

## Human-Centric Investing Podcast

November 2, 2018

Episode 22: Retirement Plan Trends: Interview with Patrick Murphy, CEO at John Hancock Retirement Plan Services (Part Two)

Host: John Diehl, Sr. Vice President, Strategic Markets, Hartford Funds

Featured Guest: Patrick Murphy, CEO at John Hancock Retirement Plan Services

Intro This is the Human-centric Investing Podcast with John Diehl where we look at the world of investing through the eyes of our clients. Take it away, John.

John Diehl: Hello, financial advisors. This is John Diehl, Senior Vice-President of Strategic Markets at Hartford Funds. Welcome to episode 22 of the Human-Centric Investing Podcast. Joining me again today is Patrick Murphy, the CEO of John Hancock Retirement Plan Services. I had mentioned in the last podcast that Pat joined as CEO of John Hancock just in April of this year. But Pat, I'd be remiss if I didn't mention you've been with John Hancock for 15 years or longer, right -- at this point, right?

Patrick Murphy: I have, yes.

John Diehl: Well, thanks for joining us again on this podcast. I mentioned at the end of the last podcast, I had some outstanding questions. And Patrick and I had had some conversations both before and after the recording of that podcast that I thought would be important to share with all the advisors listening to our podcast.

So Pat, I wanted to go back to -- we were talking about advisors when we last spoke and their role in the retirement plan business. And sometimes what you hear from advisors is this plan is so -- or, this business is so complex and I don't even want to get into it because I'm afraid I'll be over my head, I'll be in front of my client, won't know what to say -- therefore, I've never ventured there. What would you say to an advisor who has those kinds of misgivings?

Patrick Murphy: Well, I would -- it's an interesting question, John, because first off, I think in the last podcast I did mention that this business is kind of complex. So ...

John Diehl: Yes.

Patrick Murphy: ... I don't want to -- I don't want to be seen as backing off that, but this business doesn't have to be complicated. Serving retirement plans and serving retirement plan participants does not have to be complicated. The retirement plans are complicated, I think I referenced a regulatory environment that makes it more complex.

The good news is firms like John Hancock have a real solid handle on what those regulations are. The broker-dealer firms and the other -- the other firms that we do business with have a really strong handle on what those rules are, and have developed compliance procedures and service models to make sure that we're not running afoul of the requirements that go along with serving retirement plans.

John Diehl: How about a -- how about a plan sponsor though? So if we roll all those participants up to the plan sponsor, who I imagine most of the time, the advisors are actually calling on the decision-makers -- right -- the plan sponsors. Are they motivated by the same things that the plan participants are, or is there any difference in how an advisor would address either party?

Patrick Murphy: It's different because the -- it involves this corporation and it could be a sole proprietor organization or it could be this big public company.

But the individuals within those decision-making roles are still people who have goals, they have dreams, and aspirations, and objectives. They have individual goals, right? So they are participants in these 401(k) plans as well, so there's going to be that human element that's going to be triggered in

them when you're talking to them because they want to retire one day.

John Diehl: Right.

Patrick Murphy: And so, they're going to be listening from a personal perspective. When you're talking to a business owner or a committee member about the services that you'll provide as an advisor, they're going to be thinking about themselves. It's impossible to disconnect and take that hat off, right?

So they're going to be thinking how are -- (you could talk to them) about how you're going to help their employees. Well, they're going to think, "Well, OK, what does that mean to me? I'm an employee, right? So how -- what does that mean to me?"

But then from a business perspective these large employers or small employers have goals that they're trying to accomplish. They have business objectives and then they're utilizing their human resource asset, their employees, to achieve those business objectives. So those employees need to be motivated and they need to be -- the good employees need to be retained ...

John Diehl: Right.

Patrick Murphy: ... and so -- in order for that business to be successful. So the advisor who can understand what that -- what those overarching business goals are and how a retirement plan, whether it's a qualified plan or a non-qualified plan, fit into helping the company achieve those goals -- those are the advisors that are going to be relevant. They're going to be listened to and they'll ultimately be successful in winning the business.

