Payroll & Retirement SaaS Analysis

Payroll & Retirement Account Automation SaaS
    Market Research & Feasibility Analysis
Executive Summary
    The Verdict: Proceed with Extreme Caution

Payroll & Retirement Account Automation SaaS

Market Research & Feasibility Analysis

Prepared: February 7, 2026
Subject: B2B SaaS for retirement contribution compliance automation

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Executive Summary

The Verdict: Proceed with Extreme Caution

Recommendation: This opportunity is **not well-suited for a small team** in its full scope. However, a narrowly focused MVP targeting a specific niche could be viable.

Key Findings

Factor	Assessment
Market Size	Large ($1.3T in 403b assets alone) but fragmented
Problem Validity	Real, but partially solved by incumbents
Competitive Moat	Weak - easy for incumbents to add features
Technical Complexity	High - regulatory rules change annually
Sales Cycle	Long (6-12 months for enterprise)
Capital Required	$500K-$1.5M minimum for credible MVP

Factor	Assessment
Time to Revenue	18-36 months to meaningful ARR
Team Size Needed	5-8 minimum (including compliance expertise)

The Brutal Truth

The core problem exists but is already **partially addressed** by major payroll providers: - ADP, Paychex, Paylocity, and Paycom automatically cap 401k/403b contributions at IRS limits - Recordkeepers (TIAA, Fidelity, Vanguard) handle most compliance reporting - The "waterfall logic" use case (403b → 457b → 457f) is extremely niche

Bottom Line: This is a $500K+ bet with a 18-36 month runway before meaningful revenue, competing against well-resourced incumbents who can easily add these features.

1. Market Analysis

1.1 Total Addressable Market (TAM)

Retirement Plan Market Size

- **Total US retirement assets:** $45.8 trillion (Q2 2025)
- **401(k) plan assets:** $7.3 trillion in single-employer plans
- **403(b) plan assets:** $1.3 trillion across 27 major recordkeepers
- **457(b) plan assets:** ~$400 billion (estimated)

Number of Potential Customers

Segment	Count	Notes
US employers with retirement plans	~730,000	BLS/DOL data
Nonprofit hospitals/health systems	~900	Definitive Healthcare
Higher education institutions	~3,900	NCES degree-granting
State/local governments	~87,000	Census Bureau
501(c)(3) nonprofits	~1.5 million	IRS registered, ~15% have plans

TAM Calculation

Target Market: Organizations offering both 403(b) AND 457(b) plans (the waterfall use case)

Estimated target accounts: - Large nonprofit hospitals: ~500 - Higher education with both plans: ~800 - Other qualifying nonprofits: ~2,000

Realistic TAM: ~3,300 organizations

At $500 PEPM average pricing × 500 employees average = $3M ARR potential per 1,000 customers

TAM for narrow waterfall use case: ~$10M-15M annually

This is a small market.

1.2 Serviceable Addressable Market (SAM)

Organizations with: - 100+ employees - Both 403(b) and 457(b) plans - Complex compensation (physicians, executives) - Current pain with manual tracking

SAM: ~1,000-1,500 organizations = $5-8M annually

1.3 Serviceable Obtainable Market (SOM)

Realistic first 3 years: - Year 1: 5-10 customers = $150-300K ARR - Year 2: 25-50 customers = $750K-1.5M ARR - Year 3: 75-150 customers = $2.25-4.5M ARR

1.4 Customer Segmentation

Primary Targets

1. **Nonprofit Hospital Systems**
   - Offer 403(b) + 457(b) to physicians/executives
   - High-compensation employees with complex needs
   - Understaffed HR/benefits teams
   - Example: Ascension (106,000 employees), Kaiser, Sutter
2. **Higher Education**
   - TIAA-dominant (legacy complexity)
   - Multiple vendor relationships
   - 15-year service catch-up rules
   - Example: State universities, large private colleges
3. **Large Nonprofits**
   - Museums, foundations, research organizations
   - Executive compensation concerns
   - Limited benefits staff

Secondary Targets

4. **State/Local Governments**
   - Governmental 457(b) plans
   - Less complex (no 457f)
   - More competitive market

