

Case Study

Successful Expansion in the Retirement Plan Market



The Situation

Today, financial advisory and wealth management firms recognize that they must have a significant presence in the retirement plan market. According to some estimates, over 70% of wealth management assets are earmarked for retirement plans. Yet one of the largest advisory firms lacked a meaningful presence in the retirement plan market, which was holding back asset gathering in the near term and limiting its long-term growth prospects.

The firm knew that it had to expand its presence in the retirement plan market but wanted to make sure that it took the best path forward. As a full-service financial services company with an industry-leading team of financial advisors and wealth managers — backed up by unparalleled research capabilities — it was in the unusual position of starting almost from “square one” when it came to the retirement plan business.

Defining the Strategy

From the start, it was clear that the company would not succeed simply by adopting a “me too” approach similar to firms that were already growing their share of the retirement plan market. And a ramp-up in the firm’s technology platform to accommodate an expanded retirement plan offering would not only be very costly — it wouldn’t play to its strengths.

And what were the strengths that differentiated the company from its financial services competitors? The depth and breadth of its distribution capabilities as well as its world-renowned investment intellectual property.

Our strategy was to find ways to leverage these strengths for maximum business benefit. We analyzed the three basic segments of the retirement plan market — small/micro, middle and mega-sized plans — and determined that although it was important to have a presence in each, the segments that were most accessible were those for small and mid-size retirement plans.

Given the exponential growth occurring in the market for smaller and mid-size retirement plans — and, with thousands of financial advisors with relationships with small and mid-size businesses throughout the US — it was clear that this segment should be the cornerstone of the company’s strategy. Although the strategy also encompassed servicing the highest end of the retirement plan business, it was small and mid-sized plans that held the greatest promise for significant growth.

As the firm moved forward, additional trends developed that had to be reckoned with. First, the role of the entity managing risk in a fiduciary capacity was beginning (and continues) to go “down market.” And, at the same time, there was (and is) an increasing recognition that most small and mid-size plan participants found it challenging to select investments when offered a wide array of choices.

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Our strategy adapted accordingly to delivery fiduciary risk management to small and mid-sized plans by “packaging” the firm’s capabilities in the pension market in ways that managed risk yet still offered some degree of flexibility to plan sponsors in terms of investment selections. In addition, by working with the company’s research area, we developed a proprietary series of glidepath strategies, e.g., target-date-funds that further streamlined investment selections for plan participants.

The Results

By building on one success after another, we enabled the client’s retirement plan assets to grow from \$7 billion to \$95 billion over ten years.

This growth would not have been possible had we not understood the firm’s distribution channel and what these financial advisors needed to cross-sell into the small and mid-size retirement plan market. At the start, only 4500 of the company’s financial advisors wrote at least one plan’s worth of business each year — in ten years, this grew to over 8000 financial advisors, primarily for small and mid-sized plans.

About Princeton Financial Consultants



At Princeton Financial Consultants, we drive transformation for wealth management, banking, and insurance companies. Learn how we can help you by contacting us today at info@princetonfinancialconsultants.com.

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