

Please note: This is a transcription so there may be slight grammatical errors.

Hello, and welcome to Revamping Retirement, a podcast brought to you by CAPTRUST, where we explore the opportunities and challenges facing today's retirement plan sponsors and fiduciaries. Our hosts, Jennifer Doss and Scott Matheson, lead the employer sponsored retirement plan practice at CAPTRUST, one of the largest registered investment advisors in the U.S., and a thought leader in the retirement plan advisory and consulting space. We hope you enjoy Revamping Retirement.

Scott Matheson:

All right, welcome back folks to another episode of Revamping Retirement. I'm your co-host, Scott Matheson, joined by Jennifer Doss, the better cohost. Jennifer, welcome back. We brought on Greg Middleton today. I'm excited to have him. You and I have known Greg for a long time. Greg has been at CAPTRUST for more than 20 years. He's a senior director in our marketing group, who actually runs our business development and sales enablement group. We have him here for two reasons today. Reason number one is that Greg actually hosted a really great webinar on the 12th of August with two of our colleagues, Travis Whitten and Emily Wrightson, on conducting an adviser RFP in the post pandemic world, best practice sharing there. I was looking at that debating whether or not that we are in the post pandemic world, but we'll probably hit on that point a little bit later.

Scott Matheson:

But he's here for a second reason, which is for me, the more important reason, because Jennifer, when we started this podcast and took it over from Mike Webb, Greg came to me and bet me 50 bucks that we weren't going to get past three episodes, and this is our fourth episode. So I'm just here, he's here so that we can collect. So Greg, did you bring your wallet?

Greg Middleton:

I did not.

Jennifer Doss:

Do I get money too?

Scott Matheson:

Well, you can get your cut. I mean, I guess you can have 25 bucks. All right.

Jennifer Doss:

Okay.

Greg Middleton:

I have Bitcoin. You guys take Bitcoin?

Scott Matheson:

I definitely take Bitcoin.

Jennifer Doss:

I do not.

Scott Matheson:

All right. All right. So this is a group of people that likes to talk. And I was looking at my show notes that our great producer, Karen McCauley, put together for me. And I guess Greg influenced these, because in my show notes for the intro, it said that I should talk about what a great guy Greg Middleton is. So I've already talked about what he does. I've talked about he's been here more than 20 years. So let me just try and add some things to talk about how great he is. I would say Greg Middleton is a so-so friend. I understand he's a mediocre husband. He's a heck of a colleague and a world-class dad. I'm kidding, of course. He's a world-class everything I just said there. And I'm glad that you're here with us, Greg.

Scott Matheson:

Why don't you do us a favor and tell us a little bit about your group here at CAPTRUST and the activity that you're seeing? Because I think I heard yesterday that we're on pace to almost double our RFP adviser, RFP volume year over year. And obviously we're going to dig into that webinar and get a little behind the scenes with you on some takeaways there too. But give us a little bit of background.

Greg Middleton:

Sure. Scott and Jennifer, thanks for having me today. The team. So our team, that's a fancy title, business development and sales enablement. What does it really mean? It means that we help our advisors grow. And I know you said I've been here 20 plus years, and really this has just been an evolution. So, you've had a small department that was a team of one helping advisors with pretty much anything they needed, whether it was a presentation, a reference list, an RFP, a booth at a conference or doing different events. And it's kind of grown now 20 years later where our marketing department is a team of 30 and my team is a team of 14. So there's 14 people now that really help with those efforts. We have almost 400 advisors who are doing a ton of business development activities.

Greg Middleton:

So we got 13, 14, really tremendous people. And they focus on stuff that, we use fancy terms, but we distill it down to there's a group that does nothing but engages the marketplace. There's a group that does nothing but make sure that we have all the right stuff available for whatever the situation is. We have a group that helps create deliverables that prospects specifically need, whether it's a first meeting, or finals or an RFP, which I think we'll talk about a little bit more today. And then we have a group that does nothing but just focuses on data, and it's data in a couple of different ways. It's the leads database, how many different types of entities are there that are in our target market that we can work with, are we engaging them, have we identified them?

