
Three 401(k) providers take aim at Vanguard and Fidelity

By Editorial Staff Thu, Aug 3, 2017

American Funds, Empower Retirement and Voya are now joining Fidelity and Vanguard on plan sponsors' short-lists of potential recordkeepers, according to Cogent Reports.

American Funds, Empower Retirement and Voya are trying to take market share away from Fidelity Investments and Vanguard in the 401(k) market, according to *Retirement Planscape*, an annual Cogent Reports study by Market Strategies International.

"While Fidelity and Vanguard have historically dominated the recordkeeping market... the three challenger brands are gaining ground by increasing their consideration potential for new business," a Cogent release said this week.

Only 15% of plan sponsors say they are thinking about a change in providers in the next year. But American Funds, Empower Retirement and Voya are now joining Fidelity and Vanguard on plan sponsors' short-lists of potential recordkeepers.

Voya and American Funds are gaining ground in the micro-plan market (under \$5 million in assets), while Empower Retirement—under former Fidelity COO Robert Reynolds and other former high-ranking Fidelity managers—is trying to take business from Fidelity and Vanguard in mid-sized (\$20 million to \$100 million) and large plans (\$100 million to \$500 million).

Fidelity and Vanguard both have internal sales teams and can tailor their sales and service methods to each segment. Voya has an internal institutional sales team but also sells plans through advisors. [Voya, Empower and American Funds] "have successfully leveraged their advisor networks to reach smaller plans, while empower has made significant investments in technology infrastructure to appeal to the larger end of the market," said Linda York, senior vice president at Market Strategies and coauthor of the report.

The needs of plan sponsors often vary according to the size of the plan, York said. Micro plan sponsors look for value and trustworthiness while small to medium plans seek greater choice and flexibility with investment options. Large and mega plans hone in on best-in-class participant service and support.

Cogent Reports conducted an online survey of a representative cross section of 1,422 401(k) plan sponsors from March 22 to April 17, 2017. Plan sponsor survey participants were required to have shared or sole responsibility for plan design, administration or selection and evaluation of plan providers or for evaluating and/or selecting investment managers/investment options for 401(k) plans.