



# DC Advisor Response to Market Volatility

Survey fielded March 24 through March 28

# Executive Summary

The rapid spread of corona virus has resulted in the U.S. economy coming to a screeching halt. Two feet are firmly on the brake pedal and the emergency brake has also been pulled. While comparisons to the Great Depression and Global Financial Crisis are helpful, every available sign points to this being an unprecedented event: 6.7 million people filing for unemployment in one week (2x the record from the previous week), \$2 trillion in government aid approved, relaxed penalties and taxes for DC withdrawals, and more relief being discussed.

We conducted an online survey of 101 financial advisors who service defined contribution plans. The survey was fielded March 24, 2020 through March 28, 2020.

## **Advisors are concerned, not panicked**

Overall, advisors are moderately concerned about the impact of the crisis on the defined contribution. Three-quarters of advisors responding said they are “slightly” to “moderately” concerned. Decreased 2020 revenue and the potential to lose prospects and new sales are top the list of worries. On average, advisors expect things might be back to normal in 6 months.

About 2/3 of advisors say the impact to their practice has been what they expected or better than expected. A variety of client interactions are up; outgoing calls, in-bound calls, general consultation, client investment reviews, and more. In-bound plan sponsor and participant interactions are up ~30%, respectively. To keep interactions going, advisors are looking at webinars, video conferencing, and adding marketing campaign capabilities.

## **Business development unclear**

It remains to be seen how new plan sales will turn out for 2020. Nearly half of advisors report decreases in prospecting, proposal activity, and traditional networking. This does not bode well for sales later in the year. However, about 70% expect search activity to remain the same, with the remaining 30% split on whether it is going to increase or decrease.

## **Plan sponsors moderately concerned**

80%+ of advisors report their plan sponsor clients are slightly to moderately concerned about the impact the crisis will have on their plan. With the CARES Act being passed, revenue and cash flow pressures, there’s a lot for employers to manage. Sponsors are considering increasing education, starting plan reviews, and reducing matching contributions. On the participant side, changes to help participants improve their financial position by adding financial wellness tools, reducing their contributions or accessing their savings are being discussed.

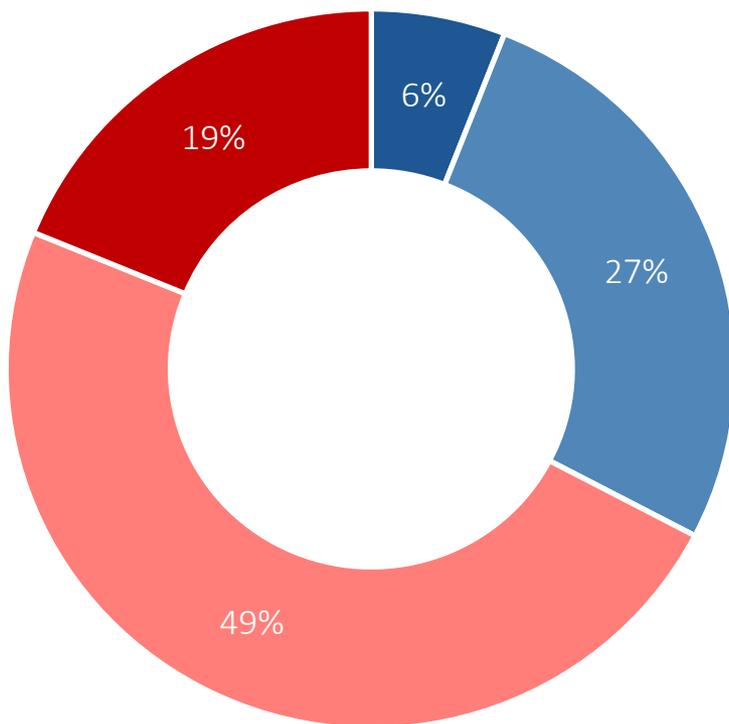
## **Recordkeepers getting a B/B+**

Most advisors are giving recordkeepers a solid B/ B+ in how they have handled advisor inquiries, communication, and the effectiveness of those communications. It appears recordkeepers are meeting expectations, but not distinguishing themselves in any way. There are opportunities for them to be more proactive, improve responsiveness to plan sponsors, and take a look at the communications they are sending to make them more effective.

