

The Avantax logo is positioned in the upper left corner of the slide. It features the word "Avantax" in a white, sans-serif font, followed by a registered trademark symbol (®). The background of the slide is a dark blue grid of diamond shapes, with several of these shapes containing colorful chevron-like patterns in shades of blue, orange, green, and red.

Avantax[®]

Business Retirement Plans: Market & Approach

Quincy Garcia, CPFA

Agenda

Tap Into a Big Market



Plan Sponsor Attitudes



Trends & Legislative Initiatives



Unique Market Position



Case Study



How to Engage





Tap Into a Big Market

How many 401(k) plans today?

600,000

How many employers could offer a 401k?

6M

Market penetration?

10%

How many do not have access?

65M Employees

What is the potential opportunity?

\$8.5T

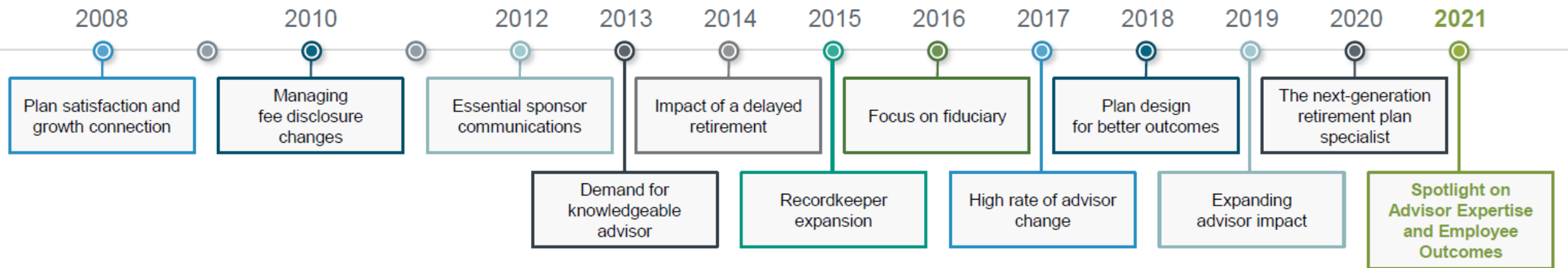


Makeup of the Employer Market

< than 100 employees 98%

< than 20 employees 90%

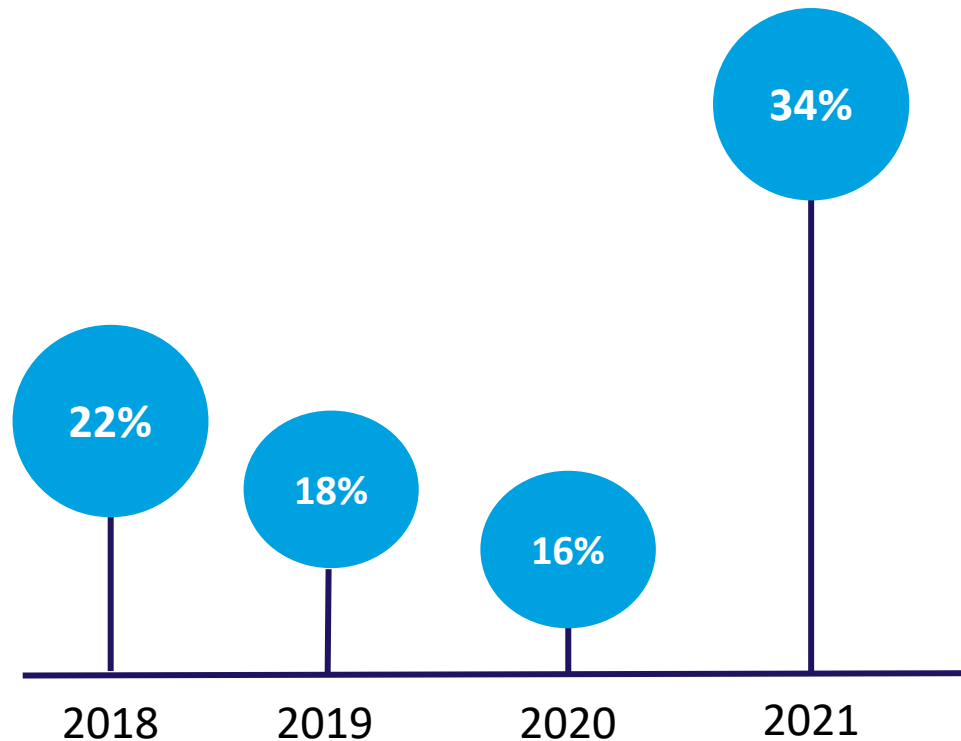
Fidelity's Plan Sponsor Attitudes Survey has Tracked the Evolution of Our Industry



