PROVIDER SPOTLIGHT

PETE KIRTLAND, **CEO**, oversees the growth and strategic direction of Aspire, a nationally recognized leader in the retirement plan industry. He has led Aspire to represent the new age of retirement planning, operating in the best interests of clients through transparency and a fixed-fee cost structure to promote advocacy for participants and flexibility with investment choices. Kirtland has spent over 28 years in the industry, serving in several senior roles of large global professional services companies and entrepreneurial positions leading to startup success.

We talked with Kirtland to get his insights on advisors operating in the small-plan market.

Uncovering Opportunity in the Small-Plan Market

Aspire explains how advisors can thrive by offering scalable solutions

By **Brian W. Dannemann**, Regional Director
Dimensional Fund Advisors

Many advisors have avoided the small-plan market, stating it's too hard to make money. What has changed?

PETE KIRTLAND: First and foremost, the competition is fierce up market, where it's often a race to the bottom on fees. The fee compression has been amazing. I had one advisor tell me he won a $50 million plan but had to come down to 9 basis points (bps)[1] in fees to win it. Comparatively speaking, it's not uncommon to see advisors charging 50–100 bps in the small-plan market. In addition, the business can be much easier to win. You can have an initial meeting with a business owner who could become a client that afternoon. And these clients can be clients for life. Contrast that to completing a request for proposal (RFP), finals presentations, and approvals by large committees.

Also, advancements in the industry now allow you to use low-cost, institutional share class investments in the smallest of plans, even SIMPLE IRAs. In addition, you may not have to worry about the plan going out to an RFP process every three years.

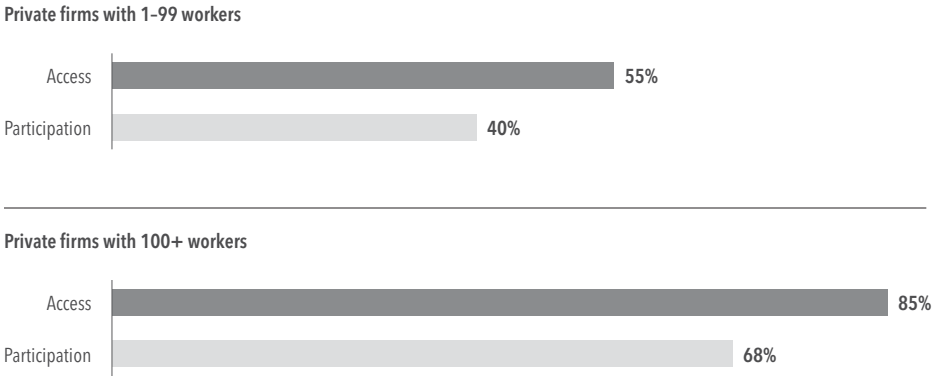
What is the key to an advisor making a small-market solution successful and profitable?

KIRTLAND: First, cost of acquisition needs to be low. We have seen great success when advisory firms get connected to centers of influence, such as CPA firms, chambers of commerce, or other associations. Second, the solution needs to be scalable. This means you have a consistent, repeatable process. We are seeing a lot of different iterations of plan aggregation solutions. These solutions are similar to a multiple employer plan (MEP) in that each plan effectively has the same provisions, same fund lineup, etc. And, if you use models, they should be managed at a global level. To the extent possible, you may want to avoid "uniqueness" between plans that use your model, as this may challenge scalability down the road. Third, the plan onboarding needs to be a somewhat automated process, even leveraging online capabilities, if available, to speed up the process.

Do you consider this trend to be lasting, and if so, why?

KIRTLAND: We suspect this trend will likely last for some time. Small employers are the backbone of the American economy. In fact, 140,000 net new small businesses (less than 100 employees) were started between 2012 and 2014.[2] *[See **Exhibit 1** for data on retirement plan usage by small businesses.]* Additionally, workforce demographics are shifting considerably. More and more workers are becoming independent contractors, also known as gig workers, which will affect how they are able to save for retirement. We are beginning to see the use of Payroll Deduction IRA programs becoming much more prevalent.

Exhibit 1 Access and Participation in Retirement Plans
As of March 2017



Source: Bureau of Labor Statistics, National Compensation Survey: ***bls.gov/news.release/pdf/ebs2.pdf.***

Are you seeing the emergence of any new or different solutions to support this market space?

KIRTLAND: One interesting concept to emerge is what we refer to as the Retirement Savings Continuum. This simply suggests starting a small employer with a Payroll Deduction IRA or SIMPLE IRA and, as the company grows, putting in a 401(k) using the same investment lineup and same recordkeeping platform. Simultaneously, we establish an omnibus IRA with the same investment lineup and recordkeeping platform, allowing you to move employees who have separated from service into this IRA solution. This approach allows the advisor to forge a lifetime relationship with each employee.

How do you see this concept benefitting the participant?

KIRTLAND: Inertia tends to be one of the biggest obstacles when trying to get employees to save for retirement. The Retirement Savings Continuum concept creates a paradigm in which the participant experiences continuity in the act of saving, just in different plan constructs, avoiding the resistance created by learning new technology and new investments. Let's face it: Most people resist change of any kind. And to be able to use low-cost, institutional share class funds with plans of this size makes this solution even more compelling. We have already seen positive effects using this approach and are optimistic about the impact it can have in helping to achieve optimal retirement outcomes while helping advisors grow their practice. ◀

Advisors who want to learn more about small-market opportunities can visit retirementsavingscontinuum.com.

> "To the extent possible, we believe you should avoid 'uniqueness' between plans, as this will challenge scalability down the road."
>
> Pete Kirtland

1. A basis point is equal to 0.01%.
2. US Small Business Administration, Office of Advocacy, from data provided by the US Census Bureau, Business Dynamics Statistics.