1.5 Current Solutions & Pain Points

What Exists Today

Solution	Capabilities	Limitations
ADP/Paychex	Auto-stop at 401k/403b limits	No waterfall logic, no 457f
TIAA/Fidelity	Recordkeeping, compliance reports	No payroll integration, reactive
Vestwell/Human Interest	Modern 401k admin	Focus on SMB, no 403b/457
Payroll Integrations	Unified API for payroll-retirement	Middleware only, no calculations
Spreadsheets	Manual tracking	Error-prone, no real-time

Key Pain Points

1. **Mid-year compensation changes** - Raises break contribution calculations
2. **Age-based catch-ups** - New 60-63 "super catch-up" adds complexity
3. **Secure 2.0 Roth requirements** - Must track $150K wage threshold
4. **Waterfall contributions** - No automated 403b → 457b → 457f routing
5. **Multi-employer tracking** - Employees with multiple jobs
6. **15-year catch-up** - Complex eligibility requirements

Market Readiness

Urgency Drivers: - Secure 2.0 Roth catch-up requirement effective January 1, 2026 ✓ - New 60-63 "super catch-up" creates confusion ✓ - IRS enforcement increasing ✓

Counter-factors: - Incumbents are adding compliance features - Pain is not acute enough for most organizations - Budgets for new software are tight

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2. Competitive Landscape

2.1 Incumbent Payroll Providers

ADP

- **Market position:** #1 HCM provider globally (10.8% market share)
- **Retirement offerings:** ADP Retirement Services, integrated payroll
- **API:** Developer portal exists, partner program required
- **Threat level:** HIGH - could add waterfall features easily
- **Weakness:** Complex, expensive, legacy technology

Paychex

- **Market position:** #2 in SMB payroll
- **Retirement offerings:** Paychex Retirement Services (403b, 401k)

- **API:** Developer program available
- **Threat level:** HIGH - focused on retirement integration
- **Weakness:** Less enterprise-focused

Paylocity/Paycom

- **Market position:** Fast-growing mid-market
- **Retirement offerings:** Integrated contribution tracking
- **Threat level:** MEDIUM - could partner or build
- **Weakness:** Less nonprofit/healthcare expertise

Gusto/Rippling

- **Market position:** Modern SMB platforms
- **Retirement offerings:** 401k integration via partners
- **Threat level:** LOW - different market segment
- **Weakness:** No 403b/457 focus

2.2 Retirement Recordkeepers

TIAA

- **Dominance:** Higher education market leader
- **Assets:** $1+ trillion under management
- **Threat level:** HIGH - trusted incumbent
- **Weakness:** Legacy tech, slow innovation

Fidelity/Vanguard

- **Position:** Growing in 403b market
- **Threat level:** MEDIUM - focused on investment side
- **Weakness:** Not compliance-first

Empower/Ascensus

- **Position:** Third-party administrators
- **Threat level:** MEDIUM - could add features
- **Weakness:** Fragmented offerings

2.3 Standalone Compliance Tools

Payroll Integrations

- **Focus:** Unified API for payroll-to-retirement data
- **Pricing:** Not public
- **Threat level:** HIGH - directly adjacent
- **Weakness:** Middleware only, no calculation engine

ASC (Actuarial Systems Corporation)

- **Focus:** TPA software, compliance testing
- **Users:** Third-party administrators
- **Threat level:** LOW - different user base
- **Weakness:** Not real-time, not employer-facing

Plan Sponsor software (various)

- **Examples:** Pontera, 401k Optimizer
- **Focus:** Advisor tools, not employer tools
- **Threat level:** LOW

2.4 Competitive Gaps

Potential Differentiation:

1. **Real-time waterfall routing** - No one does automated 403b → 457b → 457f
2. **Secure 2.0 Roth automation** - Emerging need, incumbents scrambling
3. **Age-based catch-up logic** - Complex rules not fully automated
4. **Unified view across plans** - Most track plans in silos

BUT: These gaps are features, not products. Incumbents can copy.