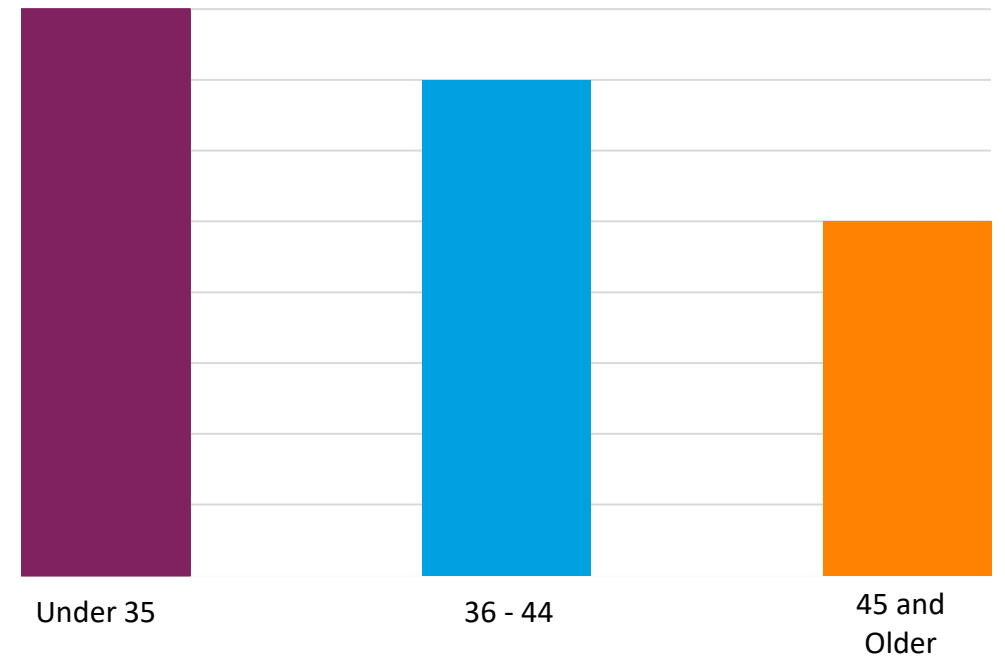
2021 Plan Sponsor Attitudes Survey; https://institutional.fidelity.com/app/item/RD_13569_26306/plan-sponsor-attitudes.html

% of Plan Sponsors Looking to Change Advisors Doubled Over the Past Year

ACTIVELY LOOKING FOR A NEW ADVISOR



YOUNGER PLAN SPONSORS APPEAR MORE LIKELY TO MAKE A CHANGE



2021 Plan Sponsor Attitudes Survey; https://institutional.fidelity.com/app/item/RD_13569_26306/plan-sponsor-attitudes.html

Plan Sponsor Attitudes Survey: Impact of a Pandemic Year

% OF PLAN SPONSORS:

Who were very satisfied with their advisor

2020

2021

70%

73%

Actively looking to change advisors

16%

34%

Satisfied with their recordkeeper

72%

73%

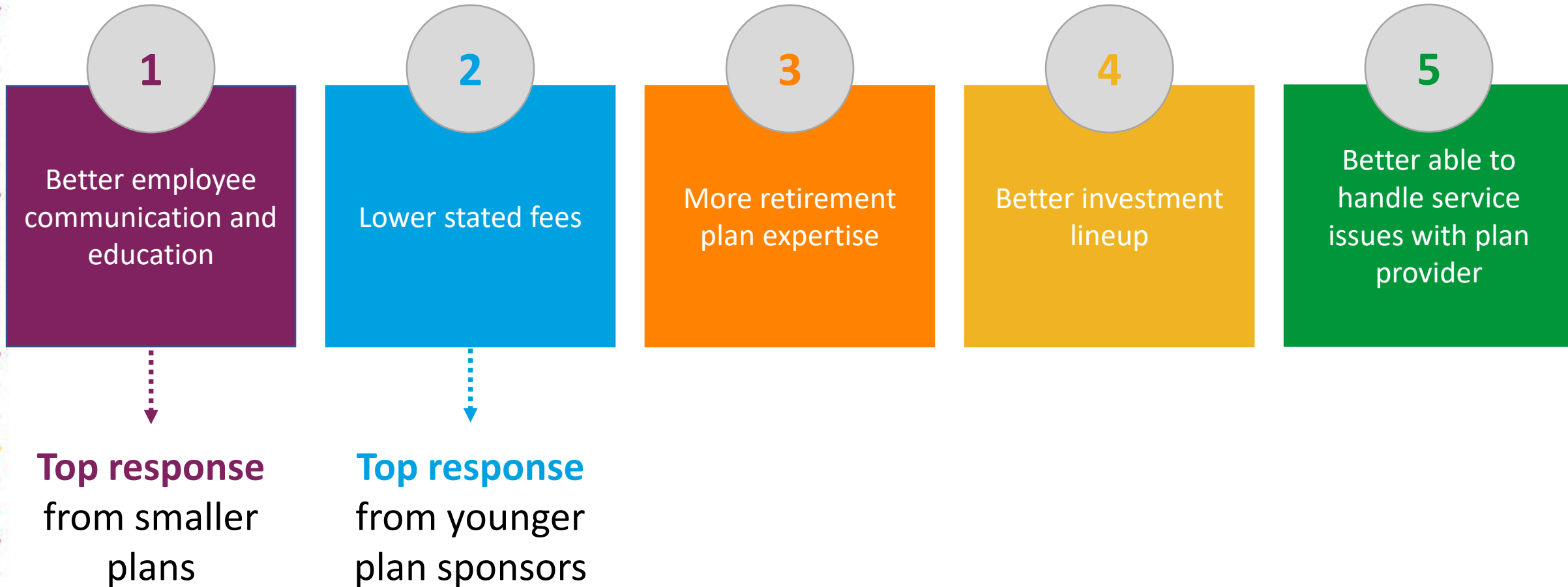
Actively looking to switch recordkeepers

24%

29%

2021 Plan Sponsor Attitudes Survey; https://institutional.fidelity.com/app/item/RD_13569_26306/plan-sponsor-attitudes.html

34% of Plan Sponsors are Actively Looking to Switch Advisors; Here's Why



Better Employee Communication and Education Was the #1 Reason Sponsors Are Looking to Change Advisors

“It was difficult for our participants to get the individualized help they needed due to the pandemic.”

