STAX·AI

TPA GROWTH PLAYBOOK

A data-driven analysis of the four growth paths available to TPAs today, with original research on costs, timelines, risk profiles, and ROI.



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THE GROWTH IMPERITIVE

The Opportunity

The retirement plan market is expanding faster than at any point in the past two decades. State-level auto-IRA mandates have now launched in 18 states, with Minnesota and Hawaii joining in 2025 and New York's Secure Choice program mandating workplace participation for businesses with 10 or more employees. The SECURE 2.0 Act's mandatory auto-enrollment provisions are driving new plan creation, and the federal Saver's Match takes effect in 2027. Plan sponsors navigating this increasingly complex regulatory landscape need the expertise that TPAs provide.

The demand pipeline has never been larger. The question is whether your firm's operating model is built to capture it, or whether every new plan you onboard pushes your team closer to a breaking point.

The Paradox of Growth

For most TPAs, growth has become a paradox. Revenue goes up, but so do headcount costs. Plan count increases, but so does the complexity of managing a larger team. Margins stay flat or compress. The owner works harder every year but the business doesn't get more profitable.

This whitepaper examines why that happens and what to do about it. We analyze the four growth paths available to TPAs today: organic hiring, outsourcing, mergers and acquisitions, and AI-powered automation. For each path, we present real cost estimates, timelines, risk profiles, and margin impact. We then build a five-year financial

model showing how each path affects a mid-market TPA's profitability and enterprise value.

The findings point in one direction: for small to mid-market TPAs with fewer than 3,000 plans, investing in automation before scaling through other means delivers the highest return on investment, the lowest risk, and the most sustainable margin expansion. Not because automation is a silver bullet. Because the unit economics of every other approach work against you at this size.

4.0x
Cumulative profit gap over 5 years

5 months
Median time to positive ROI

70%
M&A deals that fail to create real value

60%
Margin achievable with automation



A Note on Perspective

Stax.ai is an automation platform for TPAs, so we have a vested interest in this conclusion. We have tried to present the analysis honestly, including the scenarios where other strategies have merit and the ways automation can underdeliver. We encourage you to build your own ROI model, run your own pilot, and verify every claim against your firm's actual economics. If the math does not work for your situation, we would rather you know that before you invest.

THE SCALING CHALLENGE: WHY GROWTH GETS HARDER

The Unit Economics Problem

At its core, TPA scaling is a unit economics problem.

The average mid-market TPA charges plan sponsors between $1,500 and $10,000 per plan per year for administration services, depending on plan type and complexity. Administration fees for a typical defined contribution plan fall in the range of $1,000 to $3,000 annually for base services and adding $500 to $1,500 and additional document or compliance fees layered on top.

On the cost side, retirement plan consulting firms pay on average, a fully loaded cost of $65,000 to $100,000 per year per head, and each can typically manage 40 to 70 plans, depending on plan complexity and the firm's technology stack. We use "per head" because:

- some firms split responsibilities (client-facing consultants and back-office administrators);
- some firms augment with outsourced services (Business Process Outsourcing, or BPO) allowing individual consultants to take on more plans, but the overall plans per head remains unchanged – or may even be lower; and
- some firms have plan consultants who do A–Z plan administration

That means the labor cost per plan ranges from roughly $1,000 to $2,500, consuming 30–60% of per-plan revenue before overhead, technology, rent, and insurance.

The math is tight. When you grow by hiring, you add revenue and labor cost in roughly equal proportion. Your top line goes up, but your margin stays flat. The only way to break this proportionality is to either

increase revenue per plan (difficult in a fee-compressed market) or decrease cost per plan (which requires doing more work with fewer people).

That is the scaling challenge in a single sentence.

Metric	Range	Notes
Revenue per plan (DC, mid-market)	$2,000 – $4,500	Blended across plan types
Admin labor cost per plan	$1,000 – $2,500	At 40 – 70 plans per head (FTE)
Tech + overhead per plan	$400 – $800	CRM, compliance engine, office, cybersecurity, legal
Gross margin per plan	$400 – $1,500	Typically 30 – 55% before owner comp
Automation platform cost per plan	$150 – $250	Range for Stax.ai CX or a combination of other platforms such as Salesforce, UiPath, Dynamis etc.

Unit economics of plan administration for a mid-market retirement plan consulting firm.

The Talent Bottleneck

Globally, 74% of employers report difficulty finding skilled workers.

In the retirement plan industry, the problem is compounded by specialization: ERISA compliance, nondiscrimination testing, plan document drafting, and trust accounting require deep domain knowledge that takes years to develop.

A new hire does not become independently productive for 12 to 18 months.

The cost of getting this wrong is severe. Replacing an experienced plan consultant costs between 50% and 200% of their annual salary when factoring in recruiting, onboarding, training, and the productivity drag on the rest of the team.

For a 10-person firm paying an average of $75,000 per employee, losing two experienced people in a year can cost $75,000 to $300,000 in direct and indirect replacement costs. That is the equivalent of one to four years of an automation platform subscription consumed by turnover alone.

Fee Compression from Both Directions

TPA margins are being squeezed from two directions simultaneously.

On the revenue side, **average plan fees continue to decline**.

Investment-related fees decreased across all plan sizes in 2025, and the emergence of low-cost bundled providers, including Human Interest, ADP, Paychex, and Guideline, is pulling pricing down in the small plan segment. A $5 million plan now averages 1.04% in total plan costs, while a $50 million plan averages 0.72%.

On the cost side, **administrator compensation is rising**.

The same talent scarcity driving recruitment challenges is pushing salaries higher for experienced professionals. Technology costs (compliance engines, document platforms, cybersecurity) are increasing. Insurance premiums are climbing.

And more recordkeepers and TPAs are beginning to raise fees to cover these rising operational costs, creating a catch-22: **raise prices and risk losing clients to bundled providers, or hold prices and watch margins erode**.

The Compounding Cost of Inaction

There is a less obvious cost that compounds silently: every year of growth on manual processes deepens the operational debt you will eventually have to repay. Every hire trained on a spreadsheet-based workflow is another person who will need retraining. Every acquired firm with a different technology stack is another system to reconcile. Every undocumented process is another liability during due diligence.

A TPA at 500 plans can implement a new operating platform in weeks. A TPA at 3,000 plans with 75 staff across three offices faces a multi-month organizational transformation.

The window of opportunity to modernize efficiently gets smaller as you grow. Firms that invest in operational infrastructure early have a structural advantage that compounds over time: every new plan and every new team member plugs into a system that is already working.

Growth without operational leverage is just a more expensive version of the same business. The goal is not to get bigger. It is to get better at getting bigger.

THE FOUR GROWTH PATHS

To make this analysis concrete, we anchor it in a realistic scenario: a mid-market TPA administering approximately 500 retirement plans with 10 full-time employees, generating $1.5 to $2 million in annual revenue. The owner's goal is to double capacity in the next two to three years.

A note on scope: *This analysis is written for TPA owners actively considering how to grow. If your firm is lifestyle-sized, profitable, and not pursuing scale, these economics may not apply. The four paths below assume growth intent and evaluate which approach delivers the best return per dollar and per hour invested.*

Organic Hiring: The Linear Path

The most intuitive growth strategy: **hire more administrators**. At a fully loaded cost of $65,000 to $85,000 per employee, doubling capacity means adding 6 to 12 full-time employees, costing $400,000 to $1 million annually. Revenue scales, but cost scales proportionally. You gain some economies of scale through shared management, but margin improvement is incremental at best.

The real constraint is talent.

