

Plan Participants: The Key to Developing Your Retirement Business

Worksite Financial Solutions White Paper

Executive Summary

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The situation is dire: The traditional defined benefit plan is no longer available to most Americans. Instead, they must save on their own in a 401(k) plan. But they often don't know their savings target, or how to get there.

The industry has placed regulatory and technological barriers between participants and the professional financial advice they so desperately need.

LPL Financial is tearing down those barriers. A multimillion-dollar investment in **Worksite Financial Solutions** has resulted in a comprehensive program you can use to give participants the advice, education and services they really need, in a matter that addresses compliance concerns.

Worksite Financial Solutions addresses every stage of participants' working lives. From initial plan entry, asset accumulation, job transitions and into retirement, you can add value every step of the way. At the same time, you set yourself apart with a comprehensive suite of tools that differentiate your practice. Participants get the *real help* they need—which was previously challenging to provide—and you have the potential to acquire more business.

In this white paper, we will introduce you to Worksite Financial Solutions, a beginning-to-end suite of tools for:

- Engaging employees while they are still in their plans, seeking to improve their savings rates and investment tactics
- Educating employees about how to invest
- Advising employees in a way that is consistent with current regulations
- Facilitating employee transitions, including rollover assistance
- Providing support for plans that terminate

The Worksite Financial Solutions tool suite will create opportunities for you that your competitors may not have, setting you apart from the existing "sea of sameness" in the advisory business. Prospects will want to know why your competitors don't offer these tools.

The Trouble with the Status Quo

At their core, retirement plan advisors want to help people retire successfully. Yet increasing complexity in the rules and regulations surrounding 401(k) and other retirement plans means they may not have the time to provide one-on-one help. Even if they did, regulatory barriers may prevent them from providing the needed advice.

As a retirement plan advisor, you strive to improve retirement readiness for the participants in the plans you serve. How can you reach that goal—providing excellent service to individuals and plan sponsors—and not become overwhelmed?

There is plenty of frustration to go around.

Participants feel it —

- 61% report that their only or primary source of retirement savings is their 401(k) plan.¹
- 52% say retirement benefits are even more confusing than healthcare benefits.¹
- 36% feel confident that their investments are allocated appropriately, and just 17% know they are on track to retire.²

Employers feel it —

- Only 4% are “very confident” employees will have sufficient retirement assets,³ down 30% from 2011.

And advisors feel it, too. As a financial professional, you *know* that the basics of paying off debt, joining the plan, saving an appropriate amount and investing well are the keys to retiring successfully. Yet, as participants avoid and ignore these basics, they fall farther and farther behind.

These days, the vast majority of plan participants understand and accept that they must rely on themselves to accumulate the assets they will need in retirement.⁴ Yet few express confidence in their ability to do so. You can deliver the help they need.

¹ Online survey of U.S. 401(k) participants conducted by Koski Research for Schwab Retirement Plan Services, Inc., 08/15/13, www.abotschwab.com/press/research

² 2011 Research in Review, Financial Finesse (February 2012)

³ 2012 Aon Hewitt Employee Benefits Study: April 6, 2012, PLANSPONSOR.com

⁴ Online survey of U.S. 401(k) participants conducted by Koski Research for Schwab Retirement Plan Services, Inc., 08/15/13, www.abotschwab.com/press/research

Beginning-to-End Tools – Now You Have Them

Employees who are stressed because they can't pay their bills, are wondering how to afford college or are facing a job loss may not fund their retirement.

Most employees have no idea where they stand in their efforts to retire: The Society for Human Resource Management reported in September 2011 that 57% of employees age 55 and up had never used a retirement calculator. The truth is that more than two-thirds of employees feel unequipped to manage their own retirement money—70% of them, according to Charles Schwab's Advantage 2011 research, *401k Plans Under Pressure*.