“Was not available for our employees in 2020 due to the pandemic.”

“They offered a lot of contact with employees during virus ups and downs.”

2/3

of plan sponsors feel comfortable with plan advisors working with employees outside the plan

43%

Reported that their advisors solicit planning business from employees

Nearly 1/3 of Plan Sponsors Are Looking to Change Recordkeepers, the Most in 4 Years



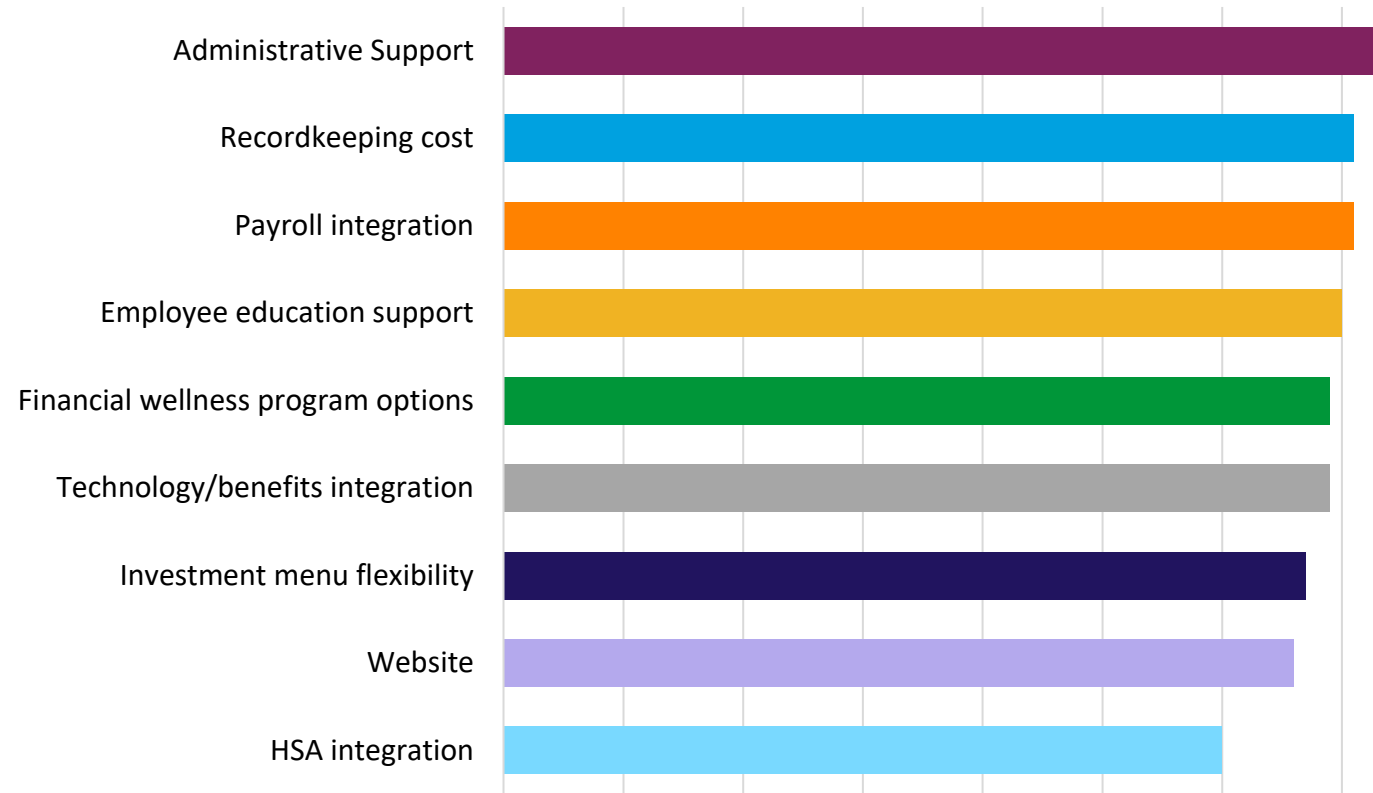
29% of sponsors are actively looking to change their recordkeeper



Plan sponsors looking to change recordkeepers **2X more likely** to say their recordkeeping fees had increased over the past 2 years



82% of sponsors state their advisor reviewed multiple RK proposals to help select a best fit provider



Trends & Legislative Changes

Savings Crisis



Legislative & Regulatory Changes



Competitive Job Markets



Industry Consolidation





Retirement Savings Crisis in America

75%

Of Americans worry that they will not have enough money to get through their retirements.

