



ALLIANCEBERNSTEIN®

EXECUTION GUIDE

HOW TO GENERATE REFERRALS TO PLAN SPONSORS

There are two important referral sources that advisors who focus on defined contribution (DC) plans can activate through strategic messaging: Financial Advisors (FAs) who do not focus on DC plans and other professionals who work within the advisor's own firm. These professionals can include CPAs, benefit consultants or bankers who work with corporate clients. In this paper, we consider five different types of messages that the DC plan-focused advisor must deliver in order to inspire a referral:

1. The message to a prospective client
2. The message to an FA colleague who does not focus on DC plans
3. The message that the colleague can send to a client
4. The message to another professional
5. The message that the other professional can send to a client

AB ADVISOR INSTITUTESM



Ken Haman
Managing Director



**APPROACH A PLAN SPONSOR WITH
A HIGH-VALUE DELIVERABLE: A FREE
ASSESSMENT CONSULTATION.**

GENERAL GUIDANCE

In the AllianceBernstein Advisor Institute's *Chasing Excellence* program, we provide the DC plan–focused advisor with a Defined Contribution Plan Assessment form that provides a structural engagement for the first contact with a Plan Sponsor. In this paper, we explain how to use the form to reduce the Plan Sponsor's resistance toward conversations with FAs who are seeking to replace the Plan Sponsor's current broker of record. With this approach, rather than seeking a commercial engagement as the first step, the advisor offers the Plan Sponsor a high-value deliverable.

CONVERSATION #1: APPROACHING A PROSPECTIVE CLIENT

Consider using this script when you approach a prospective client:

"In a 2017 AB survey, DC Plan Sponsors across all plan sizes—micro to institutional—were asked, 'What is your plan default?' The results showed that more than 55% of plans were obsolete. In important ways, these results are understandable. Plan Sponsors often wear many hats and don't focus on the developments within the DC industry. Instead, they rely on the plan's Financial Advisor, who in many cases may not specialize in DC plans or may find it difficult to stay current. Our practice is offering a unique opportunity for Plan Sponsors to gain a more accurate and thorough perspective on their current plan design.

"I can provide you with a valuable perspective on your current plan according to our assessment criteria. In 30 minutes I can tell you if your plan is:

- + Obsolete according to commonly recognized DC plan standards
- + Conforming to minimum acceptable standards of plan design
- + Conforming to the current standard of excellence for DC plans

"The assessment takes about 30 minutes, and I will not only provide you with a numerical score on our scale from obsolete to excellent, but I will also provide prescriptive guidance in two areas: those that urgently need to be addressed and those in which your plan could be improved.

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DEFINED CONTRIBUTION PLAN ASSESSMENT

OBSOLETE	MINIMUM ACCEPTABLE STANDARD	STANDARD OF EXCELLENCE
<input type="checkbox"/> No Retirement Advisor	<input type="checkbox"/> Designated plan committee	<input type="checkbox"/> Financial advice on in and out of plan assets
<input type="checkbox"/> Employer-directed	<input type="checkbox"/> Clear definition of who has fiduciary responsibility	<input type="checkbox"/> Regular fiduciary training for Plan Sponsor and advisor
<input type="checkbox"/> No definition/recognition of who has fiduciary responsibility	<input type="checkbox"/> Automatic enrollment into minimum standard ODIA or target-date fund based on expected retirement date	<input type="checkbox"/> Participant education policy statement
<input type="checkbox"/> No plan committee	<input type="checkbox"/> Limited/constraining investment policy statement	<input type="checkbox"/> Education for retiring participants on retirement income
<input type="checkbox"/> No investment policy statement	<input type="checkbox"/> Diverse core investment menu (multiple mutual fund families)	<input type="checkbox"/> Documented prudent process for ODIA selection following the DOL's "tips"
<input type="checkbox"/> No documented process/methodology for investment selection	<input type="checkbox"/> ODIA-compliant and offering risk-based funds as ODIA's	<input type="checkbox"/> Flexible investment policy statement (assumes innovations)
<input type="checkbox"/> Concentrated risk: single mutual fund family/no diversity in core menu	<input type="checkbox"/> Automatic escalation of savings rate	<input type="checkbox"/> Rationalized fund menus (domestic and international exposure)
<input type="checkbox"/> No target-date funds	<input type="checkbox"/> Regular participant meetings for all plan participants with balances	<input type="checkbox"/> Revenue-neutral investments
<input type="checkbox"/> No ODIA-compliant default fund		<input type="checkbox"/> Annual reenrollment sweep
<input type="checkbox"/> Target-date fund of the recordkeeper		
<input type="checkbox"/> Violations		
<input type="checkbox"/> Late-timing deposits		
<input type="checkbox"/> Use of stable value/money market fund as ODIA		
<input type="checkbox"/> Missing participants		

Obsolete Score _____ (number of boxes checked) Boxes checked in this column all score zero Excellence Score _____ (number of boxes checked)

Obsolete | Excellent

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"I have some time on [day] at [time] or on [day] at [time]; which would work better for me to stop by?"

