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an InvestmentWires' Publication

Tuesday, March 03, 2020

## How Are Participants and Sponsors Handling This Rough Market?

Amid an onslaught of bad Coronavirus news and U.S. election updates, last week was the stock market's worst since 2008. Different recordkeepers are seeing plan sponsors and participants differently to the market's woes.

The number of logins, overall web engagement, and calls increased at every recordkeeper **401kWire** spoke to.

"Our call center is seeing increased call volume from participants with questions and concerns about the drop in their 401(k) account balances. Last week we saw an upswing in trade requests/changes through both the website and call center," **Kari Jakobe**, principal and DC administration leader at **Milliman**, told **401kWire**. "Unfortunately, those who panic and sell in a down market may lock in their losses and miss out on gains when the market rebounds."

The team at the world's largest recordkeeper, **Fidelity**, is seeing similar behavior, too.

"In increased times of market volatility, we tend to see increased digital and phone activity from customers. This is no different from previous periods of market volatility and is to be expected given the need for additional guidance or reassurance on an existing investment plan," Mike Shamrell, a Fidelity spokesman, told **401kWire**. "Fidelity has the staffing and resources in place to managed the increased level of phone and digital activity."

Some recordkeepers confirmed to 401kWire that there has only been a small rise in the number of plan sponsor and participant inquiries.

**Vestwell's** CEO, **Aaron Schumm**, says that participants and plan sponsors "are reacting with a wait and see mentality."

**Jeanne Young**, senior research associate at **Vanguard**, said that in addition to "staying the course," their "plan participants are doing exactly what we think they should do, which is nothing."

Meanwhile, other recordkeepers recorded high levels of activity from plan participants who were concerned with market volatility. Recordkeepers continue to focus efforts on educating plan sponsors and participants to assuage current and future concerns.

The recordkeepers that experienced less calls and messages from concerned participants credit their heavy focus on education.

"It seems that financial education is translating to behavioral changes in limiting emotional reaction," Vestwell's Schumm says. "Sponsors and participants seem to understand the variability of market conditions and the long term purview for a retirement plan account."

Echoing Schumm and others, **Rich Rausser**, senior vice president at **Pentegra**, said that the company's "focus on long-term philosophy and long-term education have been helpful."

As Vestwell's Schumm highlights, market volatility offers opportunities for further client engagement.

"This opens up the door for advisors to have customized conversations with clients around individual risk tolerance, alternate investment vehicles, long term vision, and more," Schumm said. "Market volatility reiterates the importance of giving participants access to investment education materials to help them make informed decisions about their retirement plan accounts despite changing market conditions."

The Milliman team is also reaching out to participants.

"Participants are receiving an *Investing in Turbulent Times* email that includes a link to an article, a video and a blog," Milliman's Jakobe said. "In addition, our MillimanBenefits.com home page includes an announcement with a link to a video that explains why it's not smart to let your emotions drive your investment strategy, how having the right mix of investments can help you ride out a market downturn, and how to find the upside of a down market."

"Plan sponsors need to be informed of the Investing in Turbulent Times campaign so they know participants are getting the information they need," Jakobe added. "Another reminder for plan sponsors is to watch payroll carefully. Failing to make requested participant deferral rate changes timely or making late payroll deposits could be costly if the plan has to go back and account for earnings at a later date."

Plan participants tend to measure their 401(k) health in terms of their balances, and the past year (and decade) have been kind to participants' balances, thanks to both contributions and rising markets. Since there has not been a major downturn since 2008-2009, many, including participants and sponsors, have been expecting a market decline.

Some recordkeepers, such as Vestwell, already have measures in place to tackle extraordinary challenges. Vestwell's business continuity plan allows their employees to continue current services uninterrupted if they need to work remotely.

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