45%

Of Americans have not saved a cent toward retirement.

87%

Of retirees say they don't know enough about managing investments to make their savings last.

52%

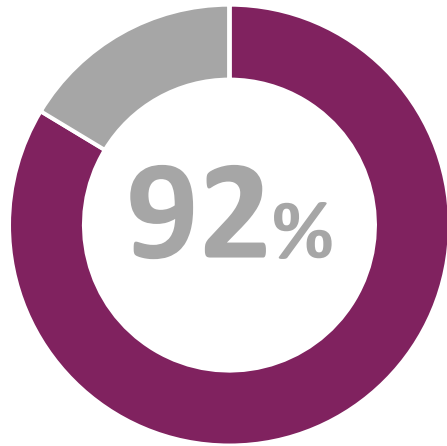
Of households are "at risk" of not having enough to maintain their living standards in retirement.

50%

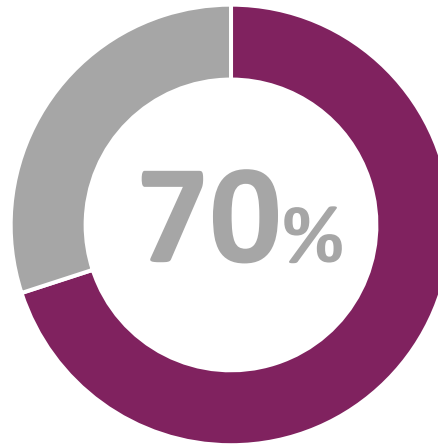
Of private sector workers have access to an employer-sponsored retirement plan.

<https://oneshotfinance.com/bloom-review/>

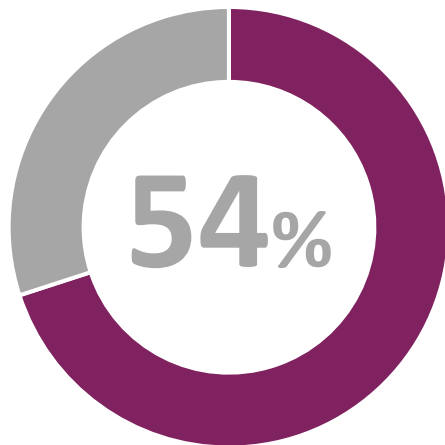
Spending Patterns by the Numbers



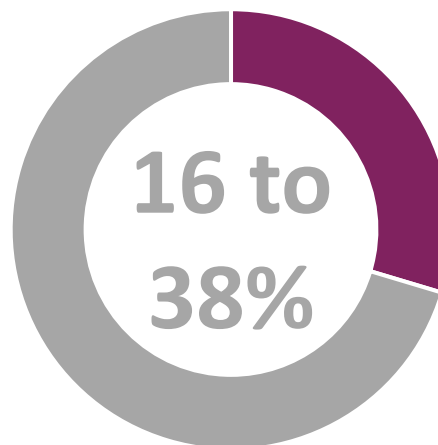
Average replacement income needed **AT THE POINT OF RETIREMENT**