This approach significantly reduces the resistance to meeting with the DC plan–focused advisor, as it reframes the approach from a sales call to a free assessment consultation. The likelihood of a successful first engagement increases dramatically if the FA is referred by either a plan participant or a colleague within the Plan Sponsor's firm.

CONVERSATION #2: APPROACHING A FINANCIAL ADVISOR

Every established FA has clients who are participants in 401(k) plans, and every plan participant has a personal interest in the quality of her plan. Because of this, it should be easy to get the plan participant interested in having the plan reviewed by the DC plan–focused advisor.

The goal of the conversation is for the DC plan–focused advisor to get a colleague to send an email to a Plan Sponsor explaining the availability of the assessment and the importance of having her plan assessed. The email will serve three purposes:

1. Alerting the plan participant that there is a need for an assessment
2. Educating the client on the importance of having the assessment done for the plan
3. Introducing the DC plan–focused advisor as the right consultant for the plan assessment

The idea is for the colleague to hand off the conversation to the DC plan–focused advisor by contacting the client and arranging for an introduction to the Plan Sponsor.

The biggest challenge the DC plan–focused advisor will have is to overcome the other advisor’s resistance to collaborating. In some cases the resistance will be insurmountable, as the advisor will prefer to maintain the belief that he may be able to secure the 401(k) plan in the future. In other cases, the advisor may simply prefer to protect his client relationships from any outside conversations. Both of these issues should be addressed immediately rather than avoided.

In many cases, however, the advisor will be agreeable to the DC plan–focused advisor’s request. It’s helpful for the DC plan–focused advisor to start the conversation with an offer to share the fee and to keep the request very modest (just send an email to your client introducing the concept of the assessment).

Because resistance to collaborating is so widespread in the financial-services industry, the DC plan–focused advisor should prepare to contact at least 20 advisors in order to secure four collaborations.

Because each collaborator is in a position to open the door to 10 or more plan participants, the effort is worth the potential return.

THE SCRIPT

Reach out to the advisor and ask for five minutes to discuss an opportunity. It’s best to deliver the pitch in one sitting face-to-face. Make sure you address both what you want specifically and the benefits that the advisor can expect for making the introduction:

“I want to take five minutes and make you an offer to work together on a project. My team is seeking to build collaborations with a few FAs who are in a position to refer us to 401(k) plan opportunities that they are connected to. We are using a particular approach that requires very little effort on your part; for each plan we successfully engage based on your introductions, we will provide...” (Explain the specific fee-sharing policy. It’s best to provide a concrete example in dollar terms, such as “If we secure a \$XXX plan, you would share in \$XXX every year in return for the introduction you make.”)

“If you are interested, may I tell you what we are asking you to do?” (Wait to confirm interest.)

“Our team’s research this year revealed that more than 55% of 401(k) plans are obsolete in at least one way. A large number of the rest of all plans are only reaching the currently recognized minimum standards of acceptable plan design. This is a huge problem, and our team is looking to partner with a small number of FAs to address it.

“Working with AB, we have developed a plan assessment tool that provides a numerical score on a scale from –16 to +9, from obsolete to achieving the current standard of excellence. The assessment takes about 30 minutes. We do it for free, and the Plan Sponsor receives a written score of his or her plan’s assessment as well as specific recommendations for what needs to be done to improve the plan. In many cases, we have found that the Plan Sponsors who do this assessment ask us to become their new broker of record and to fix their plan design. As I said before, if you were to facilitate a referral, we would share the fees we collect in the following way...” (Provide an example of the fee the FA would receive.)