Advisors are expressing a moderate level of concern related to the crisis, with potential of revenue decreases and lost sales topping the list. Layoffs and meeting payroll currently are not significant concerns at this time

### Overall advisor level of concern

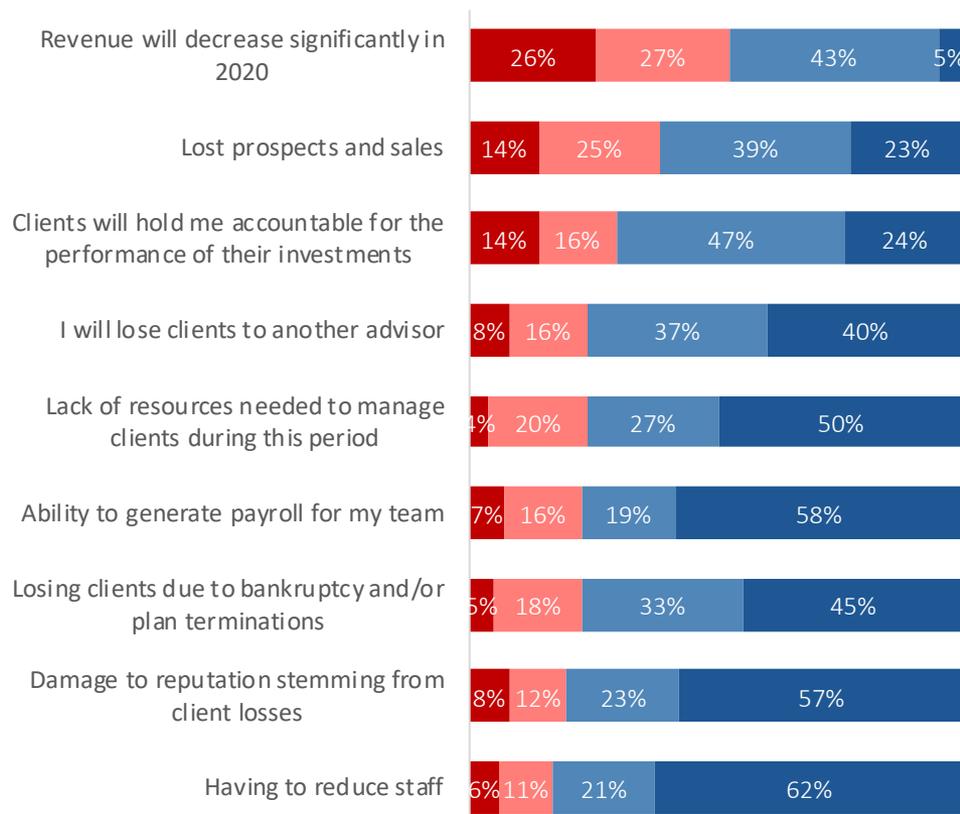
% of advisors



■ Not at all concerned    ■ Slightly concerned  
■ Moderately concerned    ■ Extremely concerned

### Specific advisor concerns

% of advisors

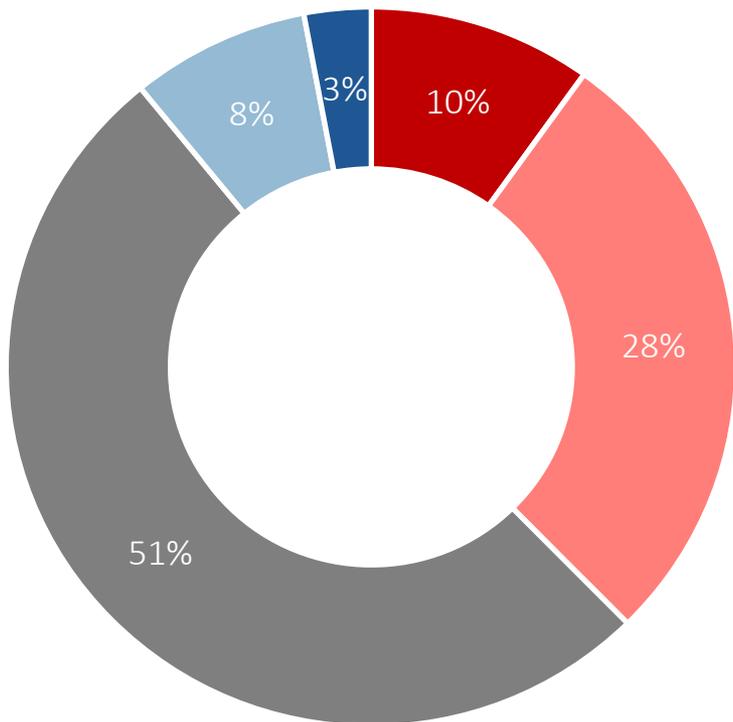


■ Extremely concerned    ■ Moderately concerned  
■ Slightly concerned    ■ Not at all concerned