Average replacement income **NEEDED 20 YEARS LATER AT AGE 85**



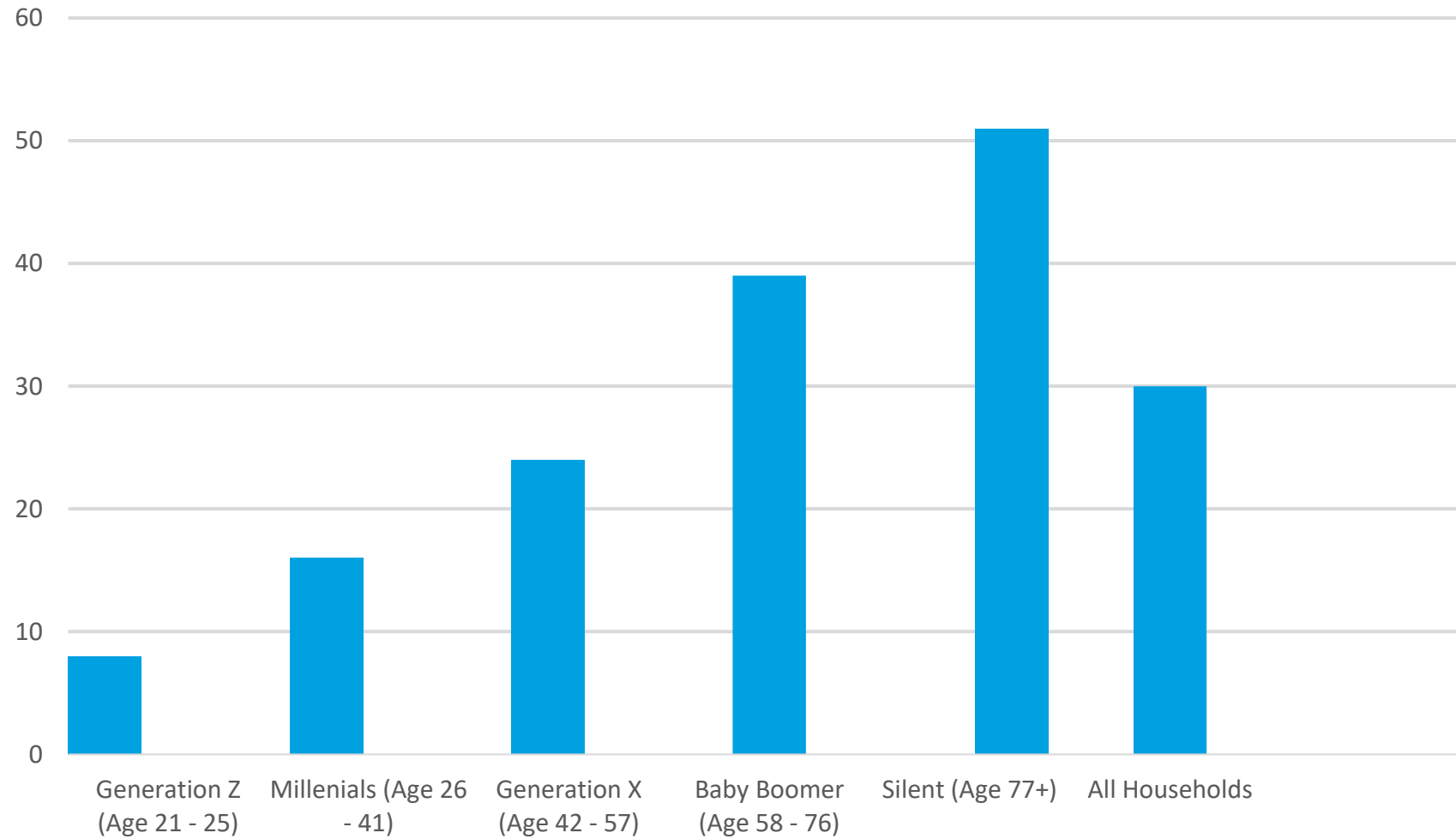
Average replaced **BY SOCIAL SECURITY**



Average amount **NEEDING TO BE REPLACED BY PERSONAL SAVINGS AND EMPLOYER SOURCES, depending on age**

Source: J.P. Morgan retirement research, 2018-2019. For illustrative purposes only.

Percentage of Households with a Pension



Source: J.P. Morgan Asset Management Analysis, 2021

Legislative Changes



SECURE ACT 1.0 & 2.0



STATE MANDATED
RETIREMENT PROGRAMS

Changing Workforce Trends & Expectations

In the age of the Great Resignation, **Employee Benefits** are more important than ever.



87%

Of participants would think twice about taking a job if the company did not offer a retirement plan.¹



80% of Employers

Believe that employee financial wellness helps to deliver more loyal, satisfied, and engaged employees with greater productivity.²



2nd Most Important Benefit

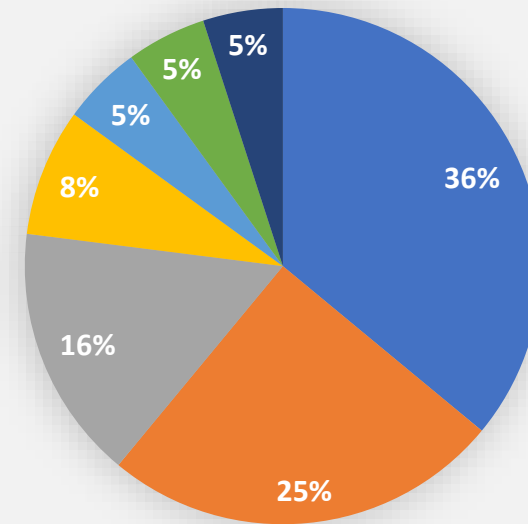
An employer can provide following healthcare is retirement benefits.³

