



SECURE Act 2.0 for Financial Advisors: Positioning Yourself for Success

Automatic plan enrollment to transform retirement planning.

The Setting Every Community Up for Retirement (SECURE) Act 2.0 offers financial advisors an unprecedented opportunity to expand their book and stack their AUM. Millions of Americans will be able to invest in a 401(k) for the first time, increase how much they set aside already, or catch up their retirement savings to meet their goals. Small business owners have more incentives than ever to start plans for employees, and many are expected to.

The race to attract these new clients will be intense. Financial advisors who can deliver the most value for this new, expansive market segment are likely to be able to boost their AUM at a greater rate than they've seen in decades. To do that, they'll need to find ways to attract new clients despite tightening budgets.

Understanding SECURE Act 2.0 for financial advisors

SECURE 2.0 provides the most substantial retirement reform since the passage of the Employee Retirement Income Security Act (ERISA) in 1974. The Act strengthens core ERISA provisions, incentivizes small businesses to offer plans, and expands plan eligibility for millions of Americans. Here's what financial advisors need to know:

Auto-enrollment is on the way

401(k) and 403(b) plans established after SECURE 2.0 must automatically enroll participants unless the employee opts out. Contributions begin at 3% of an employee's pretax pay, increasing annually by 1% until reaching between 10% and 15% of their annual pay.

Automatic enrollment will transform plan participation for the better. Companies with automated plan features see their employees save more of their pay, and plan assets grow faster.¹

Get ready for Small businesses

Small businesses may have wanted to offer sponsored plans in the past but have been put off by the expense involved, or the potential risk of getting it wrong. SECURE 2.0 increases the small business startup credit from 50% to 100% of eligible expenses for companies with 50 employees or fewer. Businesses with 100 or fewer employees may be eligible for a tax credit if they offer matching or profit-sharing contributions.²

The biggest impediments to small business 401(k) creation are now easier to overcome. Expect small businesses to take advantage of these new incentives and search for an advisor to partner with.

Consolidation is key

SECURE 2.0 allows service providers to assist with automatic plan transfers, with firms being able to execute transfers from old workplace retirement plans. Employers can also choose to transfer former employee funds into a Roth Individual Retirement Account (IRA). Making consolidation easier can translate into smoother asset management, as well as a better client experience.³

Saving made simpler

SECURE 2.0 helps employees tackle student debt while building for retirement. In 2024, defined contribution (DC) plan sponsors can designate student loan payments as elective deferrals, making them eligible for employer matching contributions. This will help younger employees tackle student debt while building for retirement. Owners of 529 education accounts may be able to rollover \$35,000 through their lifetime into a Roth IRA (depending on eligibility and other factors), avoiding the current 10% penalty for non-qualifying withdrawals.

How SECURE Act 2.0 can grow your business

More than 60% of financial advisors are actively seeking new clients, according to Broadridge's fourth-annual Financial Advisor trends report. Thirty percent of those surveyed, however, are also trimming their marketing budgets. This potential wave of new plans entering the market, up against economic headwinds and budget-trimming, can still create more opportunities than challenges – even if you're keeping a sharp eye on spending.

There are great benefits to the SECURE Act and many ways you can use it to grow your business while helping Americans close the retirement gap.

It's all about information: ensure that your current clients have the facts they need to understand the new laws, and how they can use them to their benefit. Sit down with your clients, explain the Act's relevant provisions, and walk them through how they can use these new tools to attract and retain talented employees.

Prepare for a growing market

Employers are stretched for talent: the Great Resignation continues while low unemployment figures make it challenging to find the right people. Your clients need ways to differentiate themselves to attract and retain employees; most are looking toward boosting their benefits.

As a financial advisor, you have a unique opportunity to help clients create more robust defined contribution plans. Businesses want help picking the right suite of investments and knowledgeable partners about how new benefits under SECURE 2.0 work.

Advisors who are creative and ready to take on the additional work stand to benefit the most. Make sure your practice is ready for the groundswell so you can seize opportunities for growth.

Focus on your digital footprint

Only 43% of advisors receive inbound prospect requests, yet two thirds also feel their websites are ineffective in generating leads. You need to make your marketing budget work harder: defined, measurable marketing strategies help you understand exactly how well your efforts are working in terms of leads and client acquisition.

Many newcomers to DC plans are digitally savvy and want you to be as well. A good website helps you stand out as a potential partner, makes lead generation simpler, and can help you engage better with new targets. Broadridge Advisor Solutions can help you create a modern, customizable site with more than 48 million unique template combinations to make it your own. Paired with virtual servicing and communication tools, you can better differentiate your firm and offer something others can't.

Expect new, unique client needs

Advisors who can provide the best client experience stand to gain the most. Brand new account types will emerge, many of which will consist of new investors. There will also be an influx of new retirement accounts catering to small businesses looking to provide employees with retirement savings opportunities.

Advisors will need to get focused and expand their knowledge to accommodate this important opportunity. At the same time, advisors may be stretched thin with the necessary resources to deliver the best outcomes. According to Broadridge's 2023 CX and Communications Insights study, nearly 70% of those polled are dissatisfied with their experiences as customers. Firms that can deliver a top-quality experience, particularly with a more diverse client base, stand to succeed.

Tools like AdvisorStream can help simplify – and even improve – your client communications. Be proactive about reaching out to your book: employers will have dozens of questions about how SECURE 2.0 impacts their DC plans. Customized messages and links to relevant content can help you meet your clients needs and help answer their questions.

The race to build your book is on

To the victor go the spoils. Financial advisors prepared for SECURE 2.0 from the start stand to gain the most. Those that can explain the managed retirement account landscape to prospective and new clients are best suited to retain the funds brought to the firm. The best-placed financial advisors have tools and tactics to keep these clients engaged, informed, and delighted in these relationships.

Broadridge can help

Financial advisors have a tremendous opportunity to attract new clients. Using the right cutting-edge technology makes a major difference here. Learn more about Broadridge platforms like Fi360 offer automation, insights, intelligence, and client touch points – all without major manual labor to make it happen. Saving time is critical for advisors who want to maximize opportunities offered by SECURE 2.0.



Footnotes

- 1 SHRM. (2022, April 7). 401(k) auto-enrollment proves popular. SHRM. Retrieved January 4, 2023, from <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/401k--auto-enrollment-proves-popular.aspx>
- 2 Secure act 2.0 offers incentives to businesses and employees for retirement plans. Paychex. (2022, December 30). Retrieved January 4, 2023, from <https://www.paychex.com/articles/compliance/secure-act-changes>
- 3 Secure 2.0 is about to pass. What made it in? Bipartisan Policy Center. (n.d.). Retrieved January 4, 2023, from <https://bipartisanpolicy.org/blog/what-made-it-in-secure-2/>

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