Criteria for Minimum Acceptable Standards	Criteria for Standard of Excellence
Designated plan committee	Financial advice on in and out of plan assets
Clear definition of who has fiduciary responsibility	Regular fiduciary training for Plan Sponsor and advisor
Automatic enrollment into minimum standard QDIA or target-date fund based on expected retirement date	Participant education policy statement
Limited/constraining investment policy statement	Education for retiring participants on retirement income
Diverse core investment menu (multiple mutual fund families)	Documented prudent process for QDIA selection following the DOL's "tips"
QDIA-compliant and offering risk-based funds as QDIAs	Flexible investment policy statement (assumes innovations)
Automatic escalation of savings rate	Rationalized fund menus (domestic and international exposure)
Regular participant meetings for all plan participants with balances	Revenue-neutral investments
	Annual reenrollment sweep

"What I am asking you to do is actually very simple: we would like you to go through your book of clients and find at least 10 people who are participants in a 401(k) plan. We are not interested in plans below XXX dollars in aggregate. Once you have targeted 10 clients—or more, if you wish—we would like you to simply send one or two email messages to each client per week, explaining the situation with 401(k) plans in general and introducing us and our assessment. At the end of each email, we would like you to recommend to your clients that they speak with us briefly about the problem and introduce us to their Plan Sponsor. We will do the rest.

"Before you answer, let me reassure you that we have no interest in doing anything other than gaining access to your clients' Plan Sponsors and providing this assessment. We will absolutely honor your relationship and will share the fees exactly as we have described. All we need you to do is to send the email to your clients and copy me, introducing us and recommending that we provide this assessment to the Plan Sponsor. We don't need you to call your clients or work out any of the details of a meeting with the Plan Sponsor; just recommend to your clients that we do this for their plan.

"If this is of interest, can we take a few minutes and discuss whom we should reach out to first?"

THE EMAIL MESSAGES

One of the important components in this strategy is to make it easy for the advisor to introduce you. To facilitate this, here is a model email that you can offer to the FA for her to make the introduction:

Dear [name of client]:

I'm writing this email today to share a concern with you and to make an important introduction. I will be as brief as possible, but I do think that this information is significant and in your interests.

A recent study by the research firm AB revealed that more than 55% of 401(k) plans are obsolete in at least one way. A large number of the rest of all plans are only reaching the currently recognized minimum standards of acceptable plan design. My concern is that these statistics apply to plans of all sizes; virtually no 401(k) plan is immune from concern.

In response to this, my colleagues on the [team name] at [firm name] have developed a Defined Contribution Plan Assessment, which provides a score that indicates the status of a 401(k) plan. This assessment shows the status of a plan on a scale from obsolete all the way up to achieving the current standard of excellence in plan design. Because the design of your 401(k) plan is critical to your long-term success in planning for retirement, I'm recommending that you contact your firm's Plan Sponsor and invite him or her to have this assessment completed as soon as possible. This will help your Plan Sponsor understand more about the design quality of your plan and how it might need to be improved. It will also give you greater confidence in the plan you are using to save for retirement.

I've copied [name of DC plan-focused advisor] on this email and have asked [him/her] to reach out to you to find a time to coordinate making an introduction to your firm's Plan Sponsor. [First name] can answer any specific questions you might have

about 401(k) plans in general, this research or how [he/she] does this assessment.

Have a great day. I look forward to the next opportunity we have to catch up!

Sincerely,
[name of FA]

When you receive the email to the plan participant, reach out immediately. Thank the FA for the introduction, explain briefly (again) the concern about 401(k) plans and the assessment you provide free of charge to Plan Sponsors, and then inquire as to a good time for a brief phone call to talk about how to set up a meeting with the Plan Sponsor. There are several ways that meeting could be set up; importantly, the more active the plan participant is in setting up the meeting, the more likely that the Plan Sponsor will agree to meet.

The best way is to call and ask the plan participant to provide the telephone and email contacts of his Plan Sponsor. Once you receive that, send an email to the plan participant and copy the referring advisor. Introduce yourself and your firm, explain the likelihood of a plan being obsolete, and offer the assessment. Ask the plan participant to email the Plan Sponsor with an introduction and your offer to perform the assessment.

You can even draft the email for the plan participant. Here is a model email that you can use (which is similar to the email that you sent to the FA):

Dear [name of Plan Sponsor]:

I'm writing to share a concern with you and to introduce a resource that I hope you will take advantage of. I will be as brief as possible, but I do think that this information is important and in all of our interests here at [firm name].

My Financial Advisor recently told me about a study done by the research firm AB, which revealed that more than 55% of 401(k) plans are obsolete in at least one way. The study also found that a large number of the rest of all plans are only reaching the currently recognized minimum standards of acceptable plan design. My concern is that these statistics apply to plans of all sizes; virtually no 401(k) plan is immune from concern—including ours. The Department of Labor has released new guidelines that many Financial Advisors are not aware of or have not incorporated into their current plan design.

My advisor works for [firm name], and [he/she] tells me that [firm name] has developed a Defined Contribution Plan Assessment, which provides a score that indicates the status of a 401(k) plan. This assessment shows the status of a plan on a scale from obsolete all the way up to achieving the current standard of excellence in plan design.