1 – 401(k) Participant Study: 2019, Charles Schwab

2 – 2020 Workplace Benefits Report, Bank of America Merrill Lynch, 2020

3 – MetLife Employee Benefit Study, MetLife, 2017

Why Employees are Considering Changing Jobs



■ Better compensation

■ Better work/life balance

■ Lack of recognition

■ Find better corporate culture

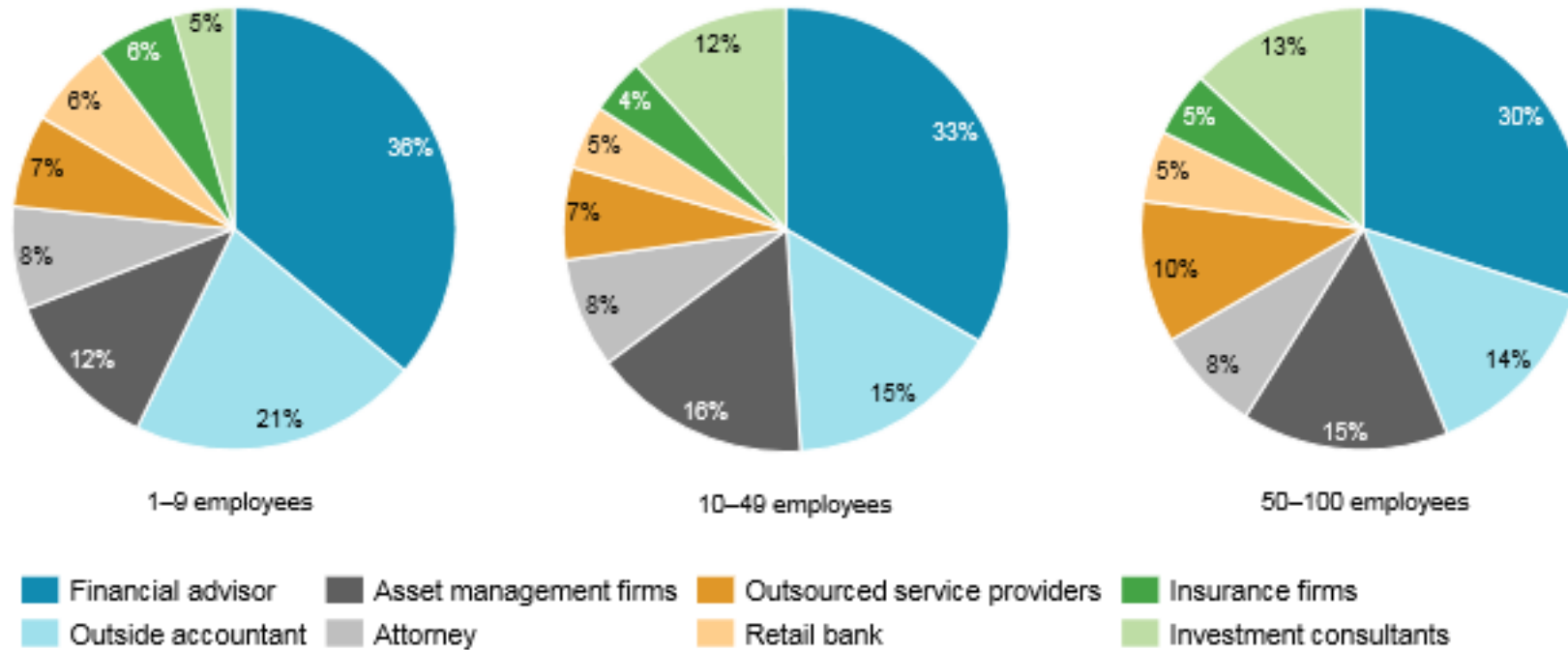
■ Lack of company values

■ Lack of strong relationships with peers

■ Don't know

Unique Market Position

Figure 6: Value of advice attributed to advisors in choosing to set up a retirement plan²⁰



²⁰ Oliver Wyman Small Business Retirement Survey 2014, Respondents were asked to allocate 100 points across all their advisors in terms of their contribution to the business setting up a workplace retirement plan; presented values are calculated as the average score per advisor type.

