What financial recordkeepers get wrong serving smaller markets (and how they can get it right)





Because fee pressure and scale competition have reduced their margins at large retirement plans, recordkeepers are turning their gaze down-market. This isn't a new niche for them. Most recordkeepers already serve smaller markets, including direct plans and pooled employer plans (PEPs). However, advisors in this segment often have unsatisfactory experiences with them. With significant growth in small plans due to the Secure 2.0 Act, as well as increasing competition from wealth managers, recordkeepers need to focus on how to serve small plans better.

The advisor’s central role

Unlike large plans, financial advisors play a prominent role in smaller segments, determining who serves as recordkeeper and thereby has access to retirement plan and wealth management convergence. Despite this, many recordkeepers apply their large plan service model, effectively ignoring the advisors who determine their ultimate success. In fact, when we surveyed financial services advisors earlier this year on their experience with recordkeepers in March 2026, we discovered that most recordkeepers are failing the mid-size and small markets.

Two findings in particular stand out.

- The small- (up to $10 million AUM) and mid-market ($10 million to $25 million AUM) isn’t one market. It's several, with different advisor types, economics, and service expectations. Whether it’s high-touch or heavily digitized, taking the large plan model downstream ultimately fails because it’s not fit for purpose. A balance of technology and human-in-the-loop interaction is most appropriate, but that’s not what most recordkeepers offer.
- The advisor is the fulcrum. Advisors are central to the employer relationship, which makes them the key player in the smaller plan service and sales model. And strong service isn’t just resolving issues efficiently, it’s identifying potential problems before they manifest and consume the advisor’s time.

92% of financial advisors see retirement-to-wealth convergence as a continuing growth pathway over the next two to three years

48% name wealth management, rollovers or participant relationships as their primary growth engine.

Source: PwC March 2026 Distributor Survey

Recordkeepers say advisors are the key to down-market opportunities but then use a service model that ignores, underfunds, and even tries to go around them.

Design your service model from the advisor's point of view

If you serve multiple markets, you need multiple service models. An independent retail investment advisor (RIA) serving plans under 100 lives expects personal service and operates with few institutional constraints. A broker-dealer-affiliated advisor working inside parent-firm guardrails is particularly sensitive to price and most comfortable with a mixed human and automated approach. An aggregator moving down-market from large plans wants clean integration and standardized workflows.

But most recordkeepers serve each of these segments the same way. As they do with large plans, they build service around the employer. Because the employer and its consultant drive selection and renewal, large plan design runs through a benefits committee, escalations run through HR, and the relationship team is staffed, measured, and reviewed against sponsor satisfaction.

That doesn't sync with how small and mid-size plans select and retain recordkeepers. In this segment, advisors source the business, create a finalist list, and make the recommendation. The sponsor's role is typically limited to approval. In fact, only 5% of advisors say the primary reason for replacing a recordkeeper is sponsor dissatisfaction.

Even worse, advisors commonly complain that they don't feel recordkeepers respect their position. Nearly 9 of 10 advisors expect to be the primary relationship owner. Only 28% of them would accept a recordkeeper marketing directly to participants. And if they suspect you're working around rather than with them to serve clients, they'll get rid of you.

If you can't say which advisor archetype you've built your service model for, you don't have a model at all.



Your service model shouldn’t move costs to the advisor

One of the biggest problems with applying a large plan service model to smaller markets is that there’s usually no one at the recordkeeper to proactively catch a contribution file failing, a distribution being mishandled, or an implementation slipping. Instead, advisors bear service failure and remediations costs, including:

- Losing time, because the hours they spend on remediation are hours they can’t spend building the participant relationships that generate business.
- Absorbing recordkeeping costs because their time is unbilled.
- Suffering damage to their personal brand. This matters most—not just to them but to you. The advisor probably recommended you in the first place, so the advisor’s judgment can come into question if you fail.

For these reasons, 75% of small plan advisors told us they’re unlikely to reconsider a recordkeeper once trust in the relationship breaks down. Once an advisor reaches this point, any improvement you attempt will almost certainly be too late.

Consider that 36% of advisors say the strongest factor in recordkeeper retention is a consistent service team and relationship, far ahead of pricing at 19%. After all, you can quickly try to address dissatisfaction with fees by lowering them, but you can’t undo repeated service failures. And if trust vanishes, you won’t be on the advisor’s list when the next placement prospect comes around. Even worse, because advisors typically have a larger book of business than just one plan, you’ll lose the whole book, not just a single, troubled account.

How to lose an advisor’s business

An RIA has built her practice on 40 small plan clients. She recommends you to a new, $2 million plan. She then spends three months personally trying to resolve a contribution file error your service team never caught because there was no one proactively watching for it. She corrects the error herself, unbilled, and tells herself it’s a one-off. But the same thing happens on another plan six months later. By the third failure, she doesn’t even bother filing a complaint. She quietly moves all 40 plans to another recordkeeper, and you don’t find out why until the assets are already gone.