John Diehl: So not to simplify the complicated business that we're talking about too much, but it's kind of like the goose and the golden egg, right? The employer, the company really wants the golden egg but in order to produce that they've got to keep the goose healthy, which would be ...

Patrick Murphy: Yes.

John Diehl: ... their most important asset, the people that are working for them.

Patrick Murphy: Exactly.

We talked about the concept or the phrase financial wellness last time. And what I really should have said, and this is how I think about it, it might be a new phrase but it's really a repackaging of a -- of a tried and true process of financial planning and budgeting. That's really what it is in the essence of it, right?

When -- if you -- if you separate financial wellness from the overall holistic wellness discussion, financial wellness is just good old fashioned financial planning, helping people understand where they are today, where they want to be tomorrow relative to multiple goals, right?

It could be saving for a house, saving for a college education, saving for a retirement and then helping them understand that saving for retirement doesn't mean that they have to give up saving for their kid's education. Or saving for their saving for their kid's education doesn't mean that they have to delay saving for retirement for the next 18 years. It's budgeting and financial planning and helping them understand that life is not a series of this or that decisions; it can be a series of this and that decision, but in the right measure, depending on where you are in your life.

John Diehl: All aimed to -- because we talked about stressed and anxiety, right. And I guess the opposite of that is confidence, right.

Patrick Murphy: Right.

John Diehl: So we're trying to impart on these participants and the firm, as a whole, confidence that they're going to be adequately prepared to maintain that life that they hope to have, as it stretches 10, 20, 30 years into their retirement.

Patrick Murphy: Right.

John Diehl: So along those lines, we talked about – we talked about resources that John Hancock makes available to financial advisors that can aid, in terms of insight, analytics, so on, so forth.

Can you describe to us a little bit about some of the recent solutions or tools that you've developed to help plan participants in gaining this confidence, if you would?

Patrick Murphy: Sure. There are a lot of them, actually, so I'll try to hit the highlights on them. And they really fall into three broad categories; it's education, it's guidance and it's straight out advice, and fiduciary advice.

So the first one, education, is – we believe, and this again, this is – this came out in the financial stress survey, people want information. They want it; they're sponges. They will take what you give them. They might always know what to do with it, after the fact, but they want information.

They want to be educated. So we have a financial wellness center that's a digital education center that has lots of video content and articles that – it's available on our website, and it allows people to get much holistic education that – based on their needs.

So it's really kind of a self-driven, self-directed experience where they can go into and get information about wills and trusts and college savings and long-term care and retirement planning, of course, right, and investing.

But again, it allows the participant, the consumer, right – we talked a little bit about consumers in the last time and (how that – and) customers in charge; they're in control. And they know it, by the way, and they want that control.

It allows them to drive their experience with us, to where their most pressing need is today. And then we can direct them to the content that will help them take action. And if it's not with us, that's OK, because part of the design here is to become a trusted source for individuals so that, when retirement is top of mind for them, they come back to us, right.

And that's also the link-in with the advisors that we work with, making – having that kind of conversation and facilitating that conversation with the participants that the advisors are talking to on a daily basis and having the advisors be able to tap into those tools so that that individual will look to the advisor the next time they need something, because the advisor steered them in the right direction and you develop that trust over time.

So it starts with this learning center, then there's a financial wellness assessment tool so you can take a quiz and answer some questions and figure out, "Where do I sit today, in terms of my overall financial wellness; where are the gaps," and then be able get direction on how to fill those gaps.

And it does end up directing people to this personalized action plan that'll help them make better decisions and really gets them into a budgeting mindset, if you will. And then there's a solution that we rolled out recently; it's called "My Money Connector." And the essence of that is asset aggregation.

If we're talking about serving the individual in a more holistic fashion, we want to be able to have them know and us know what's going on in their lives. Are they – do they money elsewhere that there's – they have earmarked for retirement, do they have money elsewhere that they have earmarked towards their college – their child's college education, where does their savings go, where does their spending go, right.

