

As A 401(k) Plan Provider, Mistakes To Avoid With Your Employees

By Ary Rosenbaum, Esq.

“By nature, he’s a malcontent. He’s always been a malcontent and you know, that’s just life.” That was record executive David Geffen speaking about The Eagles’ Don Henley. That could probably describe me as an employee. The reason I never hired an employee is because I was an employee too. Perhaps if I worked for an employer that valued me and provided me with a benefit or two, I may have had a different experience. Working with people in the retirement plan industry who have worked for 20-plus years for the same company, I do understand the small little things that can keep or scare away your employees. These are my observations.

Employees are an important asset, employees are human beings.

Most plan providers forget that their employees are one of the most important assets they have. If they do realize that, it’s often too late. I have to say that one of the drawbacks I’ve seen when a retirement plan provider is purchased by another company, only the owner-employees are taken care of, and the non-owner employees end up leaving. It’s hard to find good employees in this business, so you must value them. While you may have it in your head that you are treating your employees well, your opinion may not be so accurate. A revolving door of employees is probably a clue that you’re not treating your employees well. I always believe that happy employees don’t leave, unhappy employees do. The worst employers I ever worked for, were union lawyers. While they didn’t understand why employers wouldn’t provide the best pay and benefits to the members of their union clients, their narcissism

and self-righteousness, never made them self-aware that they were treating their associate attorneys poorly. People often see poor behavior in others that they don’t see in themselves. What these union law firm partners never understood is this: an employee wants to make as much money as possible and an employer wants to pay as little as possible. An employee never thinks they make too much and an employer never thinks they pay their employees too little. It is a relationship that is a game of give and take and you can’t take if you never give.



From experience, you can’t find great employees so easily. There are so many people out there in positions of responsibility in this business who aren’t very good because they never got the training they needed. So why lose a great employee over \$5,000, because it ends up costing you 5-10 times that to find a suitable replacement. When I left a certain Third-Party Administration (TPA) firm as the lead ERISA attorney, they hired my replacement on the spot after a simple interview. Based on talking to him, I predicted he’d last 6 months as my replacement, he was let go after 3 months.

The smallest things go a long way.

I’ve talked about the fact that I started working in September 1998 as an ERISA attorney for Harvey Berman, who co-owned a TPA firm called Mobius Tech. I started at \$35,000. By December, Harvey bumped up my salary to \$40,000 and gave me a \$300 bonus. I started my practice in April 2014 and I never received another bonus. Harvey doubled my salary by 2002, but he never gave me another bonus. I don’t hold it against him because he gave me that \$300 bonus, that small bonus to many of you, still matters to me. When a school board client gave me a bonus of \$2,500 a year or so ago as a thank you, it didn’t matter more than what Harvey gave me more than 25 years ago. Harvey probably spent more on a dinner at the country club in Chappaqua, it probably didn’t matter to him, but it mattered a whole lot to me. I just want to say that the smallest things you give your employees a long way. The problem with bonuses, honestly, is that once you give them

once, it’s expected annually. Years ago, my father and his partner dealt with so many no-shows at their holiday party for their electrical contracting firm because the early 1990s were rather grim financially, they couldn’t afford the bonuses. Speaking from experience and stealing a line from George Carlin, I think most people would rather not attend a holiday party and have the money instead. The cheesiest holiday parties were the ones where they were too cheap to pay for the spouses and significant others to attend. I worked at that Fakakta law firm, I don’t want to spend the entire party with

people that I spent 40-50 hours a week with. I would have rather had that \$100-150 instead.

Pay and benefits

Again, you have that constant battle with pay because employees want to make as much as they can and you need to eke out some sort of profit and living. Sometimes, for whatever reason, you can't afford the best in pay. If that's the case, try to make it up in benefits. I worked for a TPA that had an ancillary benefits and insurance practice. There was nothing worse than getting meager salary increases, than annual changes of the health insurance with fewer benefits and a higher co-pay. Seriously, when I got married and went on my wife's better plan with the government, the only benefit that was worth anything was the credit union and that didn't cost my bosses a nickel. The only benefit that the employees (besides me) ever complained about was when they stopped giving free milk to the Keurig machine. Again, this is a game of give and take. People will deal with lesser pay for better benefits and vice versa but have big issues if the salary and benefits aren't up to snuff. People will leave for \$5,000 more if the raise isn't given, I can assure you that. Losing people over some measly raise or a cutback in benefits will be more costly when you have to replace a good employee. When I was working for that TPA, I joked that it would take 2 people to replace me when it took 3, who combined, doubled my pay. That \$10-\$15,000 they saved in a raise, cost them more.

People have feelings

As discussed about the little things, people have feelings that are important to them. You can't expect loyalty from people when you treat them like garbage. Loyalty is a two-way street and most of the people I worked for, saw it only one way. Not only do people want a good paycheck and some benefits, but they also want to feel appreciated. The best job I ever had next to this one was being the head ERISA attorney at a certain TPA. I was rarely told what a great job I was doing and every



time it was a review time, I'd hear it from the majority owner on how bad I was because I was always seeking that \$10,000 raise and they wanted me at \$5,000 annual increases. Finally after 4 years of being upset by the raises I got; I got a very generous raise. For the first time, I was content. Then the minority owner who ran the place just hated me, for some reason. I knew the reason, he was incompetent and previously run off other employees, two of which, created a really successful TPA firm years before. To make himself look good, he liked incompetent people around him. So he'd intercept my mail and try to recruit plan administrators to complain about me. He only found one, who he claimed was a superstar. I proved she was lying, but it didn't matter. When the Chief Operating Officer is out to get you, it's time to go. People come to work for you, they don't go to be abused. Leave your tough love at home. Employees want to be treated with respect and appreciated. It's just simple. The only way I found to grow as a human being is to understand how my actions affect others. If I'm yelling at people when they make errors and don't commend them on their great work, I will come off badly. When working for someone, it's not always about the money. Feeling appreciated makes the day work easier. When going to work felt like going to high school every morning and worrying about what was going to happen next, it was just hard to. I was motivated to do the best job I could.

Don't mistake longevity for loyalty.

I understand why loyalty is a big deal,

I've been happily married for 20 years. Loyalty is a devotion to a person, place, or thing. Again, loyalty is a two-way street. Hard to expect loyalty from people when you're not loyal to them. The biggest problem I ever had about loyalty is that outside of this job, I never stayed at a job for more than 5 years. Again, maybe I was a malcontent, but maybe some people aren't meant to work for others. I think I just worked for smaller companies that couldn't offer me the salary or benefits that I

wanted. So when it came to loyalty, I was always surrounded by people at places who were there for much longer than I was. At that TPA, we had a couple of people who had been there since the day of the firm 20 years earlier. While two of these people were perceived as loyal because of their longevity, I think the only reason they were still there was because they had nowhere else to go. They were incompetent employees and probably could never find gainful employment with a similar position and similar pay. We had an ineffectual actuary who was being replaced by another as lead actuary and he wasn't fired simply because of longevity. Never confuse longevity with loyalty, just like you should never judge someone solely based on years of experience.

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