Greg Middleton:

And then specifically, our own client base. We've got almost 3000 institutional relationships, a lot more wealth relationships as well. And so being able to understand the overview of, hey, which of those clients are really good references? Or which of those clients demonstrate really good experience? And so I'm very fortunate to have a bunch of experts in all those fields. But if you distill it all down, we help our advisors identify and close business, and we're the connective tissue for all the different subject matter experts in the firm that work together to help make that outcome possible.

Jennifer Doss:

So what I heard Greg, is you have about 14 people making you look good every day.

Greg Middleton:

Every day, yes.

Jennifer Doss:

Okay. All right. Just want to make sure I summed it up correctly.

Greg Middleton:

Yeah. They actually typed up all my speakers notes for today, so I needed to make sure that I did that.

Jennifer Doss:

That's fantastic. All right. Well, let's talk about the webinar that you, Emily and Travis did on the 12th. So in that webinar, we did talk about post COVID. Again, we can kind of talk about whether that's the case or not. But you guys talked specifically about whether COVID, what impact that's had on the adviser RFP world, and specifically, I think you touched on a really interesting point and that we've seen play out, that I'd ask you to talk about, which was through all these recent challenges that plan sponsors have gone through, you really to see how your advisor reacted, how your service provider reacted, and whether you were happy with those services that you received.

Jennifer Doss:

Those were some hard times to help people through and very chaotic. And at the end of the day, you turn around and say, was I happy with what I got? Or is there something better out there? So talk a little bit about that. That increased volume that you guys talk about, do you think that this year that's related to a backup in demand basically from what we saw last year, or do you think that is related to those plan sponsors kind of reassessing their relationship?

Greg Middleton:

I think it's both. I think what you can say is, the impact of COVID, I think it's funny, there's a duality of the impact. It impacted in a couple of different ways, and it's probably very recent and probably painful. But from my experience, it's very consistent. And what I mean by that is, I think we're on pace right now as a firm to respond to 400 advisor RFPs. I have either, my 20, 21 years here, we really started responding to RFPs in 2002, and I think that year, our first year, genuinely engaging that approach, I think we did six. And so we've seen this steady progression over the years. And I think last year we saw a 10% reduction, this year we've seen a 50% increase.

Greg Middleton:

And if I can take a step back, just the RFP process in and of itself, our team over that period of time, we've touched or seen probably 3000 or so different types of RFPs. And we've seen them in all different shapes and sizes, whether it's a million dollar startup or a \$6 billion multinational firm, all different types of entities. And so we've seen the range of it, and so we feel very confident. But for plan sponsors, they probably have done two of these total, and they do it every three to five years. And-

Greg Middleton:

Total, right? And they do it every three to five years. And what ends up happening is you got to remember that the RFP really is an evaluation process. It's a filter process. They want to go through and screen out, they've got five to eight, maybe 10 different people that they like that they've heard of. So how do I get it down or how do they get it down to three or four? And so the three or four that they get it down to, they base it off of what these responses tell them. And so for that process, the filtering process, the first cut at it is very similar to how the RFP template ends up. 80% of most RFP templates are very standardized. It is the check the box, very binary. You have the advisory firm that's responding. They are a fiduciary or not. They have resources or they don't, they have a process or they don't. And so the vetting of that happens pretty systematically.

Greg Middleton:

And then the last 20% of the RFP really are things that are specific to that entity. Why are they going out to RFP? Are they having problems with deferral rates? Are they having problems with their provider or are they having problems with discrimination testing? Whatever it is, that's what that last 20% is. And they want to see how the responding firms address those topics. And that really like distinguishes all of them. And so from that 80/20, I'll transition that to the 80/20 of what a fiduciary is supposed to do. So 80% of the time they're going to cover normal foundational elements to your plan to make sure things are in order. But that 20% really addresses things that pop up every five to eight years that really nobody planned for. But it's got a very serious impact on your plan and you need guidance, right? You need an ability to navigate through that, knowing that managing your retirement plan is not your full-time job.