Experienced plan administrators are scarce. Training a new hire to run compliance testing independently takes 12 to 18 months. During that ramp, your existing team absorbs the training burden. Hidden costs compound: turnover (50–200% of salary per departure), management overhead, and the risk that your new hires leave for a competitor before you recoup the training investment.

There is also a ceiling effect.

As your team grows from 10 to 20 to 30 people, coordination costs increase nonlinearly. Meetings multiply. Communication channels fragment. The owner spends more time managing and less time on the strategic work that built the firm in the first place.

Verdict: Linear growth, linear cost. Margins stay flat. High exposure to a labor market that is working against you. Sustainable for adding a few people, but not for the step-change most mid-market firms need.

When Hiring is the Right Call

Hiring is the best choice when you need specialized expertise that cannot be automated, such as an ERISA attorney, a senior consulting actuary, or a relationship manager for a strategic client segment.

It is also the right call when you have already automated your core workflows and need people in growth roles (sales, consulting, plan design) that require human judgment and relationship skills.

The hybrid model shown later in this whitepaper reflects this reality: automate the operational work, then hire strategically for the roles that drive revenue.

BPO and Outsourcing: The Capacity Value

Outsourcing pieces of administration, such as census processing, document drafting, and defined benefit calculations, to offshore providers or domestic BPO firms can absorb seasonal surges without permanent headcount.

Costs range from $200,000 to $500,000 annually (generally $30,000 to $50,000 per administrator based in India or Bangladesh), with operational ramp in three to six months.

But outsourcing is renting capacity, not building it. Quality control remains your responsibility.

Communication overhead is real: time zone differences, cultural context, and the need to review outsourced work add a hidden tax of 20–30% to the quoted cost.

And the price floor is rising. India, the most common destination for retirement plan outsourcing, is experiencing 10–14% annual wage inflation in key hubs like Bangalore, with call center attrition rates reaching 35%. The cost arbitrage that made BPO attractive a decade ago is narrowing.

More importantly, when the engagement ends, the knowledge walks out the door. You have not built institutional capability. You have not improved your processes. You have borrowed someone else's workforce at a variable cost that rises every year.

Verdict: Useful as a tactical complement, not a strategic foundation. Short-term relief at a rising cost, with no structural advantage.

M&A: The Step-Function Bet

Acquisitions can double your plan count overnight.

According to Fred Bloodgood's 2024 analysis in the Journal of Pension Benefits, revenue-based multiples range from 1.25x for small TPAs to 3.0x for scaled firms with positive margins and platform potential. EBITDA-based deals run from 4.0x to 9.0x depending on firm size and margin profile. For a mid-market TPA with $1.5 to $3 million in revenue, expect to invest $4.5 million to $9 million or more.

Beyond the purchase price, integration is where most deals stumble. A rigorous statistical analysis of 40,000 acquisitions worldwide over 40 years found that 70–75% fail to create value.

Post-merger, firms typically experience a 50% productivity dip immediately after close, settling into a sustained 25% drop during the integration period that can last 24 months or more. You inherit different compliance systems, different document platforms, different cultures, and different client expectations. Cultural misalignment alone accounts for 30% of failed deals.

The consolidation trend is real: Fiduciary Services Group completed its third TPA acquisition in 14 months in early 2026. MAP Retirement merged with Pension Plan Specialists and other retirement plan consulting firms to begin 2025 with over 10,000 plans. But these are firms with established platforms and integration playbooks. For a sub-3,000-plan TPA doing its first or second acquisition without a scalable operating system in place, the execution risk is formidable.

Verdict: Speed to revenue at a steep price and high execution risk. Best suited for firms that have already built a scalable operating platform and integration playbook. Without that foundation, M&A amplifies complexity more than it creates value.

When M&A is the Right Call

Acquisition is the best strategy when you need geographic expansion into a specific market, when you want to acquire a specialized capability (defined benefit expertise, ESOP administration), or when a competitor becomes available at a compelling price and you already have the operating infrastructure to absorb them quickly.

The key phrase is **"already have the infrastructure."** M&A works best as a second or third move, after you have built the platform that makes integration fast and predictable.

AI and Automation: The Multiplier

Workflow automation takes a fundamentally different approach: instead of adding people, it reclaims the time your existing team spends on repetitive, pattern-based work. Census collection and follow-up, document preparation, data scrubbing, email triage, trust reconciliation, and notice generation are tasks that consume hours of skilled administrator time but follow predictable, automatable patterns.

The economics are non-linear. When you save 30% of per-plan processing time, the effective capacity gain is not 30%. It is 43%, because the freed time is redeployed to handle work that would otherwise require additional staff. At 50% time savings, the capacity multiplier reaches 2.0x: your team of 10 effectively becomes a team of 20 in terms of output.

Internal data from Stax.ai platform migrations (based on measured before-and-after workflow times across our client base) shows median time savings of 45–51% for firms moving from manual processes, and 29% for firms upgrading from legacy TPA CRMs like PensionPro.

These figures are consistent with broader professional services research: **McKinsey reports that AI-adopting firms achieve 26–55% productivity gains**, and firms across professional services are reclaiming 15–20 hours per week from administrative tasks. We encourage prospective adopters to validate these claims through the 30-day pilot framework described later in this whitepaper using their own plans and their own data.

Cost? Typically $100 – $200 per client annually, a fraction of any other growth lever. Implementation in one to three months. And critically, the gains compound: every new plan benefits from the automation already in place. Unlike hiring, where each new employee is a standalone cost center, a platform's marginal cost per additional plan approaches zero.

What "AI-Native" Actually Means

The term "AI-native" is used frequently in technology marketing, so it is worth defining precisely. An AI-native platform is one designed from the ground up with artificial intelligence as a core architectural component, not a legacy system with AI features bolted on afterward. The practical differences matter:

- **Reasoning, not rules:** Traditional platforms execute fixed if-then rules. AI-native systems use contextual reasoning to handle variability, for example, interpreting census data that arrives in 50 different formats from 50 different payroll providers, without requiring a human to configure a rule for each one.

- **Learning, not static:** Legacy systems behave the same way on day 1,000 as they did on day 1. AI-native systems improve over time, learning from your firm's patterns to route tasks more intelligently, flag anomalies earlier, and suggest optimizations.

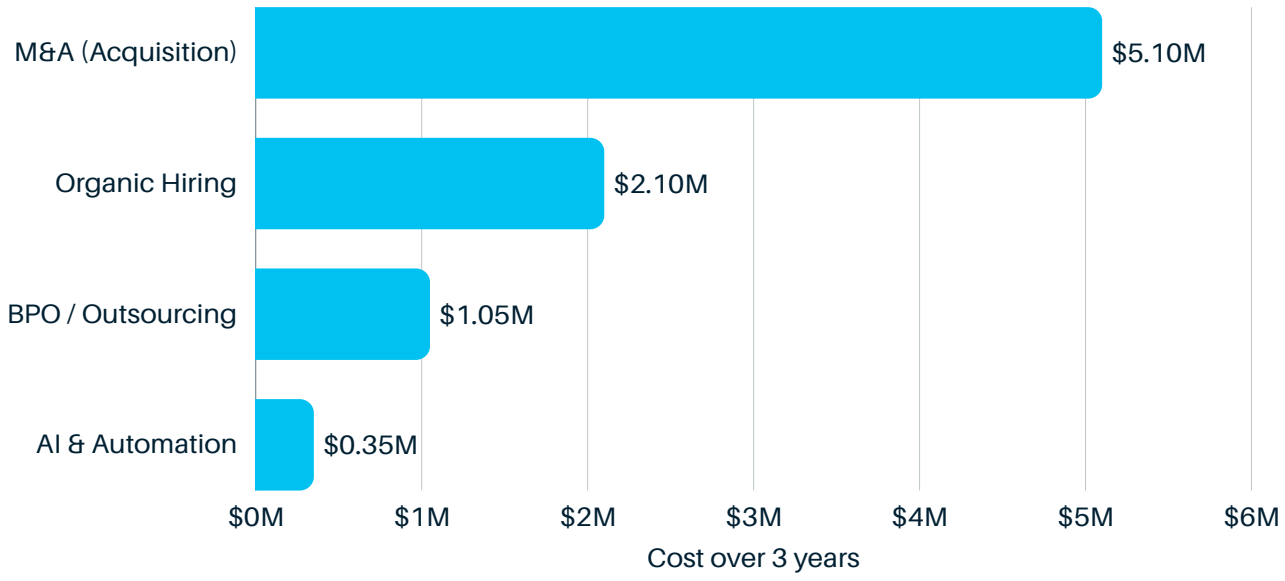
- **Workflow orchestration, not task automation**: Basic automation handles individual steps (send this email, generate this document). AI-native platforms orchestrate entire workflows end-to-end, from initial client request through final deliverable, making decisions at each junction.

