy from Steena. We spoke to John Faustina, about fiduciary, and you you brought up that phrase when talking about, you know, under fiduciary within ERISA, and one of the comments he made is, look, there's, there's two levels of fiduciary, there's, you know, standard of care, you know, the Golden Rule kind of vibe, and then just being able to, you're up to date with literature. So you're showing this competence you're doing what any professional in your, in your, you know, in your in your stand would do, because they're competent, etc. What I want to point out is that when we were talking, we're speaking about, you know, you can, you can provide contractual income, and you're still operating within the fiduciary sort of purview. It's interesting, and I want to point out again, just for the heck of it, that even within an ERISA sort of framework, it is still perfectly acceptable to have contractual income options and still function within a fiduciary manner. Did I say that properly? Wade, I'm doing that off the cuff. So I want to make sure I didn't mess up.

Wade Pfau 18:33
No, that sounds like yes, but the general issue kind of in the retail market is just the idea of Commission's and how that fits into fiduciary. Whereas that same sort of issue may be less applicable in plan or inside a retirement plan. Because there's no agent of record selling an annuity inside the plane,

Alex Murguia 18:55
but the product itself is something that's completely acceptable.

Bob French 18:58
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Bonnie Treichel 19:23

And maybe, if I may jump in, I think one thing, Alex, you're pointing out that's useful is the difference between in plan and out of plan, annuities and kind of some of the confusion when when I think it was Wade, maybe you asked the question of like, what's the status right now of in plan solutions? And, you know, one of the things that comes up is a lot of advisors. From my perspective, they're still kind of, I don't want to say they're anti implant solutions, but there's a lot of questions around like, Hey, aren't these things expensive? Right? Why wouldn't we? Why would We add an implant option, why wouldn't we just stick with, you know, very low cost options for retirement plan? You know, if you think about target date funds, and you know, you can get target date funds, very low cost. And so that's a lot of the question that comes up is kind of this difference in pricing, for example, between in plan and out of plan annuities, and really digging into kind of just some of the myths and realities, which I know, we don't want to go down that whole path on this podcast, but there's just a lot of questions if you're historically working in the retail space with annuities, and how that's different in that the plan contact?

Alex Murguia 20:38
Well, not to go down that hole. But you know, how do you take a 20 foot hole you dig? A five foot hole maybe. And Wade, you know, chime in on this, and Bonnie you've seen this. But I think that argument about hey, this implant annuity is more expensive than then if I would get just whatever, you know, mutual fund or the target a font or whatever. My comment to that is that they do different things. One is a risk on product and keep costs low, and you're capturing the market. The other one is providing an insurance, you know, an insurance functionality to it, which is a risk off product, and it's just priced relative to what it's doing. And I don't think they can be compared next to each other from a pricing sample because they're doing different things. And I think unfortunately, I think annuities are contractual income was sold many years ago as this in its investment kind of vehicle. When then you can then you know, it's fair game to compare fees if you're if you're selling it as that but the reality is that I think that's a misrepresentation, these things are risks of products and their insurance and their price, according to the mortality tables, etc, etc, etc, that that merit that mirrored the cost, Wade?.

Wade Pfau 21:51
Yeah, not that that makes sense that maybe another interesting application of that, too, is just with ERISA, the pricing all has to be done on a unisex basis, so that you in the retail market annuities do have gender based pricing, especially immediate annuities. And with women living longer, that makes annuities more expensive on the retail market relative to men, and you don't have that sort of difference. So there can be a lot of issues where I guess getting into if the plan participant is working with an advisor and comparing options, there are going to be differences with kind of institutional pricing in plan with these gender, potential gender differences and so forth. And so it it does create a host of issues, but I guess to Alex's point, yeah, the whole idea of the cost of the annuity, it's it's really that risk pooling and insurance element more so than just some sort of management fee.

Alex Murguia 22:50
It's not a price gouging thing. It's just it's, it's that you're paying for the damage. So the more of the risk pooling. The other thing, Barney that I think you mentioned at the beginning of this was sort of answer that I don't want it to fly under the radar, because I think it has implications from even a government policy standpoint. And it goes back to if you have if you passing the sort of net net worth threshold, then you could you know, most likely you're in the realm of somebody that would use an advisor, and you

could get investment advice. And you could determine at that point with the advisor, if contractual income makes sense, if a total return portfolio makes sense if time segmentation makes sense. But you'd have somebody working with you because you meet a certain threshold that most likely you can find an advisor you're not, you're not at a dearth for options at that point. But if you're if you're within a certain threshold, I don't know what that number is, you're a little bit in no man's land is what I'm hearing in terms of getting investment advice, once you retire. Hence, contractual income can actually help skill skill out the ability for somebody to the ability for an entire population, frankly, to have a good retirement income plan that am I reflecting that properly.