Reasons Financial Professionals Build a Retirement Plan Offering

Stronger Client Relationships

Another line of business to connect with your business owner clients

87%

Received referrals from existing clients or centers of influence¹

Wealth Management Leads

Easy introduction to potential clients

4.95

Average number of wealth management opportunities from retirement plans¹

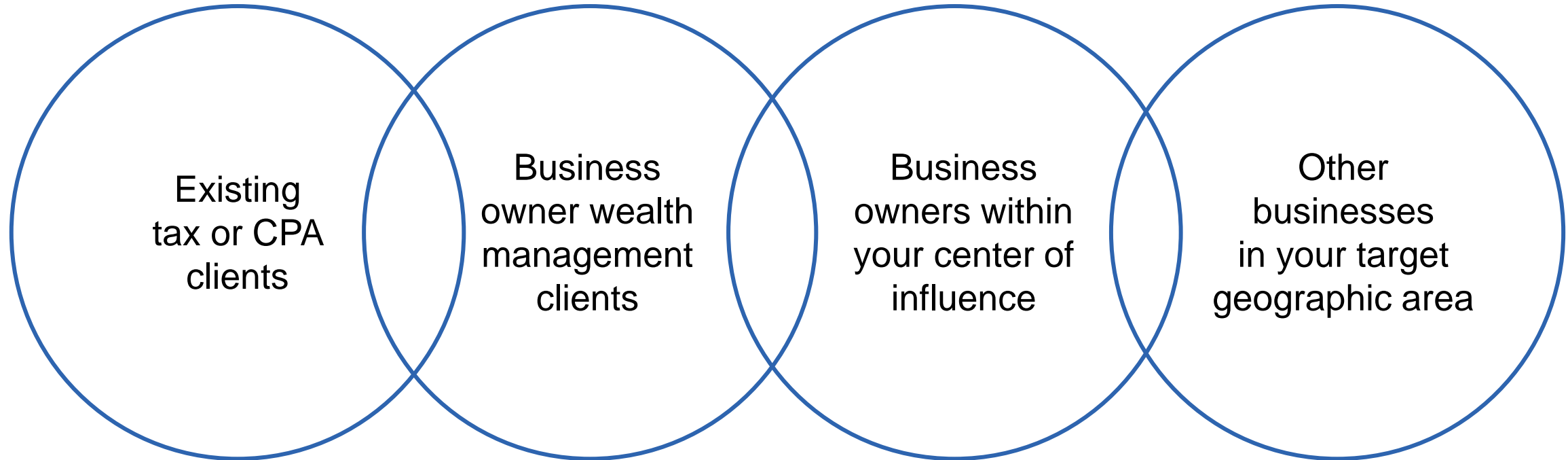
Diversified Revenue Source

DC plans have net positive cash flows

\$74bn

Contributions to DC plans with fewer than 100 participants²

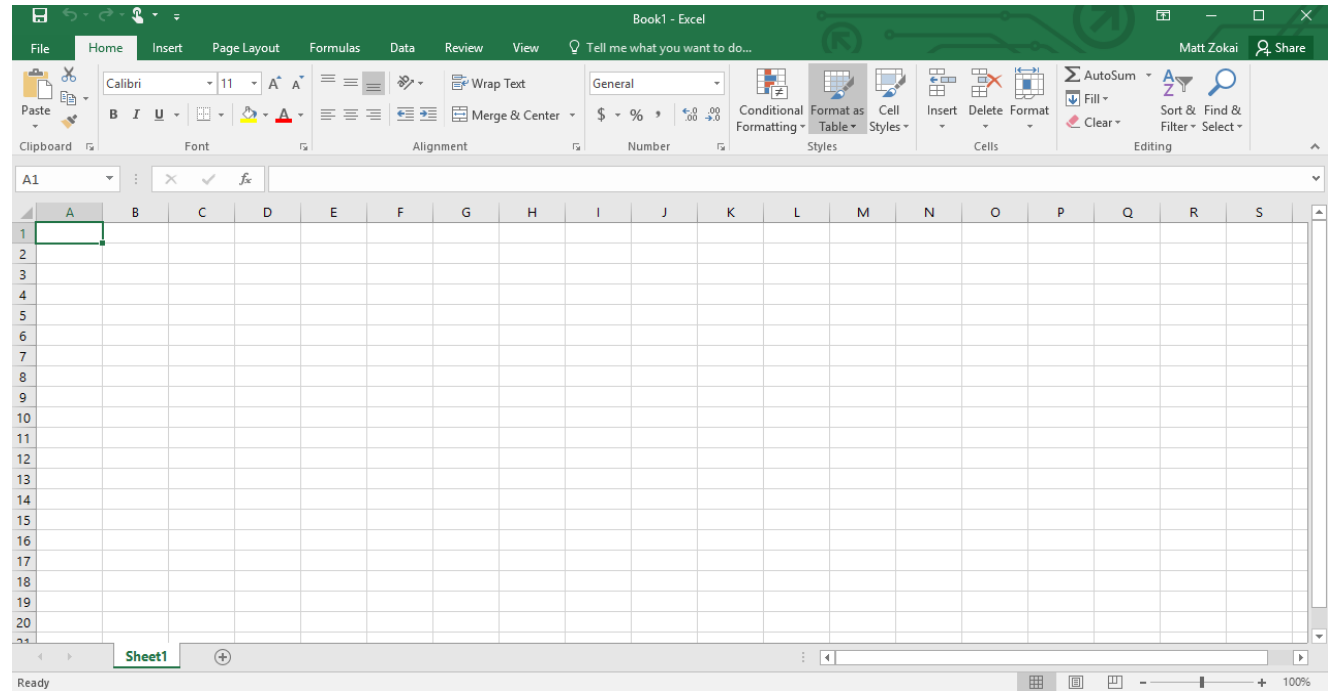
Sources of Prospecting



Three Step Approach

Step 1 – Identify Universe of Prospects

- Provide export from CRM of Business Tax Clients
- Segment clients into two categories



