



INTERVIEW - Chad Parks: President and CEO, The Online 401(k)

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CHAD PARKS started his career in finance 12 years ago as a broker in **PIPER JAFFRAY's** San Francisco office. In 1999 he created *The Online 401(k)*, which offers recordkeeping and other retirement plan services to more than 2,500 small businesses.

What is the challenge of being an online-based shop compared to a traditional shop?

Chad Parks

CP: People have this impression that they have to do everything themselves and there is no one there to help them. But we do have customer service people to talk to. Also, plan sponsors have these expectations that we have representatives who will come out and meet them. That is not what we do.

Where do you see online services for the industry heading?

CP: The big deal for Internet business used to be online access. This meant giving people things to look at such as their bank account. But they couldn't do anything else. That has changed obviously. So the big push for the online industry is to let people have more control. For example, electronic filings of 5500 forms are a big concern.

Another big push for us is to build the next generation client relationship manager tool. This will let participants ask about how their plan is designed and get an immediate answer.

Who is your target audience and how do you attract them?

CP: From day one we have targeted small businesses, and by small I mean 50 or fewer employees. Our statistics tell us that six out of seven companies in the U.S. have less than 100 employees and 65% of those companies don't have a 401(k) plan. For us that is a huge opportunity. Our average account size is \$250,000.

What is The Online 401(k)'s biggest competitive challenge?

CP: The lack of decision on the part of so many businesses is our biggest concern. Last year we generated 1,800 sales leads, but only got 18% of those. We wondered if we had lost to our competitors. The answer is no. We simply did not stress enough to those companies we spoke with the importance of a retirement plan. It is so hard to get people to associate retirement to an immediate gratification when it's something that takes place down the road.

How does The Online 401(k) plan to expand its business?

CP: We have a few things we are looking at. There are no firm decisions yet, but we are considering health savings accounts and other ancillary insurance products. We are also looking at partnering with more payroll companies and expanding our services there. We would never set up our own shop because we already have agreements with a few companies and don't want to tread on their business.

How is the Internet ahead of the curve and where is it lacking?

CP: We have a phrase around the office which is "paperless administration." We strive to use as little paper as possible. We are now about 85% paperless, which is pretty significant. This is the reason why I think the Internet is ahead of the curve. Sponsors have all the information right there and they can track everything in real time.

The lack of human interaction is the biggest problem facing the Internet. But I think that is changing. People--mainly younger people--are becoming more comfortable with using online services. Just think of how many people use online banking and online travel services and so on.

Has the firm looked at adding an asset management business?

CP: The Online 401(k) talked about that before, but we decided against it because we just didn't have the capabilities. If we were to add an asset management side, my guess is that we would focus on target-date products. I believe target-date funds have a place in 401(k)s. I also believe in passively managing funds so indexing would be the way to go.

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