So really, it's almost like a personal income statement, if you will, that allows us to then take that information and provide more specific personalized levels of education, guidance and advice for those individuals.

John Diehl: You know, as I think about it, a lot of times, we help advisors think about – from a very high level, we help them challenge people to think about what 30 years of retirement might look like, right. So it makes sense to me how these pieces fit together, the stuff that we're doing at Hartford Funds, the tools and resources you're making available at John Hancock.

And I can just share with you; when we get in front of retirement plan audiences, whether they be the sponsors and decisions and whether they be plan participants, I think a lot of times the retirement plan industry has been about instructing people how to enroll, what your fund choices are, so on, so forth.

I don't want to say that's not important, but it's almost what they expect. I think when you come with something a little bit different, trying to help them envision what things look like and then applying tools that can actually make it a little more tangible, I think – we think that's what brings people to take action, versus – it empowers them, more or less, versus saying there's nothing really I can do about this, because ...

Patrick Murphy: You used the word "confidence" earlier, and ...

John Diehl: Yes.

Patrick Murphy: ... that's what happens. When people become confident, they become more engaged, they start to take more proactive steps, and that's the win, really. And what we're finding, too, is, as people – there's a little bit of a fear, I think, sometimes, as people – as customers become more confident, there's a fear that they might not need you as much, but it actually turns out that they engage with us more, because they get some value out of the interaction with us.

And that's relevant – that's relevant, right. And so, the last piece – there's a couple pieces here, too. We have the typical plan checkups and participants checks where they can come in and see how they're doing towards achieving their goals. And then there's some really smart math behind, and science, behind the interaction that participants have with us.

We've – everyone's developing these different algorithms to understand what participant behavior looks like and what their needs and wants are. And I mentioned, I think, in the – in one of the earlier questions, this doesn't have to be, really, that complicated.

There might be some complexity to it. But from a participant perspective, when they interact with us we know there's a bunch of stuff they should be doing to get themselves on a healthier track for retirement, or whatever other goal they said they want to try to achieve. But it doesn't do anybody any good to overwhelm them with a 17 step plan.

So, when they come to us, either over the phone, or through the web, or through some – the face to face interaction, we've developed the technology that will enable the website or our people to tell them the next best step they can take to get themselves on the path forward.

John Diehl: You mention that incremental approach, kind of breaking it down in chunks.

Patrick Murphy: Yes.

John Diehl: Yes, that seems to make sense.

Patrick Murphy: And it – and it's impactful. And people take action based on those steps because it's relevant to them so it's personal and relevant.

John Diehl: Yes.

Patrick Murphy: And then it's just one easy step. And then sometimes it's just a click and it's done. So, again, making it personal, relevant, and easy is really the key to this.

John Diehl: And you had mentioned, I don't remember whether it was this podcast or maybe our last one about technology, and being a – you can't really be a record keeper involved in this area without being technology company.

So my question for you, there's obviously technology that runs the administration of the plan, and keeps track of everything. But there's also technology in terms of communicating with the participants.

Patrick Murphy: Yes.