Bonnie Treichel 24:07
That was so well said and every that way. Know, I mean, I think that's my perspective. Right? And some folks might not agree with me, but I think that is my belief is that for that kind of in the middle tier, and you know, these aren't hard and fast numbers. But you know, if you think of that kind of 200,000 to, you know, maybe even up to a million, a lot of times there is that kind of in between piece that it is hard to get a wealth management advisor to work with you and and some of those solutions have started to come down market where you can get some of those advisors to take on smaller accounts, but in many times it's education only, maybe not in a meaningful way. So it is a way to really help the masses be able to have access to a better retirement income plan while Gaining that in plan and not going out and finding an advisor because they may never be able to do so. And that's, that's one reason I'm really passionate about the topic is because it's an opportunity to hopefully be able to provide retirement income for the masses or a retirement income plan for the masses.

Alex Murguia 25:20
In a way, what would you how would you I think I know, but I'm, I'm almost like, playing Carnac here a little bit. What What would be your response to somebody listening in saying no, but I can online, I can go to like a betterment or something like that. And with 200 grand, I can get a model portfolio that will take care of my retirement.

Wade Pfau 25:41
Like, yeah, I mean, that would be expressing a total return style. Sure, yeah. That's exactly your style. Absolutely. And that's, well, I mean, it's this interesting evolution that we went through with the sort of employer plan with that shift from defined benefit that in some sense, just bringing annuities back into the mix, provides a way to create a traditional pension in plan. And so it's valuable to be able to have that option for people and to allow for solutions that aren't just related to an investment based portfolio decision. So if you are comfortable with the rolling over to like a robo advisor type environment, that is an option. But yeah, just having more access and more opportunities in plan, I think it's quite an important path for us to take as a society. And yeah, no, that's me. Go ahead.

Alex Murguia 26:40
I was out. Yeah, Barney. And you're more of a student of this than than I am. And I think wait is in terms of how this works. But is it fair to say that, you know, we went from a defined benefit from the wealth of the company pensions to defined contributions or whether the 401k and then there's kind of with this movement, going back to this defined benefit, but they're doing so from the manner of we're not putting the liabilities on the balance sheet of the company. We're putting the liabilities on the balance sheet of a

of an insurer of a third party insurance company that's providing the service. And this is what they're expert at.

Bonnie Treichel 27:18
Yeah, no, I think that's a fair way of saying that, and also, with a shared responsibility with the consumer, I think is kind of the other component of that, right. So the liabilities on this third party insurer to your point, but with a shared with a shared responsibility of, you know, you, as a consumer still have to participate in this process. But the employer is going to make this this vehicle available to you. And so I think everyone's playing a role there, which I think is that shift in how it was before?

Alex Murguia 27:53
No, that's a good dynamic. I mean, what I remember thinking I had said this, again, my high school reference of just the last name, but didn't he say something like, and studies will show you that if you have a defined benefit plan, and you get offered, hey, do you want to switch this out? For for a market? Portfolio? You know, once you have this income, they say, No, they they actually want to maintain what they have. So this actually provides a nice sort of preference item that if you're somebody that, you know, if you're in a if you're an employee, and if this resonates with you, then that's a great option that you can provide. Now that wasn't there before. But Bonnie, what happens to the folks that are 100,000? I, you know, okay, they're not in the middle. They're in the low end of the of the spectrum. What if they're left to their own devices? What, what's what's available to them in retirement?

Bonnie Treichel 28:45
Yeah, great question. So you're, I think you're kind of getting at the like, I use that threshold of 200,000. Because I think one of the things I've kind of struggled with is, I use that 200 to a million to kind of talk through if we're trying to provide someone with a dignified retirement, where's the group where we could make the most impact. And I think one of my fears is for below 200,000. If you don't save enough, having a return in plan, retirement income solution, this isn't going to, this isn't really going to help you because you've at least still got to be saving something for this implant solution to be able to help you where you'd have Social Security, plus the annuity component from this implant solution. Plus, maybe, you know, the reliance of the market as well. And all of those are stacking on top of each other to really get you to this dignified retirement. Right. And so, my concern is that if you're not saving, at least something to help get you to that 100,000 or 200,000 threshold, just having an implant solution isn't going to get you there. So I think the message from my perspective and would love your guys's thoughts If you're not going to be able to get to 100,000 to 200,000, by the time you get to retirement, it's really more of a conversation about getting you some additional savings opportunities to start getting you there. But maybe you guys have different thoughts.