Greg Middleton:

And so during my 20 years, examples of those are the Enron Scandal, right? Sarbanes-Oxley, the mutual fund scandal, The Great Recession, the Pension Protection Act and then most recently, everything that we've experienced over the last 15 months with what's happened with COVID. And so for that, those things that pop up really are when you need an advisor the most, because those are the unique things that really can have a dramatic impact on your plan or how you're administering it, or really your ability to accomplish the goals and objectives for the plan. And when that happens, what better validation do you have that you either made a good decision or you didn't because that advisor delivers it.

Greg Middleton:

So Jennifer, if I'm answering your question, what happened last year is when COVID happened, I'm sure a ton of people did not have COVID on their to do list in 2020. They probably had an RFP that got delayed because they had to figure out how their organization was going to respond to COVID. Do we transition the work forced to virtual? Does the company stay in business? And so a lot of those decisions we saw a lot of activity through March and then it just kind of came to a halt or the stuff that was happening, deadlines kept getting extended as to when they were going to make a decision or when they were going to work on it. And so we have seen some of that stabilize and probably a lot of the RFPs that were going to happen, we have seen an uptick, probably a 50% uptick this year, an activity compared to last year.

Greg Middleton:

But the other opportunity, that duality aspect that I mentioned, not only did COVID interrupt their ability to do an RFP, but it also gave them an opportunity to really evaluate if they have the right partners in place helping them navigate through things like the Rescue Plan or the CARES Act, or more

specifically, you think about all the participants who probably had a ton of questions immediately about financial wellbeing, or can I take a loan or what type of advice can you give me? And you've hired people to give you those resources, you may or may not have leaned on them in past years, but you probably needed them over the last 15 months. And if you weren't happy with what happened, we're seeing a driver of that too. There were some things that maybe they had an allocation that didn't pan out well, based on the volatility of the market.

Greg Middleton:

And so all of those things rolled into one, those are good opportunities and good drivers of why RFPs have happened. And we've seen in some of the RFPs, we've seen some questions about how have you responded to your clients over the last 15 months? So it's probably a much longer answer than you look for, but that's really been the impact of what the last I would say year or so has had. We've seen an uptick in activity. I think it's a combination of people got distracted or got delayed. And I think people weren't happy with some of the services that they thought they were getting from their partner providers.

Scott Matheson:

Yeah. It's such a good point too. And just hearing you talk about all the things because you and I have a comparable career span data, I think I got you by a year data back to the nineties, in this industry. And so reliving all those different ten-year floods, which seemed to happen more frequently than 10 years for sure, but I think the RFP tie back that you point out is so good, which is that there's this Pareto principle, right? There's this 80% that really, it's just checking a box and make sure you can walk and chew gum at the same time and you have the appropriate credibility to be in the business. But the difference makers is really that 20% where it's case studies and things of that nature. And I'm sure you also see a lot of trends pop up in new questions in that 20% we'll call it.

Scott Matheson:

And I guess, coming back to you with a question here is one of your jobs, one of the things you do, maybe it wasn't a job, it was something you innovated with your group, was trying to see where that puck is headed and make sure we're swinging at the right pitches until you see and are able to pull out a lot of market trends from RFPs. I'm just curious, what are some recent trends that you see that are worth noting in terms of questions or what people are asking us for?

Greg Middleton:

Yeah. Well, I already touched on the one aspect, we're seeing RFPs that are asking specifically what happened or what you've done over the last 15 months, which is great. And there's always going to be a version of that, but some of the other ones that are more trend oriented and I wouldn't say as maybe over the last six to eight months, maybe over the last couple years, a few things around data security, it really started off with business continuity and disaster recovery, trying to understand if something happened, do you have a backup that allows everything to be still functional as needed? And then that has trended into cybersecurity, I think we've all seen enough press over that over the last six months. But a lot of those questions really boil down to, do you even have a policy? Do you even have a department? Do you have a CTO or chief technology officer? And if so, how are you guys approaching this?