- **Built for knowledge work:** TPA administration is knowledge work, not data entry. AI-native platforms are designed for the ambiguity, judgment, and context-sensitivity that knowledge work requires, augmenting human expertise rather than replacing it.

This distinction matters because not all "automation" delivers the same results. A platform that automates document generation but still requires manual data intake, manual task routing, and manual follow-up captures only a fraction of the available savings. The gains described in this whitepaper assume a platform that automates across the full workflow, not just individual steps.

Verdict: Multiplicative growth at the lowest cost and lowest risk of any path. The only strategy that structurally bends the cost curve rather than scaling it. Not a silver bullet, but the closest thing to one in this industry's toolkit.

Cost to Double Capacity for a 500-Plan TPA



Note: This chart shows the cost over three years. M&A has an up-front cost (~$3M), and then incremental headcount costs are applied.

The Comparison Matrix

Strategy	Cost over 3 years	Implement. Timeline	Revenue Timeline	Headcount	Risk	Margin Impact	Scalability
Organic Hiring	$1.2M – $3M	12 – 24 months	24 months	+6 – 12 FTE	Medium	Flat	Low
BPO / Outsourcing	$800k – $1.5M	3 – 6 months	24 months	Minimal	Medium	Slight Gain	Moderate
M&A	$4M – $8M+	24 – 36 months	On Close	+ All acquired	High	Negative (2yr)	Step-function
AI-Native Automation	$200k – $500k	1 – 3 months	6 – 18 months	0 new	Low	Expands	High

Growth strategy comparison for a 500-plan TPA firm to double

Note: For M&A, acquisition closes in 6 – 12 months, but full integration and economies of scale typically take 24 – 36 months to realize.

Reversibility is not in the comparison matrix above, but is still worth noting:

- **Organic hiring** is moderately reversible (layoffs are possible but painful).
- **BPO** can be wound down very quickly.
- **AI / Automation** platforms offer data portability and contract exit clauses.
- **M&A**, by contrast, is effectively irreversible. Once you have merged two organizations, unwinding the integration is orders of magnitude harder than undoing any other growth decision.

This makes automation a uniquely low-regret starting point: if the results disappoint, you have lost a year of subscription fees, not a $3 million acquisition.

THE ECONOMIES OF SCALE

Revenue Per Employee: The Only Metric That Matters

For any TPA evaluating growth strategies, the single most important operational metric is revenue per employee. This metric captures the essence of scaling: growing the top line faster than your cost base. A TPA generating $100,000 per employee is operating at roughly break-even after overhead. A TPA generating $200,000 per employee has room for investment, margin expansion, and resilience.

Each growth strategy affects this metric differently:

- **Organic** hiring holds revenue per employee roughly constant.
- **BPO** provides a modest lift by shifting variable labor costs off the P&L.
- **M&A** typically reduces revenue per employee in the near term due to integration overhead and duplicated roles.
- **AI / Automation** is the only strategy that structurally increases revenue per employee, because you expand capacity without expanding headcount.

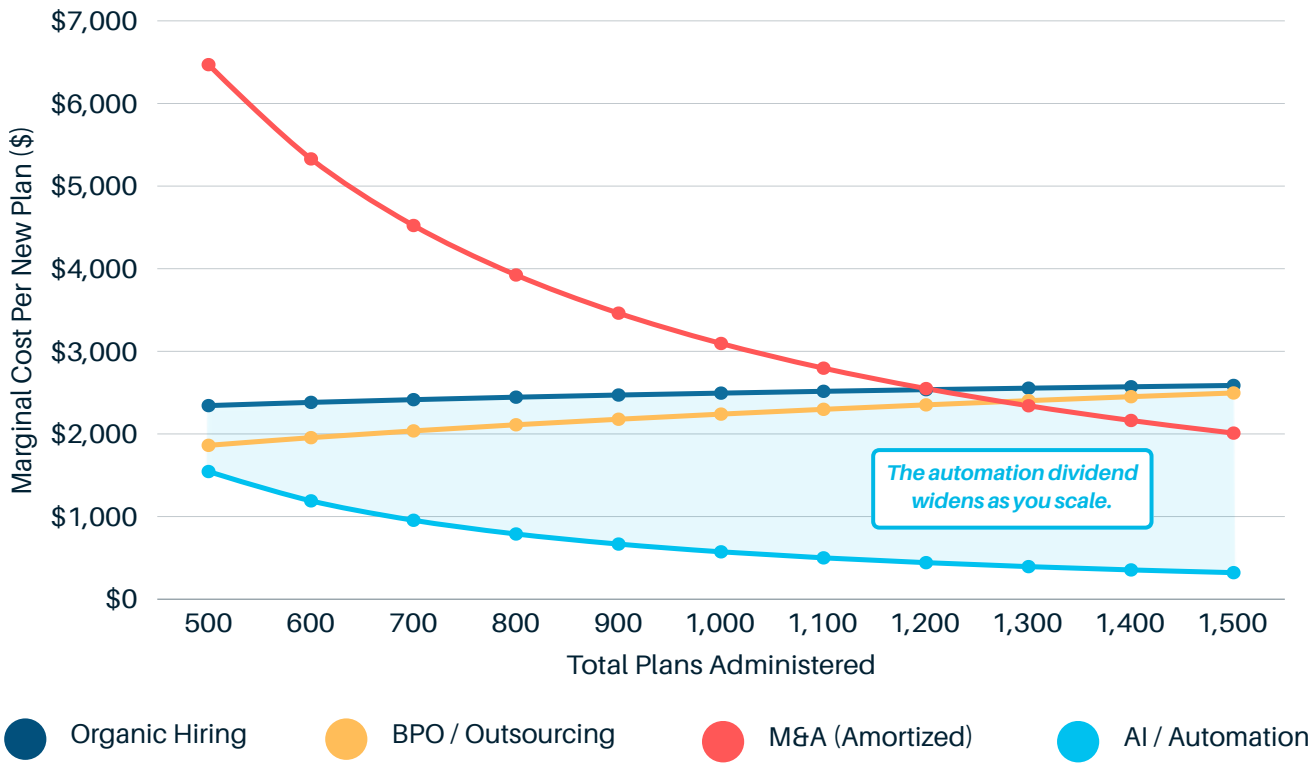
The Marginal Cost of Growth

One of the most revealing ways to compare growth strategies is by their marginal cost per incremental plan.

How much does it cost your firm to add the next 100 plans under each approach? And how does that cost change as you scale from 500 to 1,500 plans?