For 2/3 of advisors, the impact on their practice has been in line with expectations or better. Outgoing communications, in-bound calls, and providing general consultation are up of the great majority. About half report decreases in business development activities

### Impact on practice

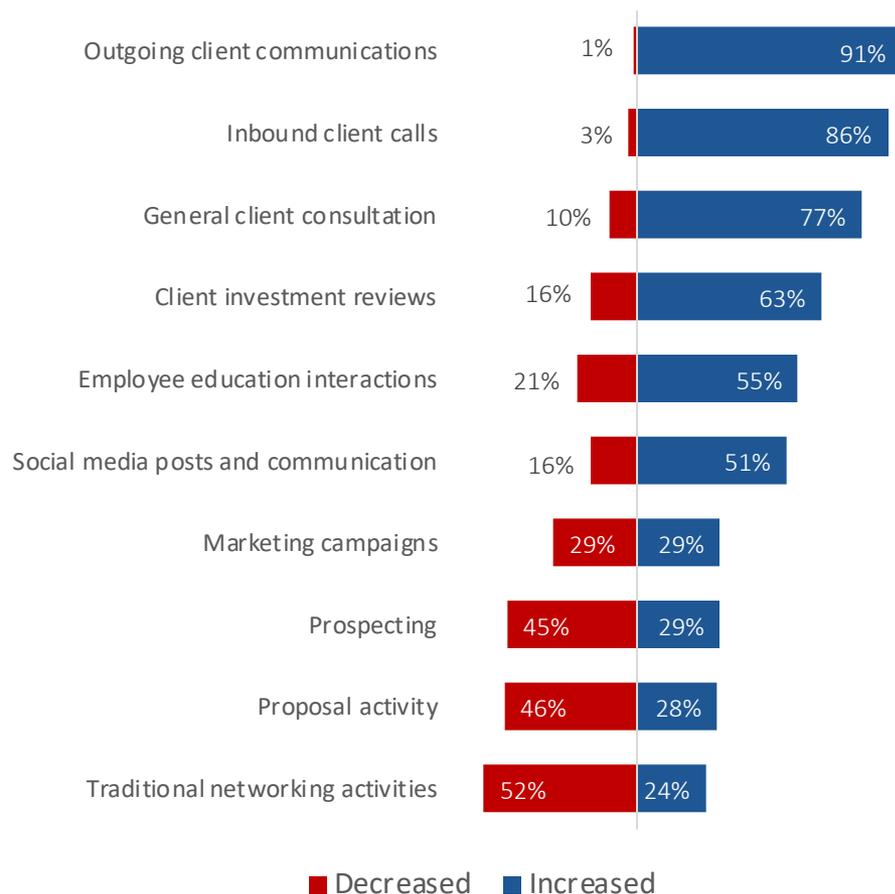
% of advisors



- Much worse than I anticipated
- Worse than I anticipated
- About what I expected
- Better than I expected
- Much better than I expected