- John Diehl: And I guess my question is, have you – is this a trend in the retirement plan space that you've got to make information available, both, digitally as well as in person? And do you see – at least in my experience, what I find is that often times we may say well the millennials do things digitally, but actually it may not be generational as much as complexity, right? That – not to insult anybody, but the light – my life at age 24 was a lot simpler than my life at age 52 as I start to consider. So, do you have any data on who typically uses tech versus once in person? Any of that – or any ...
- Patrick Murphy: Yes.
- John Diehl: ... even emotional thoughts?
- Patrick Murphy: Well, it certainly – the millennials and generation X folks like us, I still get to claim that I'm on the tail-end of generation X.
- John Diehl: Me too.
- Patrick Murphy: So, you know.
- John Diehl: Me too.
- Patrick Murphy: We typically prefer a digital first, self-guided, self-service type of experience. That will always be, kind of, our go to experience as a – as general rule for the generations.
- And then, the baby boomers and then there – believe it or not, there are still a lot of silent generation people out there, and some of them in the workforce that want to talk to a person face to face. Not even over the phone, but they – I think about my own mother who was born during the Great Depression of the 1930s.
- She refused to have an ATM card. She would – she would go in and she wanted to talk to (Lucy) the teller at her local bank, and have that personal relationship. But that's – so that's still out there. So, you still have to, as a service provider, whether you're an advisor, a TPA, or a record keeper, you still have to – it's still a people business.
- John Diehl: Yes.
- Patrick Murphy: It's still a people business. And so, technology needs to serve two purposes. It needs to enable those who want it to have a self-service, self-guided experience. But then it's needs to enable the people that we have dedicated to serving the customers. It'll – it needs to enable them to do their jobs better, in a higher quality manner, and more quickly.
- John Diehl: Yes.
- Patrick Murphy: Because that's what customers want. Even the baby boomers – the older baby boomers, when they want to talk to a person they don't want to give a lot of information. They do have the expectation, you know a lot about me. Don't make me answer 15 questions to get into the system. You know – you know who I am.
- So, let's now get down to a conversation that's very specific, personal, and relevant to me. And so, that's – that is one of the other ways that we're using technology to enable the service capability that we have.
- John Diehl: And having – just having heard you say that, kind of, brings me to, kind of, my last question which is about trends in this business, moving forward. We talked about how long you've been in the industry. And certainly you've seen tremendous change over time.
- But as you think about this business going forward, are there any trends that you see on the offing? And how do you think the industry, or how do you think, specifically, you all will respond to those kinds of trends?
- Patrick Murphy: There's a few – a few different ones that I'll point to. The first one is – we've been talking about a lot. It's

really the idea of providing holistic advice. So, retirement plan providers cannot view – cannot continue to view themselves as just retirement plan providers. We talked on the last podcast about longevity, and technology, and consumerism changing the marketplace. The idea of retirement is offensive to some people.

John Diehl: OK.

Patrick Murphy: And so, we need to think about a person's whole life, helping them live a fulfilled life today, again, creating that confidence in their financial situation, and then being able to help them maintain that confidence throughout their lifetime.

And whether they call that retirement, or whether they call that the next ...

John Diehl: Yes.

Patrick Murphy: ... adventure, or their second career, or whatever it is that they do, helping them maintain that confidence and that lifestyle throughout their life. That's really...

John Diehl: In some – in some respects, titling it the retirement plan industry from its birth may actually work against us a little bit now, right? Because when we think about – or I think ARP shared a statistic with us that said 65 percent of boomers either think they'll work past age 65 or never retire.

So, I think your point about the term retirement being offensive, yes, who's to say what this money is going to be used for? But how do I save for something that I don't know if I'll ever actually experience?

Patrick Murphy: Yes. And I – and I told you earlier, John. I have an 80 year old employee sitting in this building working for us.

John Diehl: That's awesome.

Patrick Murphy: He doesn't work full-time.

John Diehl: Yes.

Patrick Murphy: But he draws from a retirement program and works part-time. I was having a conversation with – just, why would I retire? I'm having too much fun. I enjoy what I do. I get to make a difference in other people's lives.

So helping retirees stay engaged and have them think about what their life looks like in the future is part of what we're doing as a retirement plan provider as well and it's almost like – almost like we're becoming lifestyle consultants in a way in helping people understand certainly what retirement looks like to them and would feel like to them in the future and it could be part time employment, it could be full time employment, whatever the case may be, right? But having them envision what that looks like and then using the vehicle of a retirement plan to help them accomplish that – that vision.

John Diehl: Right. Well and I apologize, I cut you off. We were talking about holistic planning but you mentioned a couple of trends.

Patrick Murphy: Yes.

John Diehl: Anything additional there?

Patrick Murphy: Well the other one is, you know, everybody sees it and we've experienced it and we're not the only industry going through it but consolidation is going to continue in our marketplace. We're seeing it in the advisor world. We're seeing it in the TPA world. We're seeing it with the employers that we serve, right? You look at the tech sector for example. There's lots of M&A activity in the tech sector all the time.