The divergence is dramatic. For organic hiring, the marginal cost per plan rises as you scale because experienced talent becomes harder to find and more expensive to retain. BPO costs start lower but rise with offshore wage inflation and increasing quality management overhead. M&A amortized costs start extremely high (reflecting the purchase price and integration expense) but decrease as the acquired plans generate recurring revenue. Automation costs decline steadily as the fixed platform cost is spread across more plans.

The Scaling Economics: Cost Per Increment Plan By Strategy



At 1,500 plans, the automation path costs roughly $780 per incremental plan. Hiring costs over $5,100. That difference, compounded across hundreds of plans and multiple years, is the margin expansion that transforms a business.

Time to ROI: When Does Each Strategy Pay Off?

Every growth investment has a break-even point: the moment cumulative returns exceed cumulative costs. The timeline to that point varies enormously across strategies.

Automation reaches positive ROI in approximately five months. The upfront investment is modest ($100,000 to $200,000 annually), and the capacity gains begin generating value almost immediately as your team takes on additional plans without additional labor cost.

BPO reaches break-even in approximately 18 months, reflecting the time required to offset the ongoing variable cost against incremental revenue.

Organic hiring does not reach break-even within a three-year horizon in our model, because the ongoing labor cost of new hires closely matches the incremental revenue they generate. The marginal contribution is positive but thin.

M&A has the longest and most uncertain path to break-even. The large upfront capital outlay, combined with 24 to 36 months of integration costs and the post-merger productivity dip, means that many acquisitions do not generate net positive returns for 30 to 42 months, and that assumes successful integration.

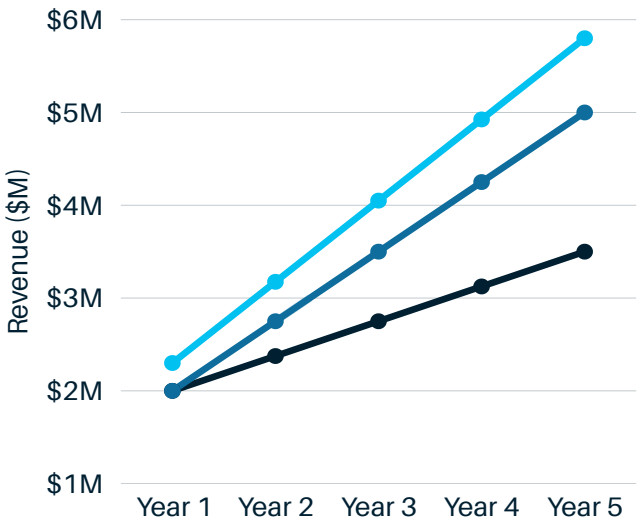
Five-Year Financial Model: Three Growth Paths

To illustrate the long-term compounding effects, we modeled three scenarios for our **500-plan TPA over five years**. All assumptions are conservative and detailed in the Appendix.

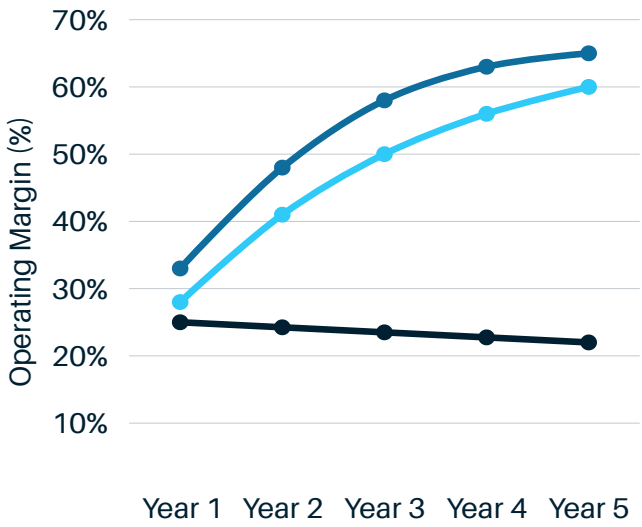
Path A — Hiring Only: Headcount rises from 10 to 22. Total incremental labor cost: roughly $5.2 million cumulative. Not all hiring is performed at once, so these costs increase as you hire. Additionally, there are recruiting and training costs Revenue grows from $2.0M to $3.8M. Operating margins remain flat at approximately 15–25%.

Five-Year Financial Model: 500-Plan TPA Growing to Scale

Revenue Growth by Strategy



Margin Trajectory by Strategy

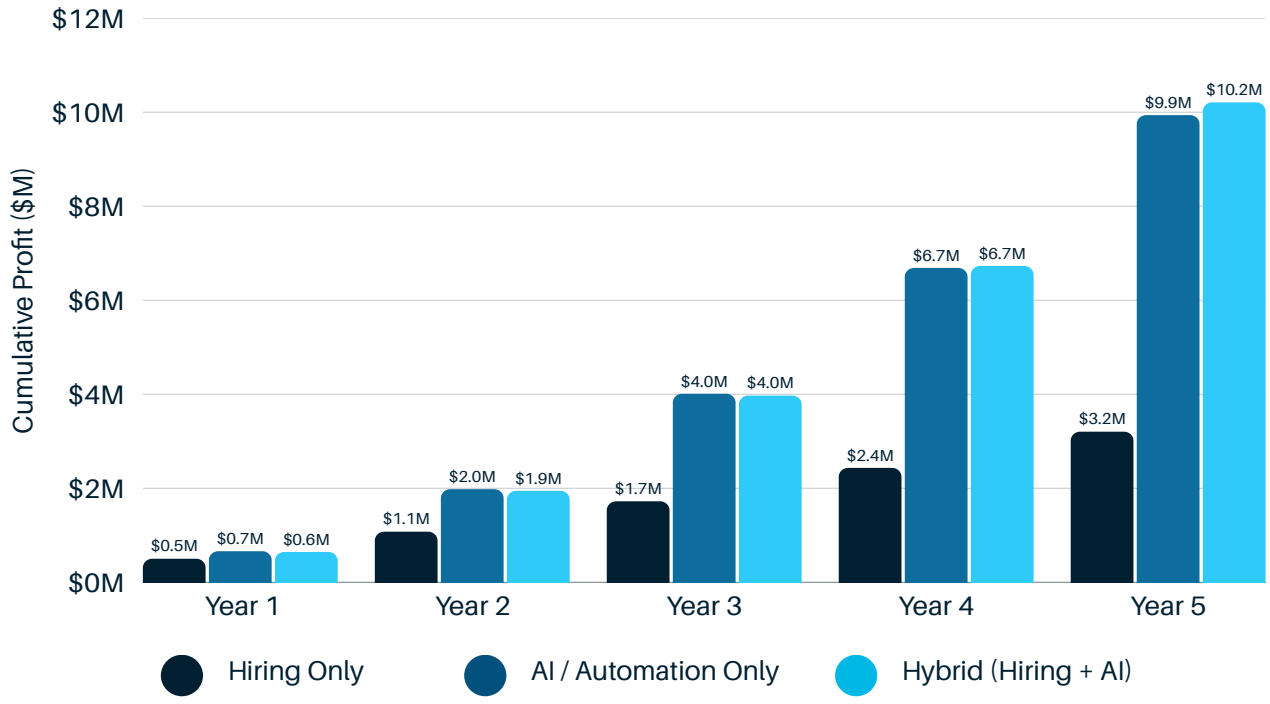


Hiring Only AI / Automation Only Hybrid (Hiring + AI)

Path B — AI / Automation Only: Headcount stays at 10–12. Platform cost: approximately $575k cumulative. Revenue grows to $5.0M as expanded capacity is deployed. Operating margins expand from 25% to 60% or greater.