### Specific impacts on practice

% of advisors

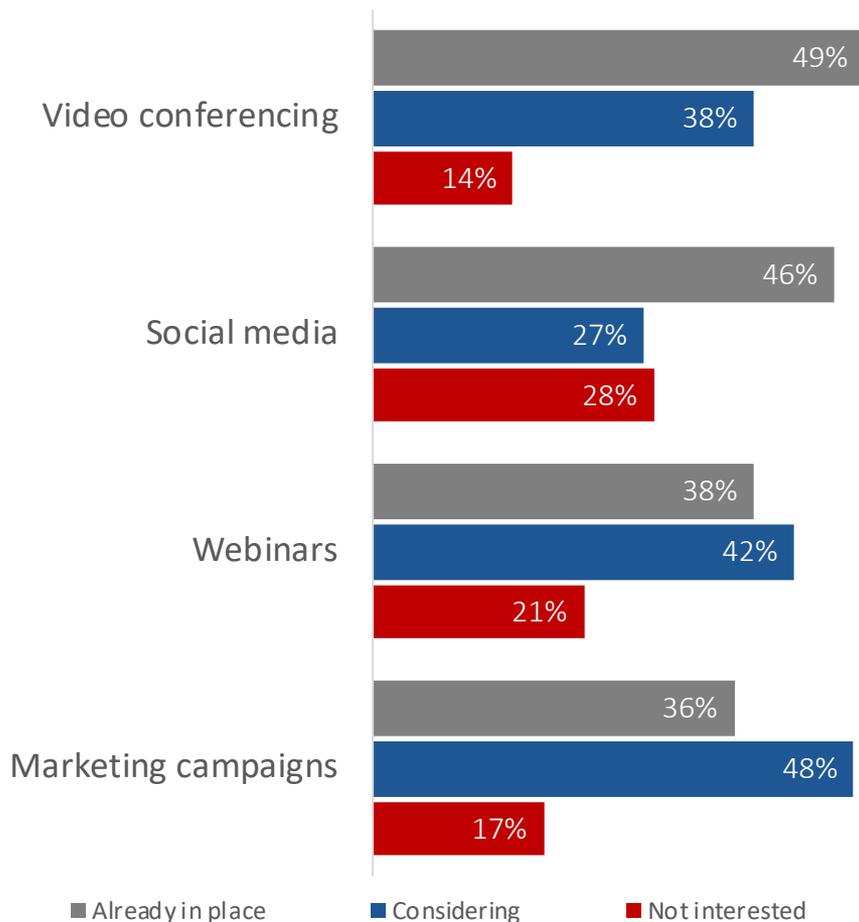


- Decreased
- Increased

In-bound contacts are up an average of 30%. Advisors who do not have mechanisms already in place to cope with physical distancing are considering video conferencing, webinars, and launching marketing campaigns.

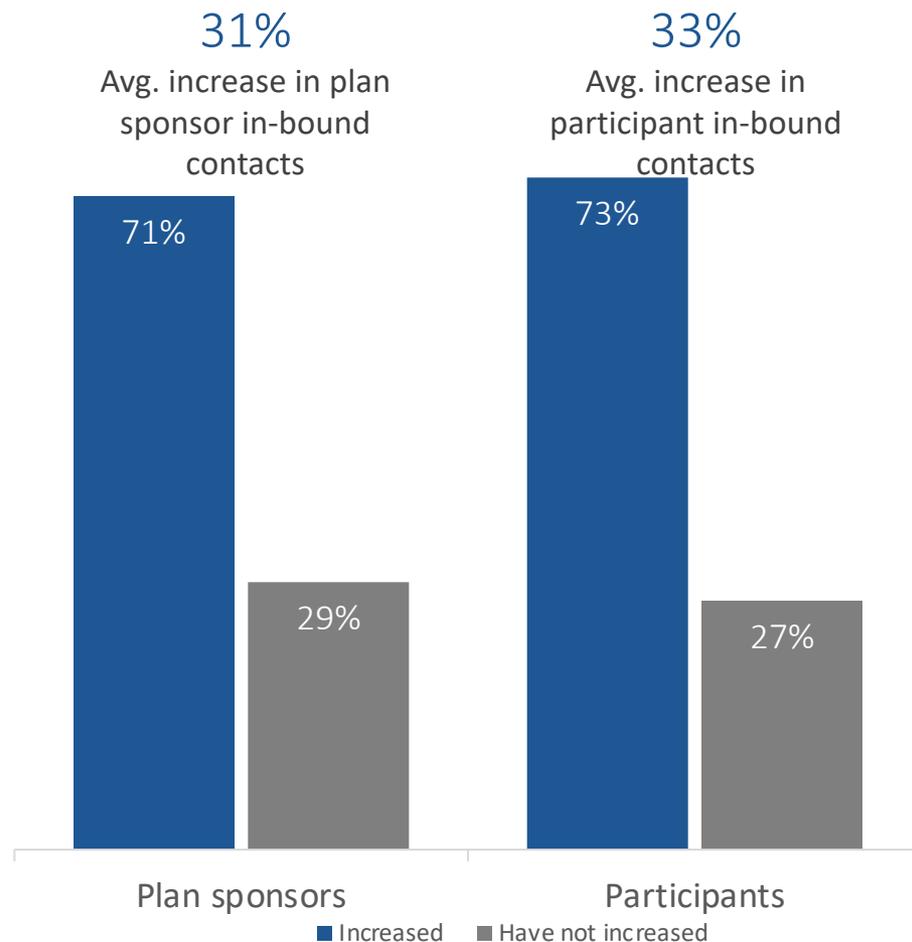
### New activities to maintain contact

% of advisors



### Change in in-bound contacts

% of advisors



What new activities/processes are you considering to maintain client contact?