“Most Americans have no one to advise them about their finances,” says William Chetney, executive vice president of LPL Retirement Partners. “Folks really don't have anybody helping them with even the most basic financial questions, like good debt versus bad debt: that is, saving to buy a house is a good idea; charging your vacation every year is not.

What About Marketing?

LPL Financial provides professional marketing resources and sales support for Worksite Financial Solutions so you don't have to worry about creating something new—and neither do your clients. When they understand how each component benefits their plan and their employees, and that they can take advantage of them, in many cases, at no additional cost, employers will more fully appreciate the value you offer as their retirement plan advisor.

For advisors who want additional support from others who are dedicated to, and qualified in, delivering advice to individuals, LPL Financial will facilitate those interactions. This can be a great resource when you're working with a multi-location employer and would prefer that another qualified advisor handle on-site and one-on-one meetings in other locations.

“At LPL Financial, we have a real opportunity to help people by reaching them through the workplace. We aren't talking about the affluent; they have lots of advisors vying for their business. We want to help everyone else—the rank-and-file Americans whose 401(k) plan balance makes up the majority of their nest egg. They are the folks who haven't been getting the advice they need. That's what we are addressing with Worksite Financial Solutions.”

Worksite Financial Solutions is a beginning-to-end set of tools designed to help these employees meet their financial challenges. It offers something for every stage of financial life, from the first job and initial entry into a plan, through the asset-accumulation phase—and continuing as employees move through career transitions and into retirement.

For decades the retirement plan industry has tried to improve the retirement readiness of the average American, with disappointing results. Worksite Financial Solutions gives you, the plan advisor, the missing piece of the puzzle. Through the program, participants have access to a qualified wealth management advisor to help them answer their important financial questions. You can confidently bring these solutions to your clients, setting your practice apart from industry peers.

Our Commitment: Technology, Support and People

Worksite Financial Solutions consists of five guidance and support modules:

- Employee Engagement Solution
- Employee Transition Solution
- Employee Education Solution
- Plan Termination Support
- Employee Advice Solution

You can work with one or all of them, based on your clients' individual needs and your own goals. Whether you help your clients implement one or all five of the components, Worksite Financial Solutions gives you the opportunity to solidify relationships, gain new business and offer much-needed support.

LPL Financial's commitment to the program is evident in the substantial investment of both staff and resources that were required to bring it to fruition. Technology is, of course, an essential component of the program, and we are bringing you cutting-edge systems to ensure smooth delivery of these services. But it's our people who make the program work. From the highest levels of the organization, LPL Financial is committed to the program and the benefits it can deliver.

The LPL Financial Retirement Results Team is staffed with experienced professionals who act as your back office—answering calls and delivering services related to all aspects of the program. With these resources in place, you can be confident about presenting Worksite Financial Solutions to your clients, knowing that you will have the support you need to make it succeed.

Employee Engagement Solution

Changing jobs can be one of the most stressful times in our lives. Employees sometimes need help enrolling in a new employer's retirement plan, but may not find that help because the HR department has many competing priorities. A significant number of people who change jobs leave their 401(k) account balances behind, very often losing track of them. When that occurs, the participant may miss out on potential growth based on the money they have already worked hard to save.

The Employee Engagement Solution gives employees access to a registered LPL Financial wealth management advisor who will provide in-person or online enrollment help. The program can be customized to your clients' organization and employees, adding value to their overall benefits program.

By bringing the Employee Engagement Solution to your clients, you benefit the plan sponsor, too. Plan enrollment may increase, along with average deferral rates and a corresponding increase in plan assets. All of these tools may help to improve retirement readiness for the group as a whole, without adding cost to the plan.

Employee Education Solution

Employees who wonder how they're going to pay their bills each month are distracted. Many have not had access to financial education, and so have never learned the basics of debt, budgeting and saving. A qualified wealth management advisor can help, but some people are intimidated by the thought of contacting one on their own. They may fear they don't have enough money to interest an advisor, or they may be embarrassed by their lack of information on the topic of finances.