Wade Pfau 30:14
I'd agree with that. And it's important for people to have some liquid assets. And yeah, at some point, the Social Security is an annuity and being able to make a smarter decision there, so possibly even having some sort of tool where part of that smaller balance can be used to help sustain delaying the Social Security benefit, might really be the best way to get additional annuitized income in those scenarios. And I recall Mark from he was at the Treasury Department for a long time. And he's the one who created the kulak, and so forth. But he talked about how we shift from really defined benefit world

had a defined contribution that people were effectively by working, saving for their retirement and the 401k world, he called it an undefined contribution, where it's all voluntary. And so that's now we do have better tools to get like auto enrollment, auto escalation, and the savings rates and so forth. But it's a voluntary, and so a lot of people are reaching that retirement phase, not necessarily having a big pot of assets, either because they weren't saving, or because of the investment decisions they made, and potentially, just not really investing but leaving things in cash or in the stable value type option that over time didn't give them the types of growth, that compound interest is important. And if you're not achieving that compound interest, you're getting to retirement with a small account balance. And that's I agree with what you said that, you know, the the in plan, options for lifetime income, do require a certain level of assets before they really there's much of a conversation to be had.

Alex Murguia 32:04
So, so I'm hearing you correctly, both Bonnie and Wade, it's not one of these, let them eat cake kind of things. It's more if they're not at a threshold, and let's just say 150,000, to say 150,000. The concern isn't even, what are they going to do when they retire? The concern should be getting them to accumulate more getting them to somehow save more while they're working to try to, you know, to try to up that number. So they have a lot more options available, whether that's a realistic thing, and I'm just speaking with an a, let them eat cake man, or I don't know. But it's really more, the priority is actually let's not worry about what somebody with $50,000 has to do with you know, from retirement income in plan option, it's more, let's see how we can get that number up, you know, before they retire, that's the initial kind of reaction I had, then. I do agree with you Wade, and I want to say Blanchett, you know, talks about this quite a bit, which is, okay, the best annuity is Social Security. So if somehow we could get them to delay, Social Security, I mean, that in and of itself, because you're probably not saving that much, you're living within a standard of living. That's not the same as somebody who has a $2 million portfolio, you know, they're probably different. And so somebody that probably has $80,000 in retirement in a in a 401K plan, by the time they retire, you know, the trick becomes, you know, how can we help them also extend Social Security, so they get that, that Social Security pension payout a bit higher, once they do it? So, you know, where are some bridging strategies around that? And that could, you know, just focusing on that could be a huge win. Make sense?

Wade Pfau 33:48
Yeah, that's always the first step of any annuity is, if you're claiming Social Security early and buying an annuity, it's generally much less efficient than first, making sure you can delay Social Security implant on delaying Social Security is better than any commercial annuity can offer.

Alex Murguia 34:07
And what is it only like 10% of the people like delay, Social Security, something like that?

Wade Pfau 34:12
You've been reading David Blanchett on LinkedIn. It's close. I

Alex Murguia 34:17
know that. My head Wade. How dare you!

Wade Pfau 34:21
David Denver, it's David booth it education's working. Backs Oh, are you got David?

Alex Murguia 34:35
But not How about just keeping up with literature? No, go on. Wade. So

Wade Pfau 34:42
it's just closer to 20%. It's people are getting the education. It used to be about half of Americans claimed at 62. Now that number is well below 30%. Getting closer, is it to maybe 25% or less? Yeah, people are getting the message about Delaine socialist 30 are not clean, at least not claiming as soon as they possibly can.

Alex Murguia 35:04
Well remember, sometimes you need the money too. So you know that goes to your point. How do you get them to save more?

Bob French 35:10
Are you a financial professional wondering how to transition your clients from the accumulation to the distribution phase, how to engage individuals looking for a professional with true Retirement Income expertise, how to mutually develop a solution that resonates with them, or how to grow your practice in a meaningful way that's based on best practices for financial planning, then you've come to the right place, sign up for our two day masterclass for financial professionals, hosted by Wade and Alex on January 23, and 24th, from 12 to 130. Both days, your future practice will thank you for it, go to risaprofile.com/masterclass.

Alex Murguia 35:53
And so, Bonnie, what role does endeavor play in this and endeavor is the company in which Barney effectively leads? What what what role does endeavor do within this for advisors and underlying indirectly for consumers?