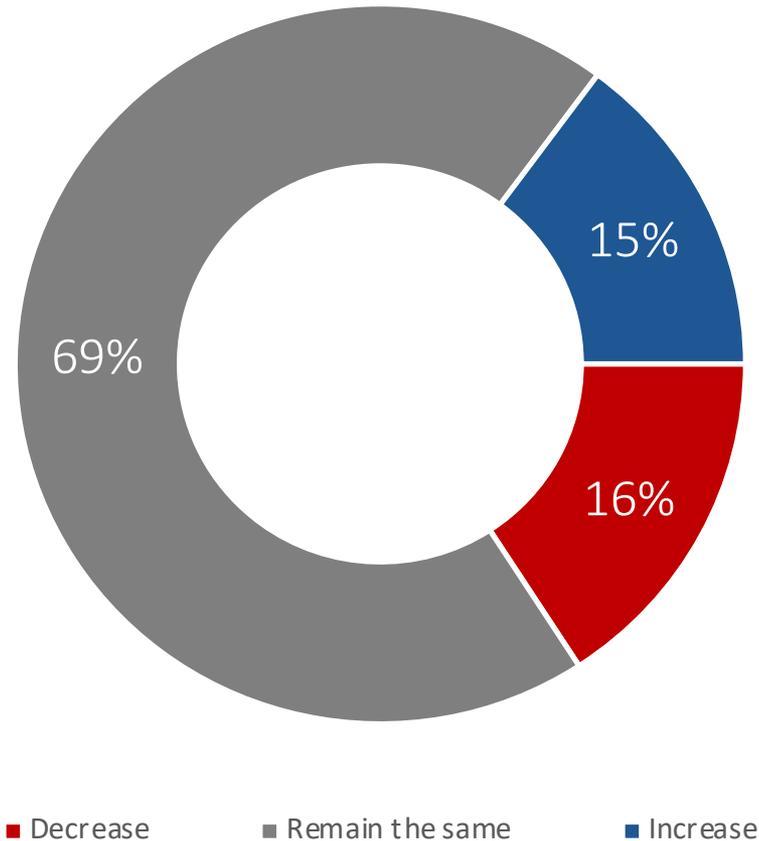
By what percentage have in-bound plan sponsor contacts increased?

By what percentage have in-bound participant contacts increased?

Perhaps surprisingly, nearly 70% of advisors expect sales activity over the next quarter to remain the same. The remaining advisors are split 50/50 on whether activity will increase or decrease.

## Search activity over next 3 months

*% of advisors*



**37%**

Average expected **increase** in search activity

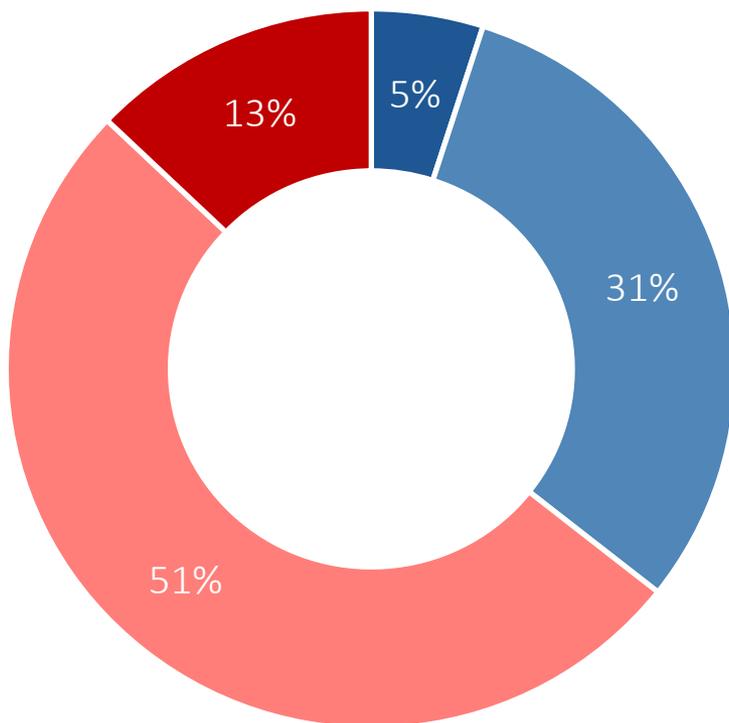
**53%**

Average expected **decrease** in search activity

80%+ of advisors report their plan sponsor clients are slightly to moderately concerned about the impact the crisis will have on their plan. Sponsors are considering increasing education, plan reviews, and making changes to help participants improve cash flow