The Employee Education Solution makes it easy for you to bring employees the customized education they need. The program is delivered in four steps, including:

1. **Financial Wellness Assessment.** Employees are surveyed about their specific needs, allowing the financial advisor to understand the areas where they need help.
2. **Education Modules.** Using both online and group employee meetings, you can address the areas identified in Step 1. The program includes modules that speak to employees at different ages and stages of life, from Kids and Cash to The Retirement Zone.
3. **Marketing Support.** Through the program, you deliver materials that the plan sponsor can use to encourage employees to participate in the educational modules. The marketing materials in the program are turnkey, and include everything the employer needs to create an effective marketing campaign.
4. **Results Tracking Reports.** These let you and the employer know about the effectiveness of the program. The reports measure employee progress toward their financial goals, including retirement readiness.

The Employee Education Solution was developed in partnership with Financial Finesse,* one of the foremost providers of financial education to *Fortune* 1000 firms. With their Financial Wellness Assessment and Online Learning center, coupled with LPL-created seminar content, this solution provides a way for even small companies to access the same quality information that has, until now, been available only within that elite group.

Studies have shown that when employee financial wellness is part of an overall benefits package, employees may be more productive, have fewer absences and may even suffer fewer health issues. The Employee Education Solution offers a holistic approach to help employees deal with their financial concerns as part of their overall wellness.

* LPL Financial and Financial Finesse are not affiliated entities.

Employee Advice Solution

Employees want and need the help of an investment professional, especially as they decide how to invest their 401(k) account. The Employee Advice Solution gives them access to personalized advice, helping them answer important questions, such as:

- How much should I save?
- How can I invest my assets wisely?
- How can I get out of debt?
- When can I retire?

Employees can access advice online, by phone or in person. The advice is unbiased, and provided by experienced professionals. Each participant in the Employee Advice Solution receives retirement progress reports, showing them how they're doing on the path toward retirement readiness. The progress reports include comparisons between their current status and where they were before, and estimates future income potential based on today's numbers.

The Employee Advice Solution provides the high-touch service that employees really want. Employees may enroll in the service at their own discretion and cost, so no further expense is added to the plan. Employers will appreciate receiving an annual report that shows the progress that employees are making in the plan, with the assurance that they are managing their fiduciary risk associated with providing employee advice.

Employee Transition Solution

When employees are terminated, they face a variety of stresses, personal and financial. Often, terminated employees cash out their retirement accounts—in fact, about 40% of the time, according to AON Hewitt's 2011 report, *Leakage of Participants' DC Assets: How Loans, Withdrawals and Cashouts Are Eroding Retirement Income*.

With the Employee Transition Solution, you can help *them*, as well as your plan-sponsor clients. Employees get the help they need to make good decisions about their existing retirement balances. With assistance from a registered financial advisor, they learn about options for their existing plan balances and how to maintain their investment strategy to keep them heading in the right direction. They are assisted in transferring their funds into a new employer plan or to an IRA, as appropriate. And they learn about the potential consequences of cashing out their plan accounts, along with the pros and cons of each distribution.

The employer may experience a reduction in the paperwork and recordkeeping necessary to track terminated employees, thus reducing their administrative fees. The solution also allows them to manage their fiduciary responsibilities in connection with “lost” participants by helping them move to other plans when appropriate.

Plan Termination Support

The termination of a qualified retirement plan can be extremely time-consuming, distracting business owners and HR personnel from other pressing matters. Paying out account balances, documenting processes and maintaining contact with participants can be complicated.

The Worksite Financial Solutions Plan Termination Support tool facilitates some of the responsibilities associated with a plan termination. The outreach and notification process is streamlined, monitored and consistent with the Department of Labor's guidelines. Participants have an opportunity to speak with a registered financial advisor, who can help them decide how to stay on track toward retirement throughout this challenging event. And plan assets are appropriately disbursed from the terminated plan.

