

## Using a Plan Provider or Financial Education Firm for Retirement Preparedness Programs

### **Q: When should we use a plan provider vs. a financial education firm for retirement preparedness programs?**

**A:** The general best practice is to use an independent financial education firm (using plan funds if your team has concerns about adding to the HR budget) for two key reasons:

1. An independent financial education firm generates all its revenue from the sale of financial education programs to corporations, not the sale of financial services, securities, or investments. As a result, there is no conflict of interest in the information delivered, nor any hidden agenda that compromises the best interest of the employee. For this reason, financial education programs actually reduce your legal liability by helping you better comply with ERISA 404(c) and better meet your responsibilities as a fiduciary of the plan.
2. An independent firm that derives all its revenue from financial education programs will have expertise around designing, developing and delivering an effective retirement preparedness program that plan providers simply don't have because education is not their core business.

That said, there are a couple of instances where it may make sense to use your plan provider.

- The first is if education is simply not needed. If all or the vast majority of your employees are on track for retirement, and have the discipline and motivation to stick to an appropriate saving and investing plan, then you are better off doing the minimum amount of education needed to fulfill your 404(c) legal obligations, but not anything beyond that.
- The second is if your provider really does have the financial education expertise necessary to deliver a program that gets great results, and is facilitated in an independent, unbiased manner. This is more likely to occur if the provider partners with an independent education firm to deliver its education, or if the provider has a separate financial education division and is sending educators from that division rather than investment representatives.

To find out if your provider is equipped to deliver an effective, conflict free retirement preparedness program, you can do some preliminary due diligence by addressing the following questions:

- How much of a commitment has the provider made to financial education?
- Does your provider have a financial education firm it works with to deliver the education or its own financial education division that is exclusively dedicated to education?
- How does it ensure that the financial education is entirely separate from the sale of financial products and services so that the individuals delivering the education are not allowed to sell services or steer employees into specific investment options?
- What does the provider do to enforce this rule?
- Are their presenters CFP professionals with experience in education and strong public speaking and facilitation skills?
- Do you think your employees will perceive that the provider has a potential conflict of interest that could undermine their credibility?

You should be comfortable with the provider's answers to all of the above questions in order to move forward with the plan provider's retirement preparedness program. The legal risks and costs of failure are simply too high to cut corners in this area.

*The Ask Financial Finesse Q&A service is designed to provide general information on trends and developments in workplace financial education programs and participant education strategies. Due to the complex nature of financial benefits and/or workplace financial issues, the information contained in this document is not to be construed as advice. Originally published on [Employersweb.com](http://Employersweb.com) on September 17, 2010.*