## Overall plan sponsor client level of concern

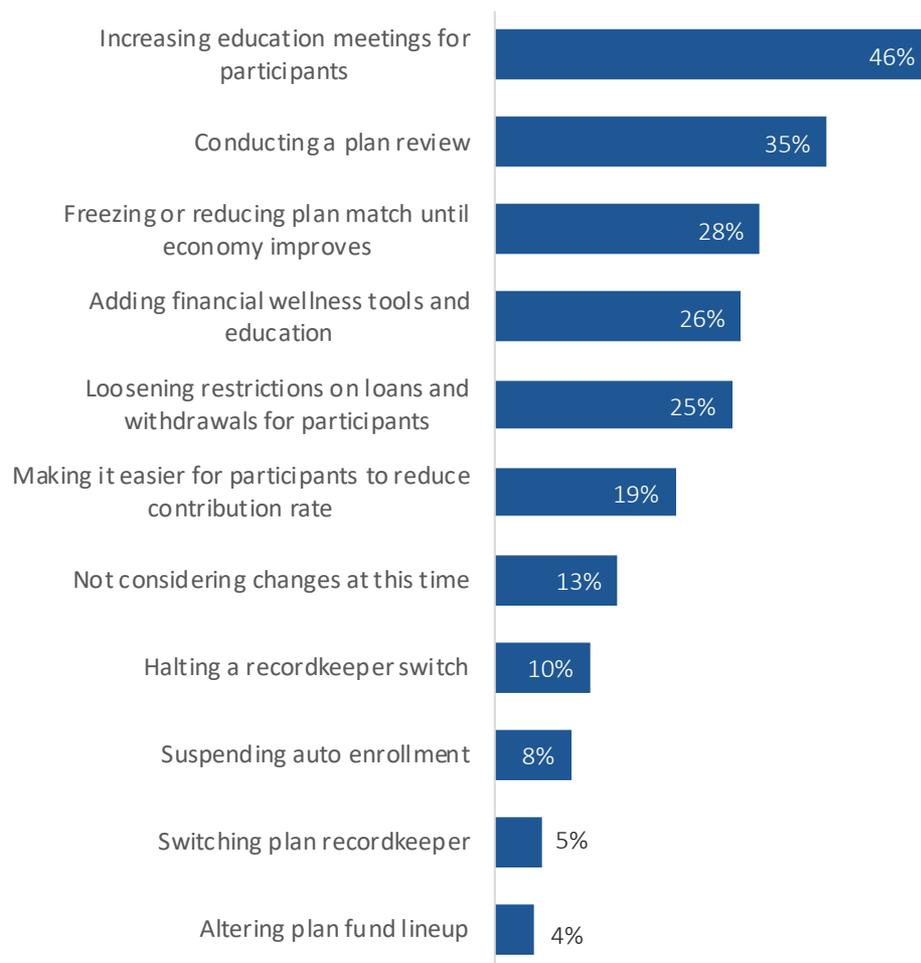
% of advisors



■ Not at all concerned   ■ Slightly concerned  
 ■ Moderately concerned   ■ Extremely concerned

