

# Cogent Research: Elite Group of Advisors Driving 401(k) Business

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While just over half of the estimated 315,000 retail investment advisors in the United States currently support at least one 401(k) plan, only 7% of advisors are heavy plan producers with \$25 million or more in 401(k) assets under management, according to a new report.

Cogent Research, Cambridge, Mass., published these and other findings in its new 2011 Retirement Plan Advisor Trends report. The report is based on a nationally representative survey of 523 DC plan producers with a minimum of 5% of total AUM invested in 401(k) plans.

On average, "heavy producers" support 30 plans, compared to an average of 11 among "moderate producers" (\$5- <\$25 million 401(k) AUM) and five among "light producers" (<\$5 million 401(k) AUM).

Cogent notes, however, that what distinguishes heavy 401(k) producers from other advisors is not only the number of plans they support, but the size of these plans as well. The average plan size for heavy producers is \$4.2 million, compared to \$1 million for light producers and \$3 million for moderate producers. The typical heavy producers' book of business includes between five and six plans with assets of at least \$5 million, and one or two of these are likely to have assets exceeding \$20 million.

"There is no doubt that heavy 401(k) producers are more successfully targeting larger plans," says Cogent Principal John Meunier. "As a result, these advisors compete with retirement plan consultants for the upper tier of their business. However, more than two thirds of plans they support have less than \$5 million in plan assets, so the lion's share of heavy producers' competition is still coming from other retail advisors."

Cogent found the highest concentration of heavy 401(k) producers within the RIA channel where 39% of advisors who sell 401(k) plans report \$25 million or more in 401(k) plan assets.

The result is an average 401(k) AUM of \$76 million for all RIA plan producers, four times the average 401(k) AUM at \$19 million for plan producers overall, Cogent says. The second highest concentration of heavy producers can be found within the national wirehouse channel where one in five (18%) plan advisors control \$25 million or more in 401(k) plan assets. The proportion of heavy 401(k) producers in the regional and independent channels is 8% and 10%, respectively.

In terms of expected growth, light and moderate producers on average expect to add about three plans over the next year, while heavy producers on average plan on adding twice as many, or about six plans over the next year, Cogent says.

"What is interesting when we dig into these numbers is the fact that non-RIA channel producers are predicting much higher

growth rates next year," says Meunier. "To me, this suggests that the advisor-as-retirement-specialist model is spreading and swiftly being adopted across all advisor channels."

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