Path C — Hybrid (Automation + Strategic Hiring): The firm automates first, then hires for growth roles (sales, consulting, relationship management). Headcount grows to 14. Revenue reaches $5.8M. Margins expand to approximately 60%, and every new hire is deployed in revenue-generating roles rather than operational processing.

The Automation Dividend: Cumulative Profit Over Five Years



The distinction between Path B and Path C is critical. Automation does not mean zero hiring. It means every hire is strategic rather than operational. **You hire for growth, not for capacity.**

Over five years, the Hybrid path generates $10.2 million in cumulative profit compared to $3.2 million for Hiring-only. That is a 3x difference. Even the Automation-only path produces $9.9 million, less than the Hybrid path. The automation dividend, the additional profit generated by margin expansion rather than proportional cost growth, is the **single largest economic lever available to a mid-market TPA.**

What If Automation Underdelivers?

No honest analysis should present only the median case. What happens if your firm achieves 15% time savings instead of 30–45%? This is a realistic scenario for firms that adopt automation but do not fully invest in change management, or that migrate their existing manual workflows onto the new platform without redesigning them – and expect the same kind of savings.

At 15% time savings, the productivity gain is approximately 18%, not 43%. Your team of 10 effectively becomes 11.8 rather than 14.3. The capacity gain is real but modest. Revenue might grow to $2.5 million instead of $5.0 million over five years. Operating margin expands from 25% to perhaps 35%, not 60%.

Even in this conservative scenario, the automation investment pays for itself. A $100,000 starting annual platform cost offset by an 18% capacity gain at $2 million in baseline revenue creates approximately $135,000 in addressable value, a 1.8x return.

You are still ahead of the hiring-only path, which generates no margin expansion. But the gap narrows significantly.

Key Insight

The difference between 15% time savings and 45% time savings is almost entirely determined by change management and workflow redesign.

The technology is a necessary condition, not a sufficient one. The whitepaper details how to maximize the likelihood of landing in the upper range.

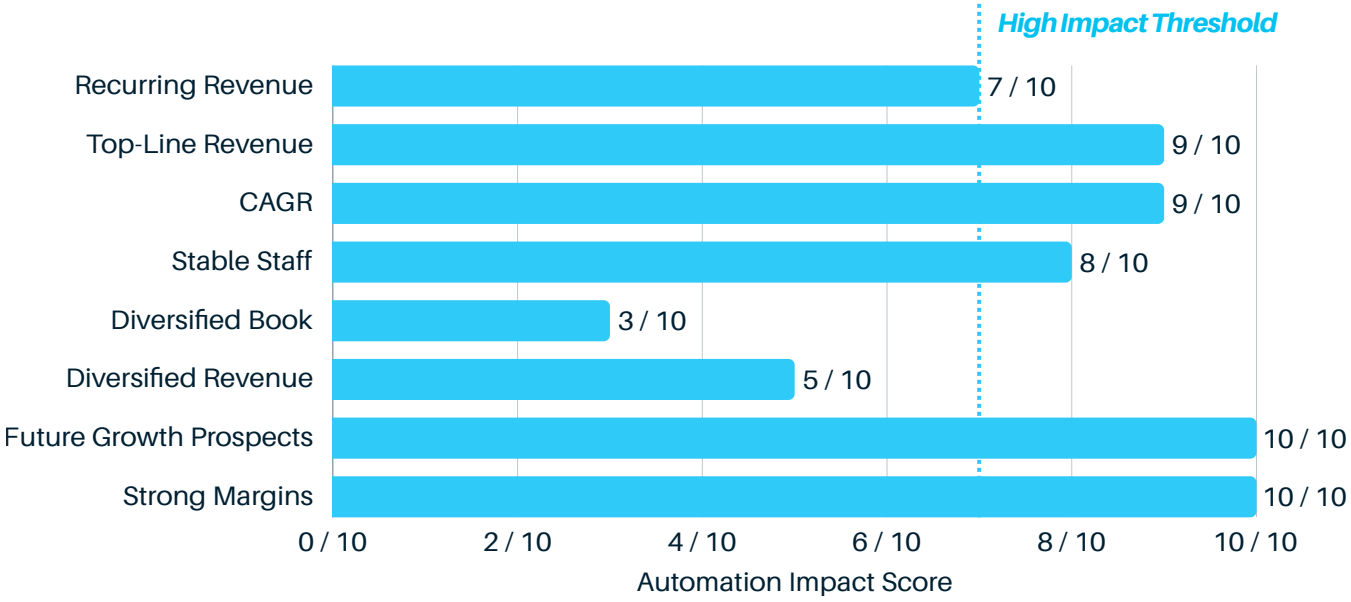
The M&A Premium: What Acquirers Actually Pay For

Even if you have no near-term plans to sell, understanding acquirer valuation frameworks is instructive, because the same factors that drive premium multiples drive business health regardless of exit plans.

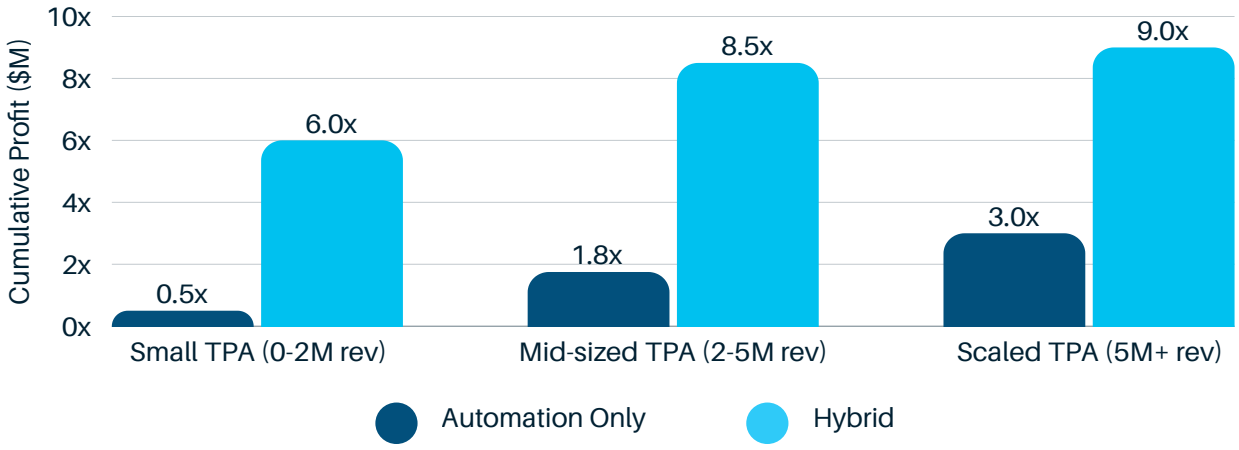
Bloodgood identified eight drivers of buyer interest: recurring revenue, top-line revenue, compound annual

growth rate, stable tenured staff, diversified book of business, diversified revenue models, future growth prospects, and strong stable margins. Automation directly and measurably strengthens at least six of these eight drivers.

How Automation Affects Drivers of Buyer Interest



TPA Valuation Multiples by Firm Size



The gap between a 1.25x revenue multiple and a 3.0x multiple is not merely size. It is margin and operational excellence. A TPA generating $2 million at a 15% margin is valued fundamentally differently than one generating $2 million at a 40% margin. Higher margins signal scalability, operational discipline, and lower buyer risk, all of which command premium multiples. Automation is the fastest path to that margin expansion.

FROM THEORY TO PRACTICE: CASE STUDIES

Financial models are theoretical. Real results are what matter. We present two composite case studies based on actual migration data, representing different firm sizes and starting points. Individual outcomes vary based on plan complexity, team composition, and implementation approach, but the patterns are consistent across our dataset.