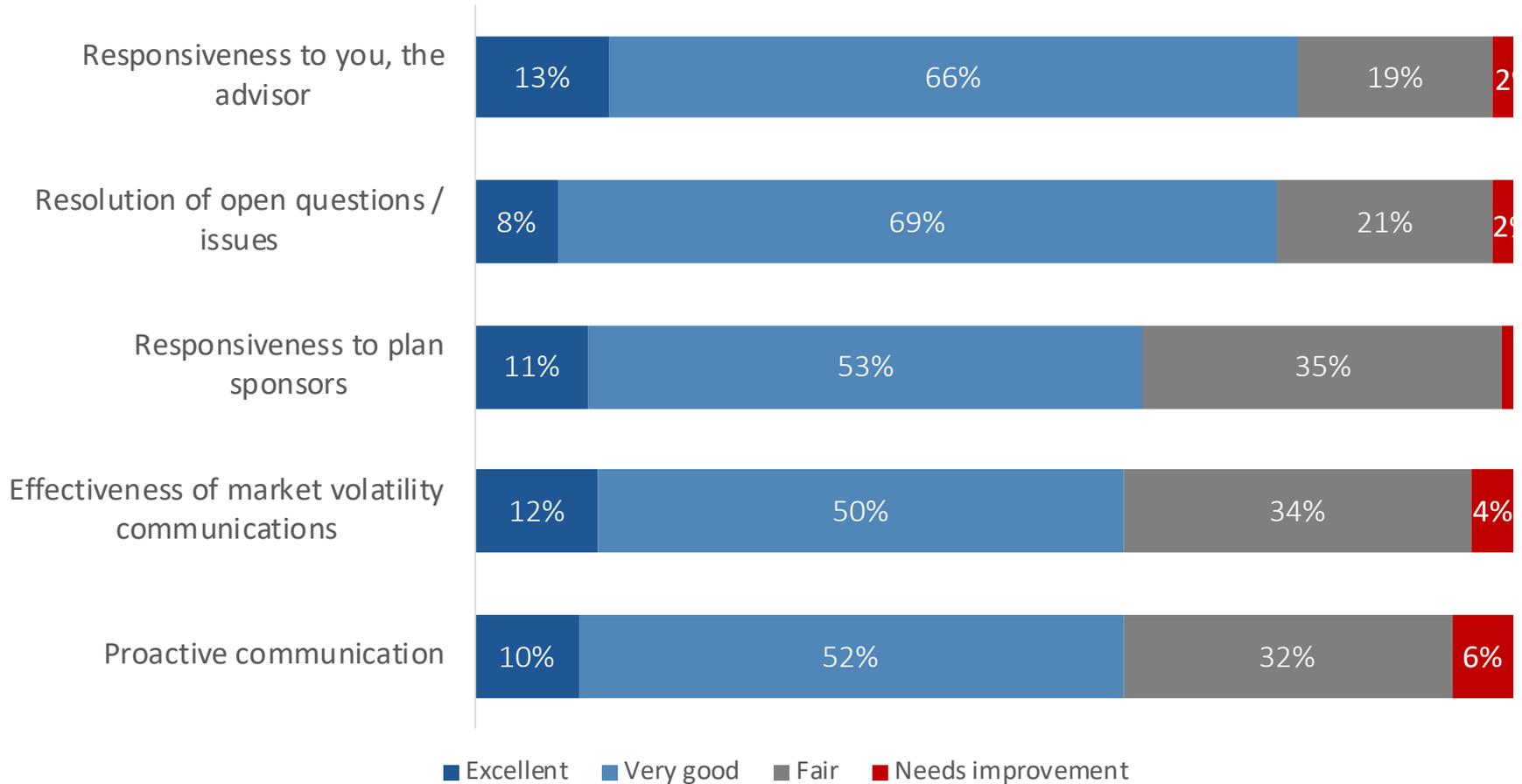
## Actions considered by plan sponsors

% of advisors



# While recordkeepers have done a good job providing support during the crisis, there are opportunities to improve and provide additional support

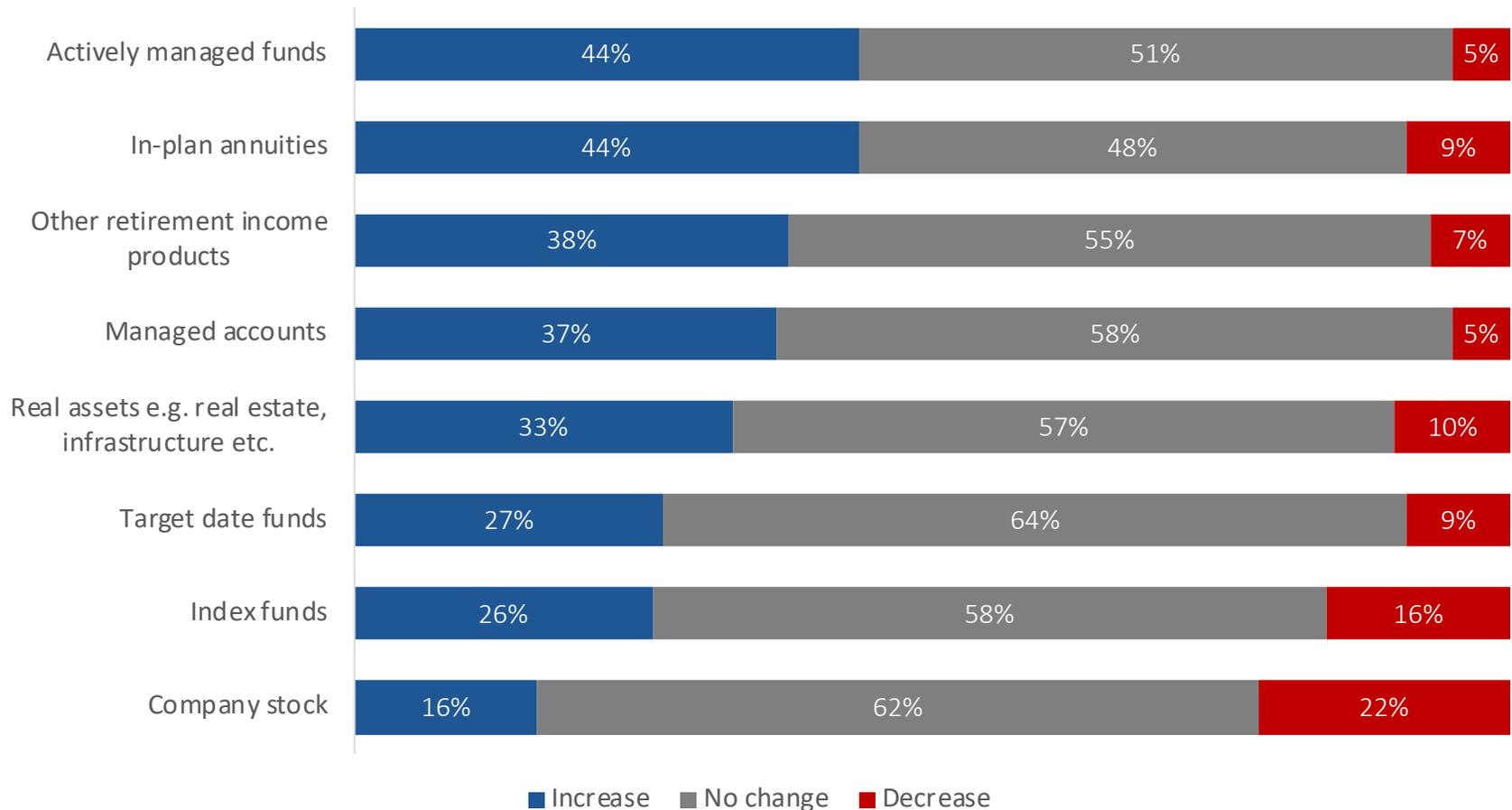
## Rating recordkeeper support *% of advisors*