Worksite Financial Solutions: Why and How

LPL Financial created Worksite Financial Solutions to provide real help to plan participants—help that until now has often been inaccessible to them due to industry regulations and compliance issues.

- We wanted our advisors to be able to provide in-plan advice without regulatory concerns and the accompanying issues.
- We wanted plan participants to confidently receive guidance about transition options from an experienced, trusted source with whom they already felt confident.
- We realized that the program had to be carefully crafted to enable our advisors to help plan sponsors address fiduciary concerns and compliance issues, as well as provide high-quality services for plan sponsors and participants.

According to highly respected ERISA attorneys, The Wagner Law Group:

“It is important for plan sponsors to realize that their plans may be harboring significant and unnecessary risk from a fiduciary liability perspective if participants do not understand their plan and if their retirement savings are inadequate. By implementing... best practices..., plan sponsors can readily help their participants prepare for retirement and help them stay on track for a financially secure future. If a plan sponsor needs assistance implementing any of these best practices, it should consider engaging a financial advisor or another qualified provider of participant education services.”⁵

One of these “best practices” is providing access to qualified financial advice to individual participants. With Worksite Financial Solutions, you can help ensure that participants have access to the qualified financial advice they need, which will help them work toward retirement readiness. In so doing, you help plan sponsors manage fiduciary concerns over failing to help participants accumulate sufficient assets.

For example, the Employee Transition Solution allows employees to be informed about the options available for their plan accounts as they transition to a new employer. Armed with accurate information about their options, employees may be equipped to make better decisions about their retirement balances, potentially avoiding the long-term consequences of an inappropriate decision. At the same time, advisors gain confidence that regulatory issues are properly managed.

⁵ See *A Plan Sponsor’s Fiduciary Calling to Improve the Retirement Readiness of Plan Participants*, a white paper prepared by The Wagner Law Group on behalf of LPL Financial. The Wagner Law Group is not affiliated with LPL Financial.

⁶ See *Legal Guide to Offering Plan Participant Services*, Steve Morrison, Associate Counsel, LPL Financial.

“There are many opportunities for advisors to expand services to participants in a plan sponsor’s retirement program. However, advisors should be aware that several key factors distinguish these services. You should be able to distinguish services at the plan level and services to individual participants, because such services are subject to scrutiny by the Department of Labor and the Securities and Exchange Commission, and are governed by ERISA, which sets the boundaries of permissible fiduciary activity. LPL Financial has developed options to guide you through your responsibilities when you provide services that meet both plan and participant needs.”

– Steve Morrison,
Associate Counsel, LPL Financial⁶

Worksite Financial Solutions is a complete suite of tools that allows employees hands-on access to real solutions at every point in their financial lives. This trusted resource is gaining momentum, by helping employees, and also taking your peers to new heights in their business. Don’t be left behind, and don’t hand over your business to competitors who clearly understand the Worksite Financial Solutions opportunity.

Get in touch with the LPL Financial Retirement Partners Team to learn how you can become a part of this revolution in retirement tools. Take advantage of the expertise available to LPL Financial advisors in order to grow your business with industry leaders. Make this the year you set yourself apart from the crowd by joining LPL Financial—built *for* advisors, *by* advisors.

About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ: LPLA), is the nation's largest independent broker/dealer (based on total revenues, *Financial Planning* magazine, June 1996–2013), a top RIA custodian,* and a leading independent consultant to retirement plans. LPL Financial offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to over 13,500 financial advisors and approximately 700 financial institutions. In addition, LPL Financial supports over 4,400 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms and technology solutions. LPL Financial and its affiliates have approximately 3,000 employees with headquarters in Boston, Charlotte and San Diego.

For more information about LPL Financial, please contact an LPL Financial representative at (888) 250-2420 or www.joinlpl.com.

* Cerulli Associates: RIA Service Agent Survey Q1 2013



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