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Re-Examining the Advisor–Recordkeeper Relationship

Co-opetition Equals Co-option

PLAN SPONSOR GUIDE

Retirement plan sponsors face an increasingly complex provider landscape. Recordkeepers are expanding into wealth management, managed accounts, and participant-level services — areas once reserved for advisors. This overlap is often described as “co-opetition,” a blend of competition and cooperation.

But for many sponsors, the reality is less benign. These dynamics risk becoming co-option — where advisors, dependent on recordkeepers for referrals, technology, and even marketing support, lose their independence. When that happens, plan sponsors and participants may face higher costs, less transparency, and weaker fee negotiations.

Key Points for Sponsors

- Recordkeepers are building advisor-facing tools and programs in an effort to create dependency
- Advisors who rely on participant-level revenue sources in their business model risk compromising their independence by screening out service providers, which may create competition for participant rollovers
- Recordkeepers are increasingly obscuring the economics of providing recordkeeping services by embedding fixed accounts, managed accounts, and proprietary investments into pricing
- Sponsorships, marketing subsidies, and event funding from recordkeepers to advisors are creating bias
- Sponsors should demand clarity, transparency, and fiduciary-only compensation models

The Market Shift: From Service Providers to Competitors

Over the last decade, large recordkeepers have broadened their role. What began as institutional retirement plan recordkeeping has expanded into:

- **Managed Accounts** – leveraging their role as the primary point of contract with participants to sell asset allocation services at scale
- **Wealth Management & Rollovers** – capturing participant assets leaving the plan
- **Financial Wellness Platforms** – blurring the line between retirement preparedness and incorporating debt planning, estate planning, and higher education funding into the discussion

At the same time, many advisory firms, particularly those controlled by private-equity or backed by publicly traded companies, have begun mining in those same hills.

- **Managed Accounts** – Advisory Managed Accounts attempt to replace recordkeeper managed accounts, allowing advisors to significantly augment fees
- **Wealth Management & Rollovers** – advisor firms are now embedding retail advisors with institutional teams to pursue rollover opportunities. Other advisor firms are demanding participant level data from recordkeepers, including account balances and ages, to improve their participant targeting. Some recordkeepers have gone so

far as to develop rollover referral programs, where participants taking a distribution are pointed to the advisor for questions

- **Financial Wellness Platforms** – benefits advisors have attempted to create proprietary wellness platforms in an effort to compete for participant attention.

At the same time, advisors are leveraging their role with plan sponsors to augment client fees with income directly from recordkeepers. Many now rely on recordkeepers for data and technology and sponsorships, marketing dollars, and event support.

The result is a blurred line: is the advisor acting as an independent fiduciary or a distribution partner?

Why Independence Matters

Plan sponsors hire advisors with the expectation that they will:

- Benchmark recordkeeping and investment fees aggressively.
- Objectively evaluate providers and products.
- Negotiate from a position of independence.

But when advisors rely on recordkeepers for participant-level revenue streams (e.g., managed accounts, wealth rollovers) or for subsidized marketing, their incentives shift:

- **Negotiating Leverage Weakens** – dependent advisors may hesitate to press recordkeepers on fees if concessions are already tied to product adoption.
- **Participant Costs Increase** – In conflicted relationships, the symbiosis between the recordkeeper and the advisor allows both of them to extract an "inefficiency tax" on the plan. The result of this tax is like all others: it results in higher fees and lower accumulated benefits for participants.
- **Transparency Declines** – subsidies, sponsorships, or revenue streams may not be visible to plan committees. Department of Labor and SEC guidance has been focused on disclosures of conflicts. The challenge with the disclosure model is when providers hide conflicts in byzantine disclosures, ensuring they are never fully understood, and allowing the conflict to survive.

Co-opetition or Co-option?

The industry term "co-opetition" implies a healthy balance. But sponsors should ask: *is this collaboration, or collusion?*

When Relationshipadvisors:

- Depend on recordkeepers for referrals,

- Accept marketing and sponsorship subsidies, or
- Monetize participant relationships through rollovers or managed accounts,

…their independence is effectively co-opted.

The Fiduciary-Only Alternative

What has worked for the last 25 years is still the least conflicted model today. What independence means:

- **Accept no revenue** from recordkeepers, asset managers, or participant-level services.
- **Benchmark fees and services independently** — including both plan-level and participant-level costs.
- **Negotiate aggressively** on behalf of plan sponsors, without hidden incentives.
- **Commit to transparency** — every dollar of our compensation is visible in our client agreement.

This model provides the fewest hurdles in demonstrating loyalty to clients and the participants in their care.

What Plan Sponsors Should Ask

When evaluating advisors or consultants, ask directly:

1. Do you receive any revenue, sponsorship, or marketing support from recordkeepers or investment providers?
2. If we were to deselect proprietary services from you or our recordkeeper, how would that impact our recordkeeping costs?
3. How do you document that all-in participant costs are evaluated under your recommended model?

"Co-opetition" may sound like innovation, but for many sponsors, it masks conflicts compromising independence and lays bare the reality of brewing competition to extract a tax on defined contribution plans. Large financial services firms (recordkeepers, advisors, asset managers) are building intertwined models that shift costs from recordkeeping fees to participants, eroding transparency and leverage.

Choosing a fiduciary-only consultant helps to ensure that your plan's interests come first, your fees are benchmarked objectively, and that participants are protected from hidden revenue streams.

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