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3. Regulatory Deep Dive

3.1 IRS Contribution Limits

2024-2026 Limits

Limit Type	2024	2025	2026
401k/403b/457b elective deferral	$23,000	$23,500	$24,500
Catch-up (age 50+)	$7,500	$7,500	$8,000
Super catch-up (ages 60-63)	N/A	$11,250	$11,250
Annual additions (415c)	$69,000	$70,000	$72,000
Compensation limit (401a17)	$345,000	$350,000	$360,000

Projected 2027 (based on inflation)

- Elective deferral: ~$25,000-$25,500
- Catch-up (50+): ~$8,000-$8,500
- Annual additions: ~$73,000-$74,000

3.2 Account Types and Rules

403(b) Tax-Sheltered Annuities

- **Eligible employers:** Public schools, 501(c)(3) organizations
- **Investments:** Annuities and mutual funds only (CITs pending)
- **Special rules:** 15-year catch-up for long-tenure employees
- **Universal availability:** Must offer to all eligible employees

457(b) Eligible Deferred Compensation

- **Government 457(b):** State/local governments
  - Separate limit from 403b (can max both)
  - 3-year catch-up before retirement
  - Funds held in trust (protected)
- **Non-governmental 457(b):** Tax-exempt organizations
  - For "top-hat" highly compensated employees only
  - Separate limit from 403b (can max both)
  - UNFUNDED - subject to creditors
  - Must distribute within 60 days of separation

457(f) Ineligible Plans

- **Purpose:** Exceed 457(b) limits for executives
- **No contribution limits** (unlimited)
- **Taxation:** On vesting, not distribution
- **Substantial risk of forfeiture required**
- **Subject to Section 409A rules**

3.3 Secure 2.0 Act Key Provisions

Mandatory Roth Catch-Up (Effective Jan 1, 2026)

- Applies to participants earning >$150,000 (indexed) in prior year
- ALL catch-up contributions must be Roth
- Applies to 401k, 403b, governmental 457(b)
- **Implementation complexity:** High

Super Catch-Up for Ages 60-63

- $11,250 instead of $8,000 (2026)
- Optional for plans to adopt
- Increases tracking complexity

Other Provisions

- Long-term part-time worker eligibility
- Emergency savings accounts
- Student loan matching
- Auto-enrollment mandate for new plans

3.4 Penalty Structure

Excess Contributions

- **6% excise tax** annually until corrected
- **Double taxation** if not corrected by April 15
- **10% early withdrawal penalty** if under 59½
- **Plan disqualification risk** for systemic failures

Correction Programs

- **Self-correction (SCP):** Minor failures, no IRS filing
- **Voluntary Correction (VCP):** File with IRS, pay fee
- **Audit Closing Agreement:** During IRS examination

Employer Liability

- Fiduciary breach potential
- Class action risk
- DOL investigation

3.5 Annual Management Burden

What changes every year: 1. All contribution limits (inflation adjusted) 2. Compensation limits 3. Catch-up amounts 4. Phase-out ranges 5. Testing thresholds 6. New regulatory guidance

Typical update timeline: IRS announces limits in October-November for following year

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4. Technical Feasibility

4.1 Payroll API Landscape

Direct APIs

Provider	API Availability	Access Requirements
ADP	Yes (developer.adp.com)	Partner application required
Paychex	Yes (developer.paychex.com)	Partner agreement
Paylocity	Limited	Direct partnership only
Gusto	Yes (public)	Developer registration
Rippling	Yes (limited)	Partner program
Workday	Yes	Enterprise partnership

Unified API Providers

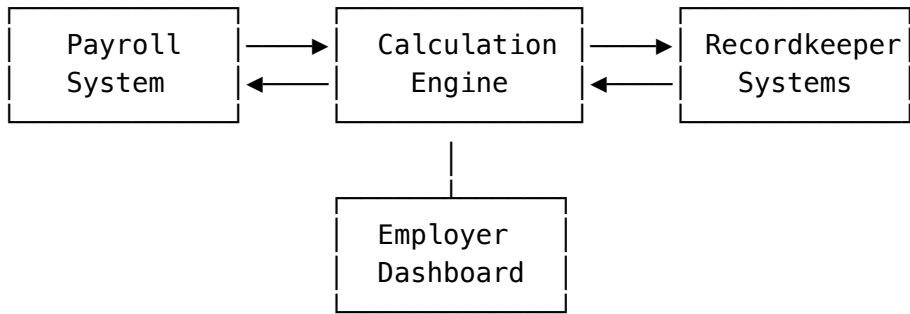| Provider	Coverage	Best For
Finch	200+ systems	Read access, employee data
Payroll Integrations	Retirement-specific	Payroll-to-recordkeeper
Merge	HR/payroll focus	Multiple categories

