October 9 401(k) Real Talk

Greetings & a warm welcome to this week's edition of 401k Real Talk. This is Fred Barstein contributing editor at WealthManagement.com's RPA omnichannel and CEO at TRAU, TPSU & 401kTV - I review all of the past week's stories and select the most important and interesting ones providing open honest and candid discussion you will not get anyway else. So let's get real!

The unstoppable US job market beat all expectations in September adding 254,000 jobs which is a 6 month high while unemployment dropped a tick to 4.1%. There were 95,000 fewer job losers or those that have been laid off.

Experts are mixed about how this report could affect interest rates but many think that the strong job growth will result in ¼ point reductions

So while the war for talent has cooled, the focus on recruiting and retention remains high with retirement plans a cheap and efficient way for employers to distinguish themselves.

TPG emerged the winner as PE firms lined up to provide funding to Creative Planning with $375bn under management at a reported $16 bn valuation which would be 23x Ebitda. That compares to Fisher's recent $12.75bn valuation with $275bn AUM at 20-21xEbidta and Captrust last year at $3.7 bn which recently hit $1 trillion but most with institutions like DC plans where revenue is much lower.

Like Fisher and Captrust, Creative Planning retains a majority interest – CEO Peter Mallouk owned 75% in 2021 subsequently giving employees 10%.

Though one of the largest RIAs, Mallouk noted, "We are very small" comparing his company to the big banks and brokerage firms.

Creative is expected to use the additional capital to continue to fund 3 initiatives

Creating a consumer brand through marketing & advertising

Leveraging the convergence of wealth, retirement & benefits and

Growing through acquisitions

None of their competitors have all 3 as Fisher has spun off its 401k advisory division led by Nathan Fisher and does not normally acquire, and Captrust does not have a consumer brand nor are they leveraging benefits making Creative a formidable force in the wealth, retirement and benefits markets through their strategic relationship with Lockton.

After being hit with lawsuits, a whistle blower filing, and fines by regulators, personal data of almost 9,000 TIAA's retail clients have been compromised through Infosys McCamish, a 3rd party vendor. Data from other record keepers using Infosys were comprised last year.

Which highlights issues that record keepers face – hackers are more likely to go after their vendors, or their vendor's vendors like Moveit, whose security may not be as strong. Which makes the Fidelity recent announcement to ban credential sharing firms like FutureCapital and Pontera that much more understandable.

Walgreens with a reported 240,000 employees will be offering student loan debt repayment joining Abbott Labs, Verizon and Chipolte. Though SECURE 2.0 officially allows plans to offer this option, adoption is slow as many are still concerned about complexities even with self reporting, and smaller plans are just starting to become aware of the option.

Some are questioning whether it's fair to provide a benefit to one segment of the workforce asking what about those struggling to pay their mortgage, for example.

Regardless, these programs make too much sense and have become a valuable engagement tool and are expected to grow but perhaps not as fast expected as adoption of new services in DC plans moves slowly slow.

The defined contribution industry continues to focus on products and services that it thinks plan sponsors and participants should want based on logic and traditional market research. Yet the greatest breakthroughs have come through understanding how people behavior and then apply solutions that can address that behavior.

Read my most recent WealthManagement.com column about how AI could dramatically improve DC plans just as befi has done and continues to do.

And last but not least my previous poll asked: Which of these 4 teams is most likely to win the 2024 MLB World

Series? Respondents were very wise as the Baltimore Orioles were ranked last not even making it out of the Wild Card Series. The Dodgers were the highest at 33% followed by the Phillies at 31% and my Yankees at 19%. I only have 4 choices so others like the Guardians, Royals, Mets and Padres could not be included though they got some write in votes.

So those were the most important stories from the past week. I listed a few others I thought were worth reading covering:

- LPL fires CEO Dan Arnold
- Schwab CEO Walt Bettinger turns over the reins
- Why student loan adoption is slow
- In-depth analysis of how to vet provider cybersecurity measures
- Why plan sponsors should hire qualified co-fiduciaries

Please let me know if I missed anything or if you would like to comment. Otherwise I look forward to speaking to you next week on 401k Real Talk.