Three Step Approach

Step 2 – Discovery Meeting

- Judy Diamond Plan Prospector Report
- 5 Point Plan Review



Three Step Approach

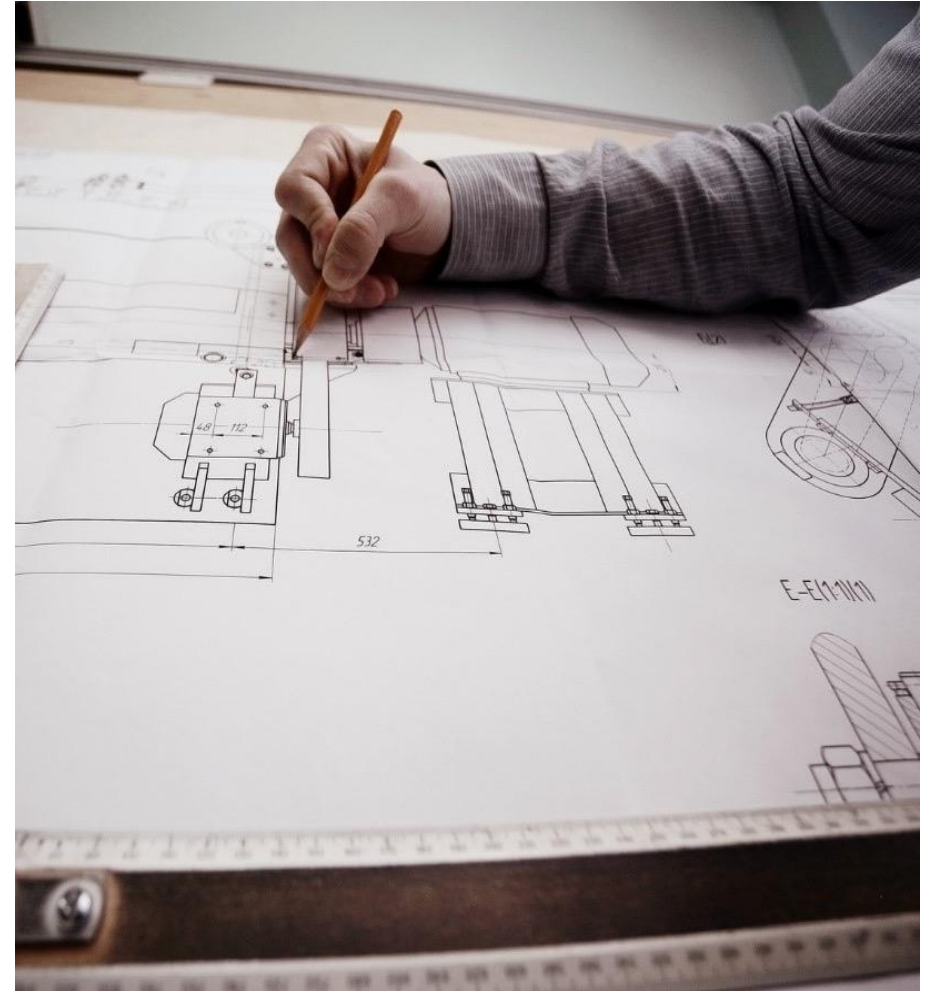
Step 3 – Solutions Presentation

- Comprehensive Plan Review and Benchmark
- Recommendations and Next Steps

Features and Benefits		American Funds - TRAC		American Funds - Plan Premier R4		John Hancock - Signature Solution		John Hancock - Enterprise Solution	
Investment Options									
Number of Mutual Fund Choices				1,000+		500		16,000	
Number of Mutual Fund Families				40		90		All/open-arch	
Proprietary or Non-Proprietary Funds				No requirement		No requirement		No requirement	
Number of Choices for Your Plan				20		250 Maximum		40 Maximum	
Managed Fund Options						No		Yes	
Estimated "All In" Expenses in basis points and dollars									
Third Party Administration (TPA)	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant	\$1,350 + \$33 per Participant
Recordkeeping with Vendor	Included	Included	8.5 bps	\$4,240	18 bps required revenue/3 bps TPA program	\$11,500	28 bps required revenue	\$14,000	
3(21) services and participant education		5		5	2 bps (if selected)	\$1,000 (if selected)	2 bps (if selected)	\$1,000 (if selected)	
Advisor Compensation	Included	Included	25 bps (included in fund expense)	\$12,500 (included in fund expense)	25bps	\$12,500	25 bps	\$12,500	
Cost to Plan Sponsor or Participants*	5 bps	\$2,571	13.5 bps	\$6,790	53 bps	\$26,500	58 bps	\$29,071	
Average Mutual Fund Expense *	60 bps	\$30,000	73 bps	\$36,500	34 bps	\$17,000	34 bps	\$17,000	
Estimated "All In" Expenses*	65 bps	\$32,571	86.5 bps	\$43,250	87 bps	\$43,500	92 bps	\$46,071	
Potential TPA Reimbursement	N/A	N/A	5 bps	\$2,500	30 bps -year 1 / 5 bps -ongoing	\$14,900 / \$2,500	N/A	N/A	
Administration Fees									
Installation Fee (one-time)			50		50		50		
Surrender Charges (if plan or owner terminates/withdraws)					50		50		
Participant Loan Fees (TPA may charge additional fees)			\$85 setup/ \$50 maintenance		\$4/per loan/per month		\$75 setup/\$4 maintenance		
Distributions (TPA may charge additional fees)			\$25		\$25 per withdrawal request/\$2 per installment payment		\$50		
Plan Document Maintenance & Amendments			Per TPA Agreement		Per TPA Agreement		Per TPA Agreement		

*Current information is an estimate only. Fees can be paid through the company and you can take the corporate deduction or fees can be charged to the participant.

Case Study: Engineering Firm



Engineering Firm: Overview

- ERISA Audit client of CPA firm
- \$3.1M plan w/ 65 participants





Engineering Firm: Discovery Phase

- Financial Professional requested annual plan review, adoption agreement, fee disclosures and census from current provider
- Comprehensive review and benchmark was completed based on current plan demographics
- Plan had inefficient plan design, administrative challenges, low participant engagement



Engineering Firm: Recommendations

- Outsource ERISA Audit, establish advisory relationship with plan
- Consolidate multiple providers to single vendor solution with RPS
- Add 3(16) administrative fiduciary support
- Migrate from Discretionary Profit Sharing to New Comparability Profit Sharing



Engineering Firm: Benefits

Plan Sponsor

- Reduced administrative burden

Participants

- Increased plan contributions 105.42%

CPA/Financial Professional

- 28% increase from audit revenue
- Added new \$3.1M Qualified Retirement Plan (2019) which is now \$6.9M generating \$11,300 in on-going revenue
- Uncovered \$50M+ in ancillary wealth management opportunities (\$375K gross revenue)
- Merged \$1M plan of acquired firm



Marketing Resources

- www.FreeERISA.benefitspro.com
- www.efast.dol.gov/5500search/
- Vendor Resources
 - Judy Diamond Plan Prospector
 - Fiduciary Decisions Report



Q&A

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