Key Considerations When Hiring a Retirement Plan Advisor

In the highly regulated space of employee benefits, business owners have a lot to think about when it comes to offering a retirement benefit to their employees. Between fiduciary responsibilities, monitoring the investments and answering participant questions, it can all become a bit cumbersome. Ultimately, hiring an advisor to mitigate these responsibilities can be its own project. If you want to be sure you're hiring the right person for the job, try asking the following questions.

1. Do they consider themselves a fiduciary?

As a plan sponsor, this person (or group of people) holds fiduciary responsibility and liability when it comes to administering the plan. Though they can never completely alleviate themselves from these duties, they can hire an advisor to mitigate the burden. Make sure the advisor your hiring will act as a "co-fiduciary" to your program. This means that they will assume some of the liability associated with a retirement plan and will be on your side should anything go wrong.

2. Are they local?

A big piece of the puzzle is making sure your advisor is close-by. This way, your representative can come on-site for employee enrollment meetings, employee education and trustee reviews at times that are convenient for you. Business owners, trustees, and plan sponsors are busy each day doing their job, and it's important that the advisor can come to you on your time.

3. Are retirement plans the advisor's priority?

As mentioned before, there are many retirement advisors, or "financial advisors", in the marketplace – a quick Google search could provide nearly 20 options. Something that is important to ask an advisory firm before they're hired is whether or not this is something they do often. Typically, advisors can work with individuals as well as retirement plans. However, it's essential to know how engaged they are, and what their level of commitment is, to the retirement plan side. There are many different rules, laws, and regulations that come with the qualified plan space, so hiring an advisor that is well-versed in the field is paramount.

4. How are they paid?

Flat fee? Asset-based fee? Tiered fee schedule? Commission based? A combination? There are multiple ways that advisors can be paid by working with retirement plans. Seeing a quote or proposal up front is great, but make sure to dive a little deeper. Many providers involved in a retirement plan may be paid through revenue sharing. These are built-in fees that can come with certain share classes of investment options. Before jumping ahead and hiring an advisor because you like their pricing, check with them on all different ways they could be getting paid and be sure that you understand their cost philosophy.

5. How can they help?

The job of a retirement plan advisor is to help better the overall well-being of the program, the plan participants and their beneficiaries. There are some advisors that will educate your participants on a one-on-one basis, talk to them on a personal level, and will be available to answer specific questions. Never assume that all advisors are going to serve you equally and provide the same level of service. As a corporation, you must first decide how you want to interact with your advisor. Whether you want a high-touch, personalized service or a guided, less-stylized approach, check that your advisor's methods fit the goals of your company.

With the marketplace being heavily flooded with providers, and regulations that continue to change, make sure that you're looking into the general condition of your plan and the fiduciary duties that plan sponsors are expected to fulfill. When the plate seems too full, hire an advisor- but, do your research first. This will help you establish a great employee benefit to offer your employees as well as alleviate fiduciary pressures from your "to-do" list.