So that will continue in our space and so as an advisor, sitting out there thinking about who you want to partner with, you know and I mentioned it earlier, you really need to think about those companies

that are really thinking of themselves as technology companies rather than just simple record keepers because those are the ones that are investing the money. Those are the ones that have made the commitment to be here for the long term because it's not inexpensive to invest in technology, especially the kind of technology that allows us to create personalized relevant solutions for our customers.

John Diehl: So Patrick, if I – in kind of drawing our podcast to a close here, if I could ask you if there is one thing you would relay to an advisor who was thinking about the retirement plan business, maybe they've been doing a little bit, maybe they've never – what would you say?

Patrick Murphy: It's why I've been in the business for 30 years. What we do matters. What we do matters to people. It changes their lives and if we change a customer's life we have the potential to change generations of their families lives and I believe that whole heartedly. You know I think it's a noble business. We are trying to make people's lives better.

If you have committed – I believe advisors have already committed to helping make people's lives better. The retirement plan business is a way to increase that effort and increase the impact exponentially. You talk to one employer that has 1,000 employees, now you have 1,000 potential customers or 1,000 people's lives that you can change.

You have if – if each one of those employees has two other members of their family – you can see it's just that multiplier effect and the retirement business is not as complicated as people would have you believe. And if you are an advisor that has a significant book or a small book of individual customers, you have customers today that trust you and have entrusted their assets with you and I would argue their dreams and aspirations with you that are probably decision makers or business owners that influence the hiring and replacement of 401K record keepers.

So you don't have to really look very far to – to have a conversation about getting a 401K plan customer, you -- you probably just need to look as far as your customer list.

I'll tell you a quick story, you know 25 years ago, when I was still young in this business, I was visiting an uncle in Florida who ran a big region for an insurance company and he was – we were talking about it on the beach about this -- this 401K business, you know this kind of new thing called the 401K and he said, "I'd like to get into that business. I'd like to be able to prospect but I don't even really know where to start. I don't know the business that well. I wouldn't even know where to begin."

And I asked him how many individual customers he had. He had 5,000 individual customers across this district that he ran. I said, "OK, how many of them are senior executives or owners of businesses?" He said, "Well I don't really know all of that information." So we went into his database, we – his son and I – my cousin and I we actually went in and started tagging this stuff and found out about 20 percent of his individual customers were decision-makers for businesses and so...

John Diehl: Wow.

Patrick Murphy: ... I said to him, I said, "You don't have to look any further than this. You have people who already trust you and like you and have placed their assets with you. That's where you start." And it's really not more complicated than that. And then, again, in terms of the plan design type stuff and the regulatory environment and the complexity of like the 401K plan itself -- the rules and regulations. Firms like John Hancock had that nailed.

John Diehl: Right.

Patrick Murphy: So you don't need to be an expert in how to set up a 401K plan. You need to be an expert in what you already do every day and that's helping people achieve their goals.

John Diehl: And connect people to resources that can help.

Patrick Murphy: Exactly.

John Diehl: Well Patrick Murphy, CEO of John Hancock Retirement Services, I just really appreciate the time that

you've taken with me on these past two podcasts. I've learned a lot. Thanks for joining me.

Patrick Murphy: Well I appreciate it and we certainly appreciate the partnership for sure.

John Diehl: Great.

Patrick Murphy: Thanks John.

John Diehl: Well, thanks Patrick, and to all of you listening, thanks very much and look for us again on a coming episode of the Human Centric Investing Podcast. Thanks very much.

This podcast is intended for use by financial professionals or in conjunction with the advice of a financial professional.

It is intended to be educational in nature and should not be construed as individual investment advice or a recommendation or a solicitation to buy, sell, or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice or fiduciary advice pursuant to ERISA rules. John Hancock is not an affiliate or a subsidiary of Hartford Funds.

Hartford Funds Distributors, LLC, Member FINRA.

MAI151 0920 219452