Case Study A: The 250-Plan Firm

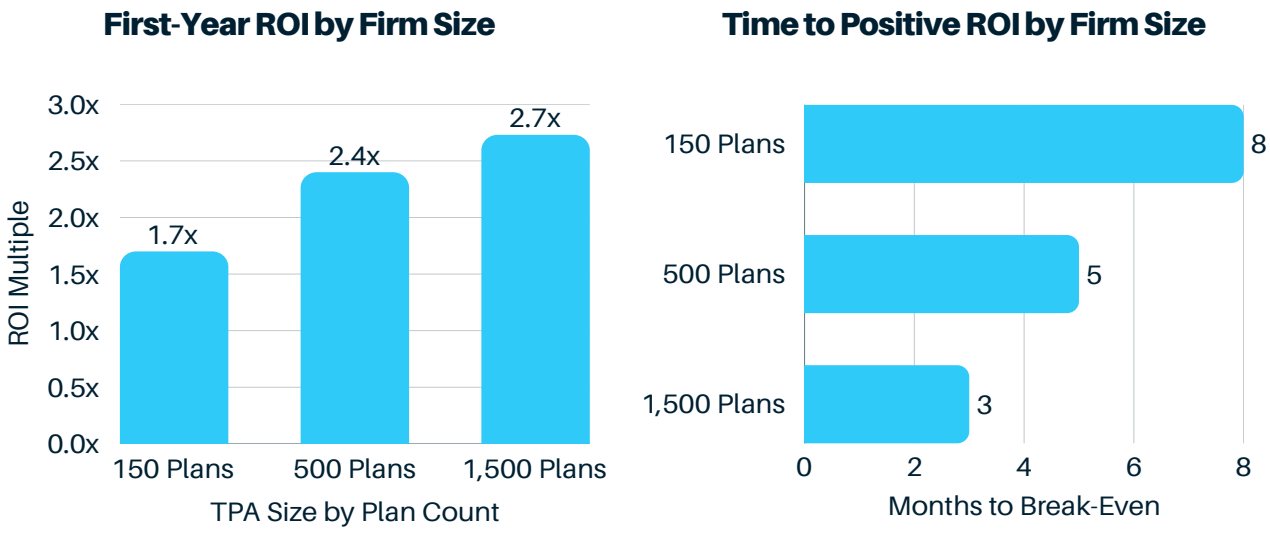
Starting point: A small TPA with 250 defined contribution plans, 6 full-time employees (4 administrators, 1 office manager, 1 owner/principal). **Revenue**: approximately $850,000. Technology: spreadsheets for task tracking, email for census collection, a legacy compliance engine for testing. The firm was profitable but stagnant, turning away new plan opportunities because the team was at capacity.

The problem: The owner had three options: hire two more administrators at a combined cost of $150,000, outsource some processing at $80,000 per year, or invest in a AI-native unified workflow automation platform at $40,000 per year. Hiring would take 12+ months to reach full productivity. Outsourcing would provide immediate capacity but at a recurring variable cost. *Automation was the unknown.*

Implementation: The firm chose automation with a four-week onboarding process. Weeks 1–2 focused on data migration and configuring workflows. Weeks 3–4 ran parallel processing. Full adoption began in week 5. The team experienced a roughly 10% productivity dip during weeks 2–3, which was manageable because the firm's lower plan volume meant fewer concurrent deadlines.

Results at 9 months: The firm added 85 new plans without hiring. Revenue grew to $1.1 million. The single additional hire made at month 6 was a part-time sales consultant ($40,000), not an administrator. Plans per administrator rose from **63 to 84.** Operating margin expanded from **20% to 34%.**

TPA Valuation Multiples by Firm Size



Key Insight

A common misconception is that automation only makes economic sense for larger firms. The data shows the opposite: while absolute dollar savings are larger for bigger firms, the ROI multiple is positive at every size.

A 150-plan TPA investing $50K in automation achieves a 1.7x return in year one. A 500-plan firm achieves 2.4x. A 1,500-plan firm achieves 2.7x. ***The math works across the spectrum.***

Case Study B: The Post-Acquisition Integration

Starting point: A mid-market TPA with 700 plans across 15 employees had recently completed its first acquisition, absorbing a 200-plan firm. The integration was six months in and struggling: the acquired firm used different compliance software, different document templates, and different client communication workflows. Three acquired employees had already left. The merged entity was managing 900 plans with 17 remaining staff, but productivity had dropped noticeably.

Revenue was $2.8 million but margins had compressed from 28% to 18% due to integration costs and duplicated overhead.

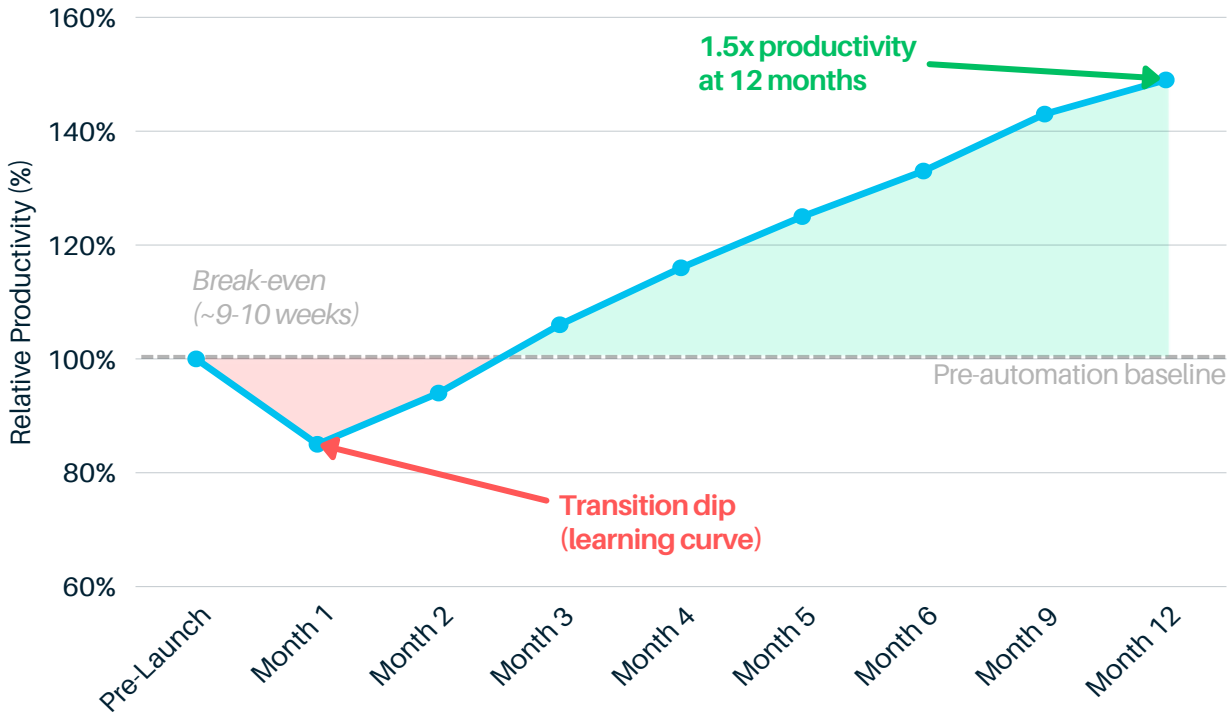
The decision: Rather than continuing to manually harmonize the two firms' workflows, the owner decided to migrate both teams onto a single AI-native platform. The platform migration served double duty: it automated core workflows and standardized operations across both legacy organizations simultaneously.

Results at 12 months: The unified platform eliminated the two-system problem. Census collection, task routing, and client communications were standardized. Measured time savings: 38%. The team stabilized at 15 FTEs. Plans under management grew to 1,050 (organic additions, not further M&A).