Bonnie Treichel 36:08
Yeah, thanks for asking. So to your point, I'm the founder and chief solutions Officer of endeavor retirement. And our role is we've got a couple of different initiatives that we're working on in the industry serving as a subject matter expert, one of which is to the what's called the retirement income Consortium. Another is with the National Association of plant advisors, working on a certificate program for them. But really, going back to where we started the conversation in saying, you know, it's really fairly immature, in the sense that implant solutions are still pretty new, a lot of new solutions are coming out. And when I say that, what I mean is, for many consumers on the line, if you went looked at your 401K plan, and you were looking for this implant solution, you probably wouldn't find it today. But if you look three or four years from now, you would probably be able to find one, two, maybe three options, or at least that's where I would put my money in betting that you'll find more and more options. And hopefully, then the RISA will be able to be kind of a selection tool to help you find your preference and then help you figure out which of those options you should be selecting and plan. But we'll save that for another conversation.

Alex Murguia 37:28
In the business model.

Bonnie Treichel 37:30
I think that's a great idea. But maybe I've said too much. But coming back to kind of endeavours Rome, what what we do is really helped with creating that education, both with this Napa project, as well as then the retirement income Consortium, and really helping to educate advisors as they work with employers and then end consumers on what is retirement income in a plan. What will that look like? What are those fiduciary obligations? And so that really is how we're fitting into this retirement income discussion today.

Wade Pfau 38:05
It's really important work to bring no just bringing that why retirement income is different from wealth management, wealth accumulation. It's a message that takes time for people to fully grasp. And so plan sponsors, not necessarily because their business is not managing retirement income strategies. No, they do need opportunities to learn about these things. So it's great that you're heading those types of initiatives.

Alex Murguia 38:34
Yeah, I mean, it's fantastic. So just to frame it in another way. So if you're selling widgets, I'm a business owner, that selling widgets, right? And all of a sudden, I'm like, Okay, I want to have I got five employees, I want to start saving for retirement myself, let me put in a retirement, let me put it in a 401K plan within the 401K plan. Okay, it's easy, I get an advisor to help me set that up or financial, sometimes it works through payroll, but let's just say I have an advisor, financial professional, I want a financial professional to provide a plan for me, that financial professional, in addition to selecting investments, I'm not sure people realize that their financial professional has many hats that they're sort of putting on when they're when they went and when they hire when they're hired by company XYZ to set up a proper plan. It would be interesting, just if you don't mind just going through what are all the things that this advisor has to kind of deal with to make sure that it's set up properly. And by default, the advisor has to make sure it's set up properly, because that's going to be a reflection of the business owner to you know, to a large extent, from a from a legal standpoint, too. And so I think it's in the other point I would like to throw in Barney is how much regulations change. You know, just keeping up with the literature on on the government changes is, is a heck of a thing. So if I am a company XYZ I'm doing you know, I'm the widget company, and I'm looking for an advisor, what are all the things that this advisor will be doing as they set up a plan for me? And how do I make sure as a business owner that I'm selecting an advisor that can kind of maintain it's one thing to just sell me a plan? It's another thing to make sure it's being run properly. I think that's, I think I think you go a long way towards helping that advisor do their job? Well.

Bonnie Treichel 40:26
Yeah, that's, there's a lot of components to that question. Because I think one thing I want to touch on is, you mentioned, all the changes. And there are so many changes for retirement plan advisors to keep up with and any advisors, Wealth Management and plan advisors alike, but I think Alex, you hit on a big

thing, which is, advisors have to keep up with changes both from the Department of Labor and from the IRS. So there's both of those frameworks. And then there's other things they have to keep up with. So one of the huge things we're watching right now is what's going to come out of Congress by the end of the year, and if we will have secure 2.0. And so that's another really big thing we have to keep track of. So, you know, overarching, it's keeping up with all the changes, that's one component. But when I think of what are the different categories of things an advisor helps their employers with or plan sponsors, rather, it's investments, its selection and monitoring of service providers, which means the record keeper, the custodian, and maybe a TPA, an auditor, if it's a little bit larger plan. The third category would be what I call employee engagement. So making sure employees get their notices, making sure that we're actually moving the needle on what the needs of the plan, and its participants are, and are we actually meeting those needs. And then last, I call it ops and administration, which is a really big bucket to catch a lot of things. But those are all the different things that the IRS says, Hey, your plan has to actually operate the way the document says, and plan documents are so long and have so many little tiny provisions. It's a lot to keep up with. So I usually divided into those four categories. But depending on how you slice the obligations, you know, there's 50 plus different obligations of a plan, sponsor or employer, when they decide, yes, we want to offer a plan. And those obligations continue until the last penny is out of a plan when a plan is terminated. So there's a lot that your 401 K, you know, sponsors are doing when they decide, yes, we want to offer this benefit, it really is a big undertaking.