Greg Middleton:

Because I think even the Department of Labor earlier this year came out with some guidance and it varies a little bit at the advisor level. There's some specific things at the provider level, the record-keeper level that probably have more access to employee level, there's more detailed information. But in general, they just want to know what our opinion is or what our approach is on that. A couple others that come to mind, ESG investing, diversity, DEI, they want to know what our opinion is or what our capabilities are in both of those. And then trying to understand our opinion about recent, people want to know your experience with their current providers. And they also want to know your opinion about different things that have happened in the-

Greg Middleton:

And they also want to know your opinion about different things that have happened in the marketplace, like recent consolidations and how that's happening. So those are just a couple of things that have popped up, as far as the last, I'd say probably three years or so, that are on the minds of plan sponsors.

Jennifer Doss:

Okay. Great, Greg. Well, thank you very much. We're actually going to take a quick break so you can gather your thoughts. And I need you to get ready, because we saved all the hard questions for when we come back. But right now we're going to take a break to hear from Mike Webb with our minute from Mike. So Mike, take it away.

Mike Webb:

Thanks, Jennifer and Scott. When people hear health savings accounts, or HSAs for short, they typically don't think retirement. However, HSAs can partner well with traditional retirement savings plans, such as 401ks and 403bs. And in some ways, HSA plans can be as good or even better than those accounts. But what is an HSA anyway? Let's first start with high deductible health plans, because that's the key to HSAs. In a high deductible health plan, employees must meet a minimum spend of medical expenses before insurance picks up any part of the tab. In those arrangements, an HSA serves as a vehicle to save money for those out-of-pocket expenses. HSAs are only available to employees who participate in these high deductible health plans. So simply put, no high deductible healthcare plan, no HSA.

Mike Webb:

So what does healthcare savings have to do with retirement anyway? Well, let's talk taxes first. Like 401k and 403b plans, HSA contributions are not subject to federal income taxes or state taxes in most states. However, unlike 401ks and 403bs, HSAs avoid FICA or FICA Medicare taxes, so that's a key to retirement savings. HSAs avoid all the taxes, not just income. But here's what HSAs also see an advantage over retirement accounts; HSA account balances, including any earnings, are not only not taxed when you put the money in, but they're tax-free at distribution as well when used for medical expenses. Now, if they're not used for medical expenses and taken at age 65 or later, they are taxed exactly like 401k or 403b distributions, that is as ordinary income. Now, withdrawals for nonmedical expenses prior to age 65 are subject to a 20% penalty.

Mike Webb:

Now, HSAs also are confused with FSAs, or flexible spending accounts, but unlike FSAs, HSAs are not use it or lose it vehicles. If you don't spend all your HSA savings on your healthcare needs during a given year, that money gets rolled over to your following year and it can grow just like a 401k and 403b can. But here's the HSA catch: compared to retirement plans, the contribution limits are low; 3,600 for

individuals with self-only medical coverage, and only 7,200 for family coverage per year. There's an age 55 catch-up as well, but that's only a thousand dollars a year. Ultimately, HSAs for those employees would access to them, however, should be considered as part of a thorough and thoughtful retirement savings plan. For revamping retirement, I'm Mike Webb, and this has been your minute with Mike. Now back to Jennifer and Scott.

Jennifer Doss:

All right, thanks Mike. Appreciate it. We are back with Greg Middleton. And again, I promised him to all the hard questions are going to come next. So I do want to ask actually kind of a hard one, I think, for us, that's really important to us. So I want to talk about the role of culture. You talked about that 80:20. And I'm sure in the 20%, there's ... in the 80, you talk about maybe a firm's resources. How many people do you have doing this? How many people do you have doing that? But maybe in the 20, you try to hit on the culture of the firm when you're trying to select them and make sure there's a good fit. I guess can you talk about why that's important, and what are some of maybe the questions that plan sponsors are asking to kind of gauge that cultural fit?