Revenue reached $3.5 million. Operating margin recovered from 18% to 35%. The owner described the platform as "*the integration tool we should have had before the acquisition, not after.*"

For firms considering M&A, the lesson is clear: build the operating platform first, then acquire. A TPA with a proven, scalable system can absorb acquired plans in weeks rather than months, turning integration drag into integration advantage.

The Realistic Adoption Curve: Except a Dip Before the Gain



THE AUTOMATE-FIRST GROWTH STRATEGY

The Order of Operations

The sequence matters. Automate core workflows first. Measure the capacity gain. Then hire strategically for growth roles: sales, consulting, relationship management. If M&A is attractive, acquire with a proven platform ready to absorb new plans on day one.

This sequence, **automate then hire then acquire**, produces fundamentally different outcomes than any other ordering.

Firms that hire first and automate later face a retraining burden.

Firms that acquire first and automate later face integration complexity multiplied by organizational size.

Firms that automate first **build a foundation that makes every subsequent growth decision more efficient.**

Building Your ROI Model

Do not rely on a vendor's ROI calculator. Build your own using one of two approaches:

Labor-First Model: Estimate the hours per plan your team spends on automatable tasks (data intake, reconciliation, testing, 5500 preparation, notices, routine correspondence). Multiply by your

Outcome-First Model: Start with the business outcome ("add 200 plans in 12 months without hiring") and calculate the cost of servicing those plans manually versus the platform cost that enables the same capacity.

Worked Example

A 10-person team spending 30 hours per plan per year on automatable tasks at a blended rate of $45/hour has $675,000 in addressable labor cost.

A platform costing $100K/year that delivers 30% time savings recovers $202,500 in capacity value. Add the revenue from 200+ additional plans the team can now absorb, and the ***first-year return exceeds 2x the investment*** *without accounting for implementation/transition.*

The 30-Day Pilot Framework

Never buy enterprise software based on a demo alone. Negotiate a scoped pilot with measurable acceptance criteria:

- **Accuracy**: Error rate on automated outputs below 0.5% for census processing and document processing. Measure your current baseline first so you have a valid comparison.
- **Speed**: Specific workflow benchmarks. Example: census collection and scrubbing turnaround from 5 days to 2 days. 5500 preparation from 2 hours to 15 minutes. Trust reconciliation from 4 hours to 15 minutes.
- **Adoption**: At least 70% of pilot users rate the workflow as equal or better after 30 days.
- **Integration**: Data flows cleanly to and from your existing systems without manual export or reformatting.
- **Client Experience**: Plan sponsors notice no degradation and ideally report improved communication quality and responsiveness.

Document everything. If a technology partner cannot meet these criteria in a controlled setting, they will not meet them at scale.

Note*: In many cases (including with Stax.ai CX), pilots for the sake of exploration and not truly evaluation cannot be provided. In these cases, ask for a 90-day opt-out clause in the contract.*

Security, Compliance, and Liability

Non-negotiable in a fiduciary environment:

- SOC 2 Type II certification (not just Type I)
- Encryption at rest and in transit (AES-256 / TLS 1.2+)
- Data residency and deletion policies: where is PII stored and how is it purged?
- Business continuity and disaster recovery SLAs
- API architecture: can it connect to your tools without manual spreadsheet exports? Is there an additional charge for it?
- Role-based access controls with comprehensive audit logging

If the technology partner hesitates on any of these, walk.

Contract Terms That Protect Your Firm

- **Value-aligned pricing:** Per-plan or per-user pricing that scales with your growth, not bloated enterprise licensing.
- **SLA with remedies**: 99.9%+ uptime, response-time commitments, credits or termination rights if missed.
- **Data portability**: Full export in standard formats at any time, no additional charges. Your data is your data.
- **Open APIs**: No artificial restrictions on integrating with your other systems.
- **Exit clause**: 90-day termination with transition support if the platform does not deliver expected value.
- **Dedicated implementation support**: Named account manager, data migration assistance, and onboarding. Not a help desk ticket.

A technology partner confident in their product will agree to these terms. Resistance is informative.

CHANGE MANAGEMENT: THE MAKE-OR-BREAK VARIABLE

Here is the uncomfortable truth: automation implementations can fail. Not because the technology does not work, but because the **humans involved resist the transition**.

Two-thirds of all change management efforts across industries fail. Change management is not a soft skill. It is the variable that determines whether you realize the ROI modeled earlier or leave it on the table.

Why Implementations Underdelivery

When automation projects disappoint, the root causes are predictable:

- **Insufficient leadership sponsorship:** If the owner or principal delegates the implementation to a junior team member and checks in quarterly, adoption will stall. The team takes cues from leadership. If the leader is not visibly invested, the team will treat the new system as optional.
- **Inadequate training:** Research shows that a third of employees receive less than one hour of training during software rollouts. That is a recipe for frustration and workarounds.
- **Fear of replacement**: Staff who believe automation threatens their jobs will resist it, consciously or not. If this fear is not addressed directly and honestly, it will undermine adoption.
- **Unrealistic timelines**: Expecting full productivity gains in week one sets the team up for disappointment. The realistic adoption curve shows a 10–15% productivity dip in weeks 2–8 before gains materialize.

- **Migrating old habits:** Teams often replicate their existing manual workflows on the new platform rather than adopting the automated workflows the platform was designed to enable. This captures a fraction of the available value.

The Playbook That Works

- **Start with champions**: Identify one or two team members who are curious about technology. Let them lead the pilot. Their enthusiasm spreads; their feedback shapes the rollout.
- **Name the fear:** Be direct with your team: "This tool handles the repetitive work so you can focus on plan design, consulting, and the complex compliance work that clients pay us for. Nobody is being replaced."
- **Train on real work**: Show the tool processing their plans, with their data, on their workflows. Abstract training decks do not stick.
- **Celebrate quick wins**: When a process that took three hours drops to thirty minutes, make sure the whole team knows. Momentum matters more than perfection.
- **Budget for the dip**: Plan for two to four weeks of reduced throughput during the transition. Communicate this expectation upfront so nobody panics.
- **Lead from the front**: The owner must use the platform visibly, review its outputs in team meetings, and make decisions based on its data. This signals that the change is permanent and valued.

Key Insight

Change management is not a line item in the appendix. It is a cost center that determines whether your AI and automation investment generates a 2x return or a 0.5x return.

Budget for it. Plan for it. Staff it.

POSITION YOUR FIRM FOR THE NEXT DECADE

The Industry Is Bifurcating

The TPA industry is undergoing a structural shift. Consolidation is accelerating, driven by private equity capital, aging business owners, and the capital requirements of modern technology infrastructure. Industry observers project that within the next decade, the market will increasingly consist of two types of firms: small, highly specialized boutiques and large-scale national providers.

For mid-market TPAs, this bifurcation is both threat and opportunity. Without operational investment, mid-market firms risk being squeezed out. With it, they can position themselves as either premium acquisition targets or as efficient independents that punch well above their weight class.

The Competitive Dimension

There is a question worth addressing directly: **what happens when your competitors automate too?** If automation is as compelling as this whitepaper argues, won't every TPA eventually adopt it, eliminating the competitive advantage?

The answer is yes, eventually. And that is **precisely why the timing matters**. Early adopters capture the margin expansion and growth opportunity while the majority of the industry is still on spreadsheets. They build operational discipline, client relationships, and institutional knowledge on top of the automated platform. By the time competitors catch up, the early movers have compounded their advantage across years of higher margins, faster growth, and deeper client relationships.