Alex Murguia 42:39
And so this is where you provide, you know, a huge facilitation for advisors to be able to implement this, you know, in a manner that's efficient, because, you know, they what they're good at is not understanding ERISA law, their their value is understanding how to put together an investment portfolio. At least I hope, yeah,

Bonnie Treichel 42:59
that's the goal of endeavor is really that we provide all the governance framework around it, advisors, you go out and work with your clients, and, you know, maintain those relationships, and you do the investment piece, and we'll help you with everything else.

Alex Murguia 43:14
No, the other point, I think it's interesting that you said, because you could be listening to this now thinking, oh, I want an implant annuity or I want to or, you know, contracts or whatever, what you think it's going to be a few years before this is going to be more in the, in the, you know, out there where it's more common? You know, if I had to guess, I think, look, you'd be lucky to just get one option right now, for a while. And until that reaches some sort of tipping point, whatever the number that is, then people will add more and more of these. Right? Isn't that kind of would be the progression of something like this?

Bonnie Treichel 43:51
I think that's exactly right. I think the most common way that an employee or a consumer would see it today is their own record keeper would have the option that's I'm going to say proprietary to them. So

you know your own, you'll see one option, and it's going to be the one that's proprietary to that service provider. But the plan today, and real

Alex Murguia 44:13
quick, just because a record keeper to me just for the consumers, that's the the accounting functionality of of your 401K, that's where you would log in and see your your account values. I just wanted to throw that out there.

Bonnie Treichel 44:28
Yeah, good clarification, because we get into these these plan terms and go down rabbit holes, but I think eventually where we will see more options is once the technology has continued to evolve, and then we have more, I'm going to use the term portability. But where we have the availability of multiple options on multiple platforms are on multiple record keepers. That's where I think as that momentum continues and to the point you made, Alex, when we see like one platform getting a lot of momentum with its own users of its platform. And we see that with a couple of different platforms, and they'll say, oh, there is enough momentum here. Now we can go add on different platforms.

Alex Murguia 45:09
Got it? No, that's good. I think this is something. Look, I kind of I don't know how much I read nowadays anymore. But I do look at the headlines. I do look at the scrolls, if you will, the feeds. And I've noticed a lot more headlines that lead with the in plan, options, implant options that have to do with annuity. So I think this is just a huge push, probably now, over the next 10 months, where it's just a deluge, I think, at least I don't know if it's going to happen in terms of actual implementation, but at least the, the awareness of it is, it started and overwhelming is too strong a word, but you're starting to see it, you know, a lot more almost like playing punch buggy, where now you're like, wow, there are a lot of them out there. Like you're starting to see this, that just the news about this, you know, to a greater extent, you know, lately, am I off on that? Or what do you think we

Wade Pfau 46:05
know, I think you're right, I think and a lot of large institutions are working on developing their strategy around what type of solution they'll offer. So when a new option comes down the pipeline, there's going to be media stories about that as well, which may be triggering some of that coverage. But yeah, it's definitely gonna be a growth area. And so,

Alex Murguia 46:26
so Bonnie's gonna be very busy. Every is gonna be very busy over the next few years, which is a good thing, right? No, and finally, you can see why, you know, we thought, you know, we're super excited to have you join us on the advisory board for the reset, because, obviously, we think this is something that no one can see around corners. But we definitely think this is something that, you know, an idea whose time has come. And, you know, we're very fortunate to have you help us be part of this and, and lead the charge as it relates to the research on this vertical. But, you know, what can I say other than, you know, thank you so much for helping us out with this.

Bonnie Treichel 47:05

Yeah, well, thank you again, for inviting me to be on the show and to be a part of the board. I'm really excited to collaborate with you and see you Rhesus growth. You guys are off to such an awesome start. So I'm really excited to be part of it.

Wade Pfau 47:19
Thanks for me. Yeah, thank you week everyone. Bye.

Bob French 47:24
Wade and Alex are both principals in McLean Asset Management and Retirement Researcher. Both are SEC registered investment advisors located in Tyson's Virginia. The opinions expressed in this program are for general informational and educational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific securities. To determine which investments may be appropriate for you, consult your financial advisor. All investing comes with the risk including risk of loss. Past performance does not guarantee future results.