Greg Middleton:

Yeah. The cultural aspect, ultimately it's the tiebreaker, because if this is a vetting process, you started out with more than five, you get it down to three. Three of them have ... these are your finalists, you've got them in person, you narrow it down to two. They look so even on paper, what's tie-breaker? What's something that will distinguish one versus the other, based on whatever you're trying to achieve with the outcome of your process? That's something that we've seen that you shouldn't really gloss over. It should be something that you should focus on. And it ultimately defines your relationship, because this is not a transactional process. You are hiring a partner. You are going to be working with them for hopefully years to come, so you want to make sure that they're a good fit.

Greg Middleton:

And to your point, yes, they are technically sound, but are they good people? Do they align with your organization? Will they respond to your call in a timely way, in the right way? And culture is a big driver of that. A few different ways that that's been asked or the ways that are probably most telling is hopefully everybody has a mission statement or core values. So you want to be prepared to talk about that or ask those questions. You also want to talk about ... and I know a lot of people talk about conflicts and tell me how your employees are compensated. Is it by certain measures? Because you want to look for independence and objectivity, but some of the real telling questions is tell us how you recruit quality individuals. Tell us what you do to reward good employees. Tell us what you do to help their professional growth and development. Tell us what you do for your environment.

Greg Middleton:

How would you measure a successful environment? How would you measure a successful relationship with us? Those are a couple of areas that are good, but the ones that really hit home is when the organization itself has a mission statement or they have core values, or they have a vision statement, or they have things they want to achieve. And they specifically ask, what are you going to do to help us achieve this? Or how do you feel that your mission or your values align with our mission and our values? And those are really unique questions that I think if ... I don't think it's ... they're not hard, because they should be genuine. Responses should be genuine, and if you see it on paper, it should create a clear cut match and selection for an advisor partner. But that's how it's evolved. And again, it's the plan sponsor's

preference if they want to go that deep into it, but when we've seen it, it really solidifies the decision and the match in the end.

Scott Matheson:

Yeah, that's so good. And people talk about cultural the time, and it's what is culture? It's really just how you treat other people and how you feel when you're treated by those other people in an organization or with clients. And so much of that shared value is important there. And I think you hit on it right. Our best relationships with our clients are not just transactional, they're deep relationships. And you got to have shared values and aligned interest, for sure.

Scott Matheson:

All right, I'm going to deviate from Jennifer's plan to ask you a bunch of hard questions. I'm going to ask you a little bit of ... we'll switch it to be more on a lighter note, if you will. We're pretty interested now, because you've seen, I don't know how many questions, but it's got to be in the tens of thousands.

Greg Middleton:

Hundreds.

Scott Matheson:

Hundreds of thousands? Okay. Always having to one-up me. Tens of thousands would have been fine, Greg.

Greg Middleton:

Accuracy.

Scott Matheson:

Okay, accuracy is fine too. All right. So then of all those ... I hope you read them all before you came now that I'm going to ask you this question, which is what would you say was the best RFP question you've ever gotten? And then go ahead and tell me what the worst or most obscure or head-scratching question you've ever gotten was.

Greg Middleton:

Best question, I mean, I hate to say it, but we just talked about it. It's the cultural ones, because it's the one that you actually can pour your heart into if you're ... I know it sounds dopey or a little altruistic, but if you're really demonstrating your value and your ... it's just -

Greg Middleton:

If you're really demonstrating your value it's awesome to be able to write that type of stuff. So any version of that is my answer for the best or worst.

Scott Matheson:

What's that, it didn't sound dopey, Greg, as much as it sounded like you just took the easy way out of answering that question. But I would agree with you. That is probably the best.

