
A 'Babysitter' for Immature Rollovers

By Kerry Pechter *Thu, Sep 18, 2014*

GuidedChoice, the 401(k) participant advice provider, and InspiraFS, a recordkeeper specializing in IRAs, have joined forces to turn automatic rollovers from a problem into a profit center.

During the “Winning in IRA Rollovers” conference this week at the venerable Harvard Club of Boston, GuidedChoice Inc. and InspiraFS Inc. unveiled a partnership that they say will create a new kind of niche in the coveted \$6.6 trillion rollover IRA space.

GuidedChoice, as you probably know, is the San Diego-based 401(k) advice provider run by Sherrie Grabot and co-founded by Nobelist Harry Markowitz. InspiraFS is a Pittsburgh-based recordkeeper that specializes in all types of IRAs—SEP-IRAs, SIMPLE-IRAs, auto-IRAs and low-balance automatic rollover IRAs.

The two firms were represented in Boston by Pete Littlejohn of InspiraFS (see photo above) and Ashley Avaregan of GuidedChoice. As they described the venture, InspiraFS will aggregate small automatic rollovers from retirement plan providers and GuidedChoice will serve as the RIA and “3(38)” fiduciary to the accounts. When the accounts are larger and presumably more profitable, InspiraFS will return them to the original providers.

“We’ll babysit them for you with GuidedChoice’s help,” Littlejohn said. “When they’re ready, you can take them back.” The service can be branded in the name of the original provider, and the client will have a seamless customer experience, ending with an “upgrade” back to the larger recordkeeper.

“It’s a way for you to say yes to any rollover, regardless of size,” added Littlejohn, meaning that plan providers will no longer have to send small accounts of departing employees on one-way trips to IRA “landfills,” where the money will sit in a money market account, merely satisfying the regulatory requirement that they don’t lose money.

For its part, GuidedChoice will create a managed account for each IRA owner. “Everything is customized,” said Avaregan, an attorney and senior vice president at GuidedChoice. “A managed account allows each client to have a personalized target date fund. Our approach lets an institution take advantage of what’s happening in the culture,” where consumers expect to personalize their mass-produced products.

RIJ will have more to report in the future about this partnership and its significance for the

IRA rollover market.

A robust conference

IRA rollovers are on everyone's mind these days, so the conference, organized by Financial Research Associates LLC, was timely. Although a handful of large retirement plan providers and asset managers—including Vanguard and Fidelity—custody almost half of the \$6.6 trillion in traditional IRAs in the U.S, \$350 to \$400 billion becomes more or less up for grabs every year when job changers roll their "old" 401(k)s into IRAs.

The main hall of the Harvard Club of Boston, where the conference was held, was not packed with attendees. About 70 people reportedly signed up but an informal headcount revealed only about 50. One financial advisor, Robert Klein, founder of the Retirement Income Center website, flew in from the wealthy Orange County community of Newport Beach, Calif.

The presenters and panelists, however, represented highly respected companies in the rollover arena. The rollover market has become advertising-intensive, and two of the biggest IRA advertisers talked about their strategies. Lauren Brouhard, senior vice president of Retirement Solutions at Fidelity, talked about her firm's highly successful "Green Line" campaign. Its theme has evolved from "rebuilding" after the financial crisis to "getting more" in today's more expansive environment. Lena Haas and Diane Young, senior vice president of Retirement and vice president of marketing, respectively, at E*Trade, explained the retirement of the discount broker's spokes-baby and its newer ad campaign aimed at what it calls "Type E" people. Haas and Young were interviewed by Matthew Drinkwater, associate managing director, LIMRA Secure Retirement Institute Research.

Great-West Financial, the Canadian-domiciled, Colorado-based firm that has grown through the acquisition of JP Morgan's retirement business and Putnam Investments into a major player in the U.S. financial services market, was represented by vice president of Retirement Solutions Christopher Silvaggi.

Great-West's approach to rollovers, Silvaggi explained, involves forging partnerships with the plans' financial advisors. More specifically, he said, Great-West leverages its participant data to help advisors identify potential rollover clients. Great-West had made a decision, Silvaggi told *RIJ*, to avoid competition between its Putnam Investments arm and the advisors to Great-West retirement plans.

In other presentations:

- Tom Modestino, director of Retirement Research at Ignites, chaired a panel in which Dale Kalman, vice president, Acquisition Delivery & Specialty Sales at Charles Schwab, Stephen Deschenes, senior vice president, product development, The Capital Group Companies, and James Nichols IV, president of Voya Retirement Solutions, discussed the trends, threats and opportunities of the rollover market for advisory firms, asset managers and recordkeepers, respectively.
- Laura Varas, co-founder of the Hearts & Wallets consulting firm, talked about the needs of Gen-X and Gen-Y investors, and how they differ from the needs and preferences of Baby Boomers.
- Peter Geismar, founder and president of Confident Choice, LLC, discussed the role of behavioral economists in the rollover IRA market.
- Jacqueline Shoback, senior vice president and head of Retail & Consumer Marketing at TIAA-CREF, talked about her firm's approach to attracting and retaining assets, including rollover assets.
- A panel led by J. Lynette DeWitt, research manager at Deloitte Services, Robert Glovsky, vice chair and principal at The Colony Group, Susan Kaplan, president of Kaplan Financial Services, Inc., and Charles S. Bean III, president and director of wealth management at Heritage Financial Services, LLC, discussed their perspectives on client decision-making.
- Rick Nersesian, CEO of Rick Nersesian Consulting, gave advice to financial advisers trying to attract rollover clients.
- Sean Cuniff, research leader, Deloitte Services, recounted his firm's research in the rollover market and described the advice his firm gives to companies seeking to increase their rollover business.