There is not much consensus around how this will change plan investment lineups. For now, it appears things will largely remain the same.

## Impact on plan investment lineups

*% of advisors*



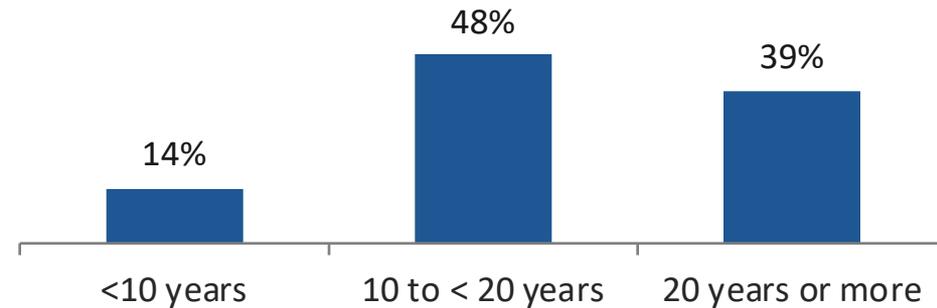
# Methodology and Respondent Profile

## Methodology

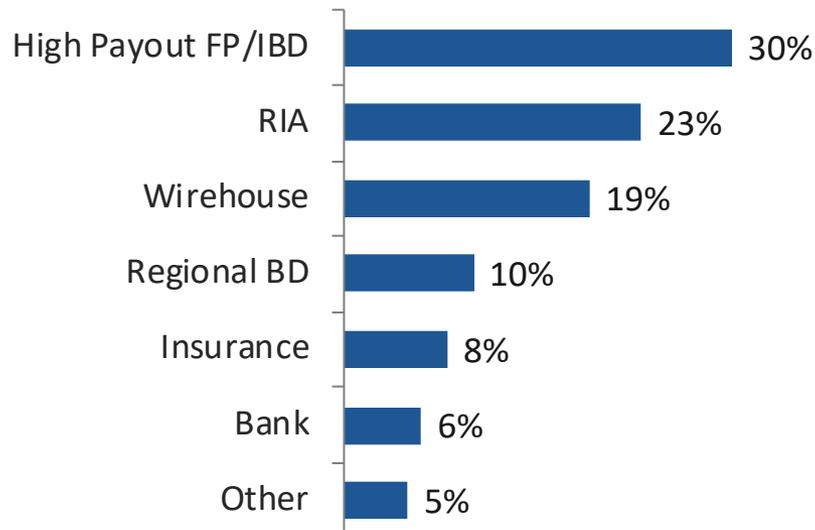
We conducted an online survey of 101 financial advisors who are currently advising defined contribution plans.

The survey was fielded March 24, 2020 through March 28, 2020.

Tenure (Average 17 years)



Channel



Total 401(k) AUM

Average \$129 million, Median \$63 million