Greg Middleton:

Thank you. For the worst question, it's actually a tie. For some of the entities that are multinationals or that have massive procurement departments there's some forms or attestations or responses that are mandatory, such as treaties that are happening in the Middle East, or our opinion about certain bands in like Northern Ireland or things that are going on in the Sudan. And you were like, "This has nothing to do with retirement plans," but it's part of the process to where you have to fill these things out because it's a multinational organization and these are things that are part of their purchasing and procurement. And we have to actually put content together for that.

Greg Middleton:

So that was a new one. But the other one that you just shake your head at, was sometimes for whatever reason, the plan sponsor puts page limitations or restrictions on what they want to get back, which is fine. If they're sending out to 20 people, they don't want to read thousands of pages. They want to trim it down, which is fine. But one of them was just so unreasonable. They said that your response could not be more than five pages, which is like, "Okay, we can work around that." Guys, their list of questions was six pages. So they gave us six pages of questions and they said your response has to be five pages or less. And it's hard because you want to assume positive intent or positive intelligence. And so you're engaging with that person to say, "Hey, I just want to respectfully ask." And they were very like adamant, "No. Five pages and that's it." And so that was a unique one. But yeah, those are the ones that pop up top of mind.

Scott Matheson:

Smallest font we've ever used on an RFP response.

Jennifer Doss:

That's where I was going margins and font. Yeah.

Greg Middleton:

Nicely done. High School and college term paper experience kicked in on that one.

Jennifer Doss:

Oh, you can put links to other places. I wonder if you could have done that, Greg?

Greg Middleton:

There were a ton of attachments. They were like, "Please see attached. Please see this. Please see that." That's how we got through.

Jennifer Doss:

Yeah. Yeah. Okay. All right. Last question. And I do actually think this one's a hard one because it's personal and that's why we kind of like to, again, retirement's personal. We like to ask this question of all of our guests. So Greg, we want to know what does retirement look like for you, Greg Middleton?

Greg Middleton:

What are my choices? What are the options? Is this a multiple choice question?

Jennifer Doss:

The world is your oyster, Greg.

Greg Middleton:

Oh, wow. That's a good one.

Jennifer Doss:

You can just continue to work here. I mean, that can be your retirement if you want. But I'm giving you options.

Greg Middleton:

Good. Well, hopefully it's prolonged, right? Let's hope it's not just one year or two years. So let's start with that. Now, I don't know if I have a set plan for it, but I do know the components of it that I'd like to enjoy. I do want it to be an active retirement full of experiences, right? You want to go and have just a very rich and fulfilled life and that's what I want. I'm full of experience. I would prefer experiences. We have a 10-year-old and a six-year-old. We have a son and a daughter. And we talk about, we want to make sure we're giving them experiences and not stuff. And so trying to have as many of those things happen, but then not wait until you're "retired." Try to squeeze as many of those things in now while you can. And then as they get older, have other experiences.

Greg Middleton:

But one thing that's on my bucket list and I get jealous from other coworkers who just came back. We had one who just did this trip and I'm insanely jealous, but I want to pack the kids up and the family up in an RV and drive across country like Clark Griswold. I want to go explore and go see a bunch of different things. And so, I'd probably simplify it Jennifer, and just say just an active retirement full of experiences that are rewarding and shared with friends and family and people I care about.

Scott Matheson:

That's really good.

Jennifer Doss:

Yeah, perfect.

Scott Matheson:

It's also going to be great to see Greg going across country in an RV with a 30 and 26 year old kid by the time he retires.

Jennifer Doss:

All right, Greg. Well, we really appreciate your time. Thank you for joining us today and diving deep with us. All right, that's going to do it for our podcast today. Just as a reminder, if you do want to listen to the webinar that we were talking about, Greg, that he did on the 12th of August, you can get that replay on our website. That would be great. And then also, we know that you guys are super excited every time we come out with one of these episodes, and you want to know when it's ready. The best way to do that subscribe via your favorite podcast app. We also want to hear from you. So if you want some feedback, if it's about Greg, that's okay. If it's about Scott and me we may read it. But anyway, leave us a review. Let us know if you have any questions and thanks for joining us today.

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