
American Funds, Vanguard popular among DC asset managers

By Editorial Staff Thu, Nov 6, 2014

A new Cogent Report evaluates the competitive positions of 47 leading DC investment managers on a variety of metrics, including identifying those that plan sponsor advisors have recently started or stopped recommending to clients.

Under pressure to reduce plan costs, including internal management fees, retirement plan advisors are bringing more index funds into their defined contribution (DC) plan lineups, according to Retirement Plan Advisor Trends, an annual Cogent Reports study from Market Strategies International.

The report, first conducted in 2011, evaluates the competitive positions of 47 leading DC investment managers on a variety of metrics, including identifying those that plan sponsor advisors have recently started or stopped recommending to clients. For an infographic of the results, see Data Connection on today's [RIJ homepage](#).

Two-thirds (64%) of advisors with at least \$10 million in plan assets now include passive investments on their "recommend" list, up from 54% last year, the study found. DC plan advisors, on average, now use 5.7 investment managers in the plans they service, compared with an average of 3.9 managers last year.

"Open architecture platforms in the DC plan market are facilitating the expansion of investment offerings, enabling advisors to respond to market demands and client requests with more options, especially choices that provide better value for their plan participants," said Linda York, vice president of the syndicated research division at Market Strategies International and lead author of the report, in a release.

"Increasingly, this is resulting in growing use of indexed funds and heightened competition for actively-managed strategies and target date solutions as advisors pursue the best-in-class providers in each category."

American Funds ranked first with 22% of advisors planning to add the firm's funds, but Vanguard (19%) experienced the most significant year over year increase in momentum.

"The surge for Vanguard is a clear result of the increasing prevalence and preference among DC advisors for recommending passive investments within DC plans. At the same time, it's important to note that American Funds has long been recognized as a low-cost active manager, which is helping to insulate the firm from competitors in today's cost-

conscious environment,” York said in a release.

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