

Another Perspective on the Market & Consolidation

The Market

The DOW, NASDAQ and essentially all other indices have been experiencing quite a bit of volatility the last month or so – with the DOW itself off a bit north of 5% since the same time last year. For the last couple of years, we have been fortunate to have not experienced much volatility in the markets at all. It's worth noting that over the last 20 years, we have experienced 11 instances where the market has declined 5 points or more. We began January 2000 with a DOW just over 11,500, and as of this writing it is 23,700. Unemployment is at record lows, more jobs were added in December than anticipated, and we're in our 9th year of wage growth.

DC Markets

As of 12/31/17, there were approximately 105 million DC participants in 694,000 plans. The increase in participant count represents a 9% improvement since 2012. Most DC plan providers have developed products and services for advisors and plan sponsors across all market segments. You have built products that will enable participants to attain positive retirement outcomes. All at a reasonable cost to participants and sponsors. This is the true definition of value.

But there is still lots of ground to cover and opportunity to seize. We estimate roughly 10 million under-invested or uninvested individuals in companies where plans exist today. Additionally, approximately 75% of companies with less than 100 employees are not sponsoring a plan. For those providers serving the small and micro segments, and to those recently entering or re-entering the space, we say cheers!

Consolidation

Consolidation in our industry is talked about nearly as often as margin pressure. No one can predict what will happen relative to future M&A. Scale has been the goal of most providers. It is worth noting that all scale DC recordkeepers, measured by participants served, have essentially reached this level organically. As a matter of fact, there have only been a few scale providers that have increased the number of participants served over the last 20 years through acquisition.

So, keep up your good work with a little perspective. Happy New Year!

John