I am writing to you because you are [firm name]'s Plan Sponsor and asking that you have this assessment done so that we can understand more about the design quality of our plan and how it might need to be improved. My advisor tells me that [name of DC plan—focused advisor's firm] will do this assessment for free and that it is designed to give all of us greater confidence in the plan we are using to save for retirement.

I've copied [name of DC plan—focused advisor] from [firm name] on this email and have asked [him/her] to reach out to you to find a time to meet and to complete the assessment. [First name] can answer any specific questions you might have about the assessment when [he/she] contacts you. Thanks for taking the time to read my email and to consider my recommendation that we have this assessment done on our 401(k) plan.

Sincerely,
[name of plan participant]

CONVERSATION #3: APPROACHING A BANKING COLLEAGUE OR ANOTHER PROFESSIONAL

The approach you would make to a banking colleague or other professional is similar to the messaging required for engaging the FA. If the colleague works within your bank or firm, the resistance to making a referral is usually lower than the resistance from another advisor, because you are not in a competitive relationship with your colleague.

You are, however, in a position to negatively affect his existing client relationships, and this is likely the only significant resistance that you need to overcome. Often, professionals in other disciplines are less sales-oriented than client-facing advisors. As a result, they are highly sensitive to anything that might offend their clients or come across as pushy. As in the previous method, it's important to approach the other professional with a clear message that activates his protective caring toward his clients as well as his own self-interest.

THE SCRIPT

Reach out to the other professional and ask for 10 minutes to discuss an opportunity. It's best to deliver the pitch in one sitting face-to-face. Make sure you address both what you want and the benefits that your colleague can expect for making the introduction:

"I want to take 10 minutes and make you an offer to work together on a project. My team is seeking to build collaborations with our colleagues here who are in a position to refer us to 401(k) plan opportunities that they are connected to. In many cases you are working with a firm that has a 401(k) plan, and although your area of engagement doesn't overlap with that area, you are working with corporate leaders who have good reasons to be concerned about the quality of their firms' 401(k) plans.

"We are using a particular approach that requires very little effort on your part but delivers a great benefit to both your clients and you. The benefit to you is simple: for each plan we successfully

engage based on your introductions, we will provide..." (Explain the specific fee-sharing policy. It's best to provide a concrete example in dollar terms, such as "If we secure a \$XXX plan, you would share in \$XXX every year in return for the introduction you make.") "And as you know, [firm name] is very eager for us to create these kinds of collaborations. I know my career will benefit if I'm seen as collaborating well in this area; I'm guess yours would as well.

"More importantly, this is one of those times when we can do well by doing good. We've seen research that has revealed a significant disruption in the 401(k) industry, and our team has created an elegant way of helping our clients overcome these disruptions. I think we can deliver a real service to your clients' firms—and to your clients themselves—with what we are offering.

"May I take just a few more minutes and tell you what we've discovered and explain what we are asking you to do?"
(Wait to confirm interest.)

"Research has revealed that more than 55% of 401(k) plans are obsolete in at least one way. A large number of the rest of all plans are only reaching the currently recognized minimum standards of acceptable plan design. This is a huge problem, and our team wants to be able to work more closely with various Plan Sponsors to address the problem. This is where you can help.

"Working with AB, we have developed a plan assessment tool that provides a numerical score on a scale from -16 to +9, from obsolete to achieving the current standard of excellence. The assessment takes about 30 minutes. We do it for free, and the Plan

Sponsor receives a written score of his or her plan's assessment as well as specific recommendations for what needs to be done to improve the plan. In many cases, we expect that the Plan Sponsors who do this assessment will ask us to become their new broker of record and to fix their plan design. As I said before, if you were to facilitate a referral, we would share the fees we collect in the following way..." (Provide an example of the fee the FA would receive.)

"What I am asking you to do is actually very simple: I would like you to go through your book of clients and find at least 10 people who are participants in a 401(k) plan. Ideally, it would be best if I could talk to a senior executive at the firm, and I am not interested in plans below XXX dollars in aggregate, as they don't represent much of an opportunity to do business. Once you have targeted 10 clients—or more, if you wish—I would like you to simply send one or two email messages to each client per week, explaining the situation with 401(k) plans in general and introducing me and the assessment. At the end of each email, I would like you to recommend to your clients that they speak with me briefly about the problem and introduce me to their Plan Sponsor. I will do the rest.