Automation is not a permanent competitive moat. It is a **window of opportunity**. The firms that move through that window first will have structural advantages that are difficult to replicate even after competitors adopt similar tools. The technology can be copied. The years of compounded growth and client trust cannot.

Enterprise Value Is Built on Margins, Not Revenue

Whether you plan to sell, pass the firm to the next generation, or operate indefinitely, enterprise value matters. The gap between a 1.25x revenue multiple and a 3.0x multiple is not merely firm size. It is operational excellence as expressed through margins, growth rate, and scalability.

Bloodgood's operational preparation checklist calls for scaling revenue faster than costs, developing bench strength, improving margins continuously, and documenting workflows. His financial preparation checklist emphasizes tracking revenue streams, maintaining consistent billing, and eliminating debt. Automation is the single most effective way to achieve the majority of these goals simultaneously.

The firms with the most options in five years will be the ones that invested in operational infrastructure today.

CONCLUSION: THE GROWTH DECISION TREE

Every TPA owner's growth constraint falls into one of three categories: capacity (you cannot service more plans), capital (you need more revenue), or talent (you cannot find or afford the people).

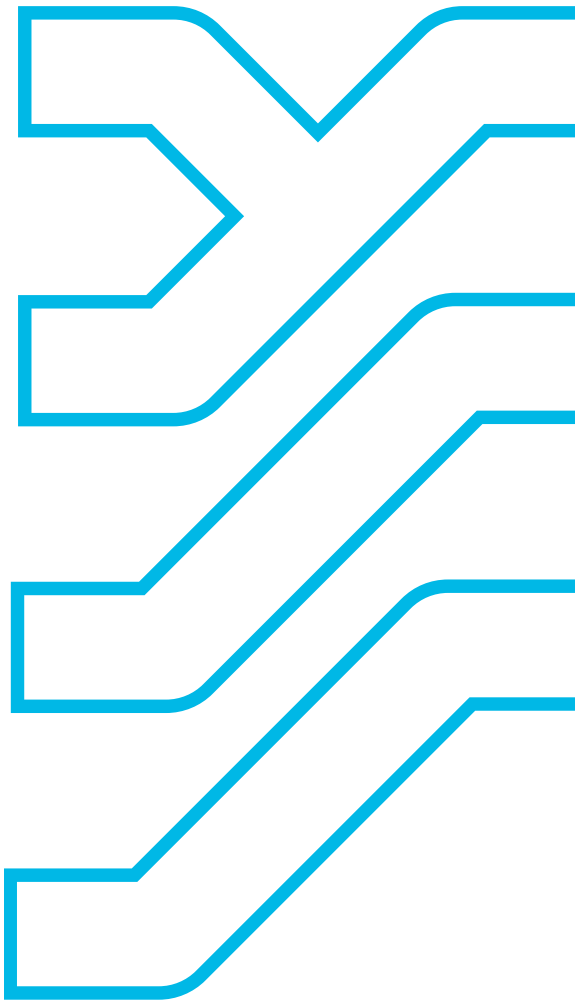
Most firms face all three simultaneously.

What this whitepaper demonstrates is that regardless of which constraint is primary, automation is the logical first move.

If your constraint is capacity, automation multiplies what your existing team can handle. If your constraint is capital, automation's low cost and fast ROI generate the margin expansion that funds further investment. If your constraint is talent, automation reduces your dependence on a labor market that is working against you.

The question is not whether to automate. It is what you do after. Some firms will use the freed capacity to grow organically. Others will use the improved margins to fund strategic acquisitions from a position of strength. Some will use the operational excellence to command premium multiples in a sale. The right answer depends on your goals, your market, and your timeline.

But the first step is the same for everyone: **build the operating foundation that makes every subsequent decision more efficient, more profitable, and more reversible.**



Making It Real

I**f you are evaluating platforms**: Build your own ROI model using the framework described earlier. Request a 30 or 60-day pilot with measurable acceptance criteria. Run the security checklist. Negotiate contract terms that protect your firm. If the vendor cannot meet these standards, they are not the right partner.

If you are considering M&A: Build the operating platform first. The firms that automate before they acquire turn integration drag into integration advantage. The acquisition playbook works better when you have a system for new plans to plug into on day one.

If you want to explore what AI-native automation for TPAs looks like in practice: We built Stax.ai CX for exactly this purpose: an AI-native operating system designed specifically for retirement plan consulting firms. We would welcome the conversation. Visit stax.ai or reach out to our team.

The best TPAs five years from now will not necessarily be the biggest. They will be the ones that made the operating decision today.

APPENDIX

Assumptions

The following assumptions underpin the five-year financial models. These are conservative estimates; actual results may vary by 10–20% based on staff composition, plan complexity, and existing technology stack:

- **Starting position**: 500 plans, 10 FTEs, $2M annual revenue, 25% operating margin.
- **Fully loaded employee cost**: $75k/yr (salary + benefits)
- **AI / automation platform cost:** $75k – $100k/yr
- **Revenue per plan**: $3–4k / yr (blended across plan types)
- **Organic revenue growth** (no capacity expansion): 5%
- **Automation time savings**: 30–45% (consistent with observed median from platform migrations)
- **New plan acquisition rate** is limited by capacity in hiring path; limited by sales effort in automation path.
- **Turnover replacement cost**: 100% of annual salary (midpoint of SHRM's 50–200% range)

Methodology

For the **Cost Per Incremental Plan** calculation, marginal cost per plan is calculated as the total annual incremental cost of each growth strategy divided by the number of new plans absorbed. For hiring, this includes fully loaded salary, training ramp cost, and management overhead. For BPO / Outsourcing, it includes vendor fees plus quality management time. For M&A, it amortizes purchase prize over five years plus annual integration and operational cost. For automation, it divides the annual platform subscription by the incremental plans the freed capacity enables. All figures are modeled for a firm growting based on the new plan acquisition rate assumed.

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ABOUT STAX.AI

Stax.ai is the **leading AI-powered platform purpose-built for Retirement Plan Consultants** (also know as third-party administrators/TPAs) and retirement plan professionals. Our platform replaces manual, error-prone workflows with intelligent automation through two core products: Client Experience (CX), a white-label portal for sponsor communications and secure document exchange, and Trust Accounting, an AI engine that automates trust reconciliation and brokerage statement processing.

We exist to empower retirement professionals to serve America's workforce by removing the operational barriers that hold them back. TPAs perform essential, behind-the-scenes work keeping retirement plans compliant and funded—yet much of it is still done by hand. Stax.ai eliminates that friction so these professionals can focus on advising clients and growing their practices.

The retirement industry is at an inflection point. Auto-IRA mandates in 18 states, SECURE 2.0's auto-enrollment provisions, and the 2027 Saver's Match are driving unprecedented demand for TPA expertise.

But talent is scarce, fee compression is real, and manual processes break under scale. TPAs that modernize now gain a compounding structural advantage with every plan they add.

Stax.ai is not built to displace TPAs—we're built to make them indispensable. Our clients report a 29% boost in plan sponsor satisfaction and a sustainable increase in operating margins.

The alignment is structural: Stax.ai grows when TPAs grow, and TPAs grow when they can serve more plans at higher quality without manual bottlenecks. Every firm that modernizes with us strengthens the independent TPA channel as a whole.

When TPAs win, plan sponsors win. When plan sponsors win, American workers win. Stax.ai exists to set that chain in motion.

***Disclaimer**: The data and analysis presented in this whitepaper are based on Stax.ai's proprietary research, surveys, and observations from working with retirement plan consultants across the industry. Individual results may vary based on firm size, plan complexity, team composition, and implementation approach. Financial models use conservative assumptions detailed above. The case studies are composites based on real migration data; no individual firm's results are represented.*

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