Service failures don’t cost you a single plan. They cost you an advisor’s entire book of business.

Invest in what matters most

Mid-size and small plan advisors obviously value affordability and dependability. But recordkeepers should also know what advisors value least. Things that advisors deemed of little importance in our survey include digital tools, brand and scale, and sales and prospecting support. In distinct contrast, 84% of small-plan advisors prefer strong, consistent service with a simple platform.

Yet most recordkeepers get this backwards. Because digital features and brand are visible in the market and read as top-line growth, that's where recordkeepers tend to invest, while treating service as a cost. This means they're funding what advisors don't really care about and underfunding what advisors want most.

Designing a service model around the advisor goes beyond dashboards and portals to keeping humans in the loop. It determines what's resolved digitally, where human support is necessary and expected, and how proactive intervention can prevent relationship breakdowns and loss of trust.





AI is a chance to rethink service, not just automate it

AI can help. Recordkeepers look at it as a way to enhance efficiency and reduce costs. Keep in mind though that AI as just an efficiency play is unlikely to change your existing service model. But by integrating it into your service design, you can give advisors what they really value, namely service failure prevention while still improving efficiency and economy.

To drive this point home, 30% of small-plan advisors want AI to detect errors before they become issues, and 22% say it needs to flag plans or participants that need advisor attention. This is well ahead of any other use case, including enhancing participant self-service (13%) and drafting communications (10%). Moreover, 58% of advisors are uncomfortable with AI recommending specific actions without their review.

This necessitates a human-in-the-loop model where AI anticipates issues, surfaces priorities and simplifies routine work, while advisors make decisions when judgment and relationship context matter most.

The importance of quality data

For AI and other automation to help advisors make appropriate client decisions at the most opportune times, underlying data needs to indicate who needs what, when, and why. That's an insight issue before it's a service concern. If you're serious about this segment, you'll dig into your own data and augment it with detailed and objective mid- and small market analysis.

This will require considerable effort. Data fragmentation across systems, functions, and interactions is a sector-wide issue. It impedes building a complete view of a relationship and how to proactively serve customers. If you don't defragment data, AI and other forms of automation will be confined to isolated, point-in-time fixes with no connection to the whole.

On the plus side, you probably already have more than enough raw material to get started. Recordkeepers have enormous amounts of data on plans, employers, participants, and service interactions. In fact, advisors already value it because it helps them deepen existing relationships and find new opportunities.

But you're not going to have all the information you need in-house. Advisors and employers have the rest of it. And this data interdependence underlines why recordkeeper desire to own participant relationships is self-defeating. If you eliminate advisors to get closer to assets, you won't just lose their trust, you'll lose the context that makes proactive service possible.

Advisors have unique insights into sponsor concerns, participants at or nearing a key life moment, and where service issues could surface.

If you can connect these signals from across the entire plan ecosystem, you'll be able to anticipate advisor needs and deliver targeted service at scale, with a service model that's simultaneously effective, dependable, and economical.



What you should do now

Align your priorities with the market. Establish a service model that maps to service mix and unit economics. Fund what this segment values most—ease of doing business and consistent service. Don't focus on the bells and whistles that advisors don't value.

Build a human in the loop service model. Combine human, digital and AI-enabled interaction, rather than defaulting to a single high-touch or digital-first model. This will provide advisors the support they need at a level of investment that makes economic sense for you.

Consider starting with an AI use case advisors have already asked for, like detecting errors before they become an issue. Particular pain points are contribution files and distributions. They experience common failures that cost advisors unbilled hours and their credibility with sponsors. Pilot AI-driven monitoring and pair every flag with a named human owner who acts on it, not a dashboard the advisor has to check. But first prove the model on one failure point before rebuilding the entire service organization around it.

Strengthen market insight. Connect recordkeeper, advisor, and sponsor data to take advantage of new opportunities and provide proactive service. Learn what advisors and sponsors know that you may be unaware of, including context outside your own systems. Because advisors leave quietly and won't provide sponsor-satisfaction-style feedback, you need metrics that catch problems before entire books walk. Track leading indicators of what breaks advisor trust, including time-to-resolution on advisor-flagged issues.

About the Distributor Survey

PwC's Distributor Survey took place online in Q1 2026. Participants included 344 financial advisors actively involved in retirement plan recordkeeper selection or oversight. They spanned four advisor firm types (broker/dealer, independent RIA, global/national FS, national advisory platform) and eight plan size segments, ranging from under $1M to over $100M in plan AUA. 138 participants were from plans with less than 100 lives.

The survey explored advisors' influence on recordkeeper selection and plan distribution/rollover decisions, the reasons behind switching recordkeepers, how advisors value service versus cost, current and desired use of AI in prospecting and servicing, and appetite for retirement-to-wealth convergence. Questions combined structured closed-ended formats with open-ended qualitative responses.



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Of further interest

How carriers can unite health, wealth and longevity

The increasingly strategic role of insurance brokers and independent agencies

AI and the insurance workforce

Releasing the handbrake on insurance service



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