"Before you answer, let me reassure you that I have no interest in doing anything that would negatively affect your relationship with your clients. I am simply seeking an introduction to the Plan Sponsors of your clients' firms and a chance to meet and provide this assessment. I will absolutely honor your relationship and will share the fees exactly as I have described. All I need you to do is to send the email to your clients and copy me, introducing me and recommending that I provide this assessment to the Plan Sponsor.

I don't need you to call your clients or work out any of the details of a meeting with the Plan Sponsor; just recommend to your clients that I do this assessment for their plan and suggest that they chat with me briefly on the phone about making the introduction to the Plan Sponsor.

"If this is of interest, can we take a few minutes and discuss whom you are working with that we should reach out to first?"

THE EMAIL MESSAGES

One of the important components in this strategy is to make it easy for your colleague to respond to the offer to make introductions to clients. As in the strategy you use with an advisor, we suggest that you have your colleague send an email to the client and copy you, explaining the situation and making the introduction. Ideally, you will ask your colleague for the name, email and telephone number for each of the clients she is referring so that you can make follow-up phone calls more easily after the email has been sent.

To make this easier, here is a model email that you can offer to your colleague or the other professional for her to make the introduction:

Dear [name of client]:

I'm writing this email today to share a concern with you and to make an important introduction. I think this information is important and in your interests.

A recent study by the research firm AB revealed that more than 55% of 401(k) plans are obsolete in at least one way. A large number of the rest of all plans are only reaching the currently

recognized minimum standards of acceptable plan design. My concern is that these statistics apply to plans of all sizes; virtually no 401(k) plan is immune from concern.

In response to this, my colleague on the [team name] at [firm name] has developed a Defined Contribution Plan Assessment, which provides a score that indicates the status of a 401(k) plan. This assessment shows the status of a plan on a scale from obsolete all the way up to achieving the current standard of excellence in plan design. Because the design of your 401(k) plan is critical to your firm's long-term success in helping employees plan for retirement, I'm recommending that you contact your firm's Plan Sponsor and invite him or her to have this assessment completed as soon as possible. This will help your Plan Sponsor understand more about the design quality of your plan and how it might need to be improved. It will also give you greater confidence in the plan your employees are using to save for retirement.

I've copied [name of DC plan-focused advisor] on this email and have asked [him/her] to reach out to you to find a time to coordinate making an introduction to your firm's Plan Sponsor. [First name] can answer any specific questions you might have about 401(k) plans in general, this research or how [he/she] does this assessment. If you would like me to be part of that conversation, I would be happy to do so. I share [name of DC plan-focused advisor]'s concern about the quality of 401(k) plans today, and I think this assessment is an easy way to learn as much as possible about the quality of the plan you have.

Sincerely,
[Name of bank professional]

When you receive the email, wait a few hours—at most a day—before you call the client. The purpose of that call will be to find out whom the Plan Sponsor is and how the client wants to proceed to make the introduction.

If the client is willing, have him forward you directly to his firm's Plan Sponsor. When you connect with the Plan Sponsor, mention the referring employee and why you are calling. The employee's referral (especially if that person is a leader in the firm) should open the door enough for you to make the pitch to do the assessment for the Plan Sponsor.

Alternatively, if the client is not willing to connect you directly, suggest that she forward the email she got from your colleague to the Plan Sponsor, and offer to follow up later. Either way, it's important to be able to mention the employee who referred you to the Plan Sponsor early in the conversation: Plan Sponsors will be more likely to engage

in the conversation if they know one of the employees has requested that they consider doing the assessment.

CONCLUSION

As we explored in *Chasing Excellence*, the DC industry is going through a period of evolution and disruption, which has resulted in a tremendous opportunity for DC plan-focused advisors to expand their reach to new relationships. One of the most efficient and effective ways to do this is by leveraging referrals from existing relationships to Plan Sponsors who can then be educated about the quality of their current plan. In fact, most DC plan-focused advisors already have a large number of relationships immediately available that can give them access to new Plan Sponsors. By providing a substantial value that represents no risk, incurs no cost, doesn't require the Plan Sponsor to make a change and delivers valuable information, the DC plan-focused advisor can leverage these relationships to start high-quality conversations.

As an advisor, your ultimate goal is to build better outcomes for your clients. At AllianceBernstein, we share your commitment. We've put our research to work for our clients around the world:

- + Exploring the opportunities and risks of the world's capital markets and the innovations that can reshape them
- + Helping investors overcome their emotions and keep their portfolios on track
- + Defining the importance of investment planning and portfolio construction in determining investment success
- + Providing tools to help advisors build deeper relationships that benefit their clients and their practices

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