Recommendation: Start with Finch for broad coverage, build direct integrations for top 3 providers later.

4.2 Integration Complexity

Data Requirements

- Employee demographics (name, DOB, SSN)
- Compensation (YTD, projected annual)
- Current contributions (all plan types)
- Employment history (for 15-year catch-up)
- Separation dates (for 457b distribution)

Data Flow Architecture

```
 _____        _____        _____
|                |      |                |      |                |
|   Payroll      | ───▶ |  Calculation   | ───▶ | Recordkeeper   |
|   System       | ◀─── |    Engine      | ◀─── |  Systems       |
|_____|      |_____|      |_____|
                                │
                                │
                         _____
                        |               |
                        |   Employer    |
                        |   Dashboard   |
                        |_____|
```

Real-Time Challenges

- Payroll data often batch (not real-time)
- Recordkeeper updates delayed 1-3 days
- Mid-pay-period changes complex
- Retroactive corrections needed

4.3 Waterfall Logic Implementation

Algorithm Complexity

```
For each payroll:
  1. Calculate YTD contributions (all plans, all employers)
  2. Determine age-based catch-up eligibility
  3. Check prior-year wages for Roth requirement
  4. Calculate remaining 403b room
  5. If 403b maxed → route to 457b
```

```
6. If 457b maxed → route to 457f
7. Apply employer contribution limits
8. Handle mid-year compensation changes
9. Reproject for year-end accuracy
```

Edge Cases

- Employee turns 50/60/64 mid-year
- Compensation decrease mid-year
- Leave of absence
- Prior-employer contributions
- Roth vs. pre-tax splits
- Employer true-up contributions

Estimate: 3-6 months of engineering for core logic, ongoing maintenance for rule changes.

4.4 Audit Trail Requirements

- Full history of all calculations
- Change logs with timestamps
- User actions recorded
- Integration sync status
- Error logs and alerts
- Annual archive for 7+ years

4.5 Security & Compliance Requirements

Mandatory

- **SOC 2 Type II:** Required for enterprise sales
  - Cost: $20,000-$80,000 first year
  - Timeline: 6-12 months
- **Data encryption:** At rest and in transit
- **Access controls:** Role-based, audit logged
- **PII handling:** SSN, DOB, compensation data

Recommended

- **HIPAA considerations:** For healthcare clients
- **State privacy laws:** California, others
- **Penetration testing:** Annual minimum

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5. Revenue Model

5.1 Pricing Strategies

Option A: Per-Employee Per Month (PEPM)

- Industry standard for HR software
- **Range:** $2-10 PEPM for compliance add-ons
- **Pros:** Scales with customer, predictable
- **Cons:** Pushback from large employers

Option B: Flat Monthly Fee + PEPM

- Base fee covers fixed costs
- PEPM for variable
- **Example:** $500/month base + $3 PEPM

Option C: Tiered by Employee Count

- <100 employees: $500/month
- 100-500: $1,500/month
- 500-2,000: $3,500/month
- 2,000+: Custom

Option D: Per-Plan Fee

- $X per retirement plan administered
- Better for organizations with many plans

Recommendation: Option B or C - provides stable base with scaling

5.2 Comparable SaaS Pricing

Product	Pricing Model	Range
Gusto	Base + PEPM	$40 + $6 PEPM
Rippling	PEPM	$15-50 PEPM
Justworks	PEPM	$59-99 PEPM
Human Interest	Assets + PEPM	0.5% AUM + fees
Vestwell	Base + PEPM	$1,200/yr + $4-8 PEPM

5.3 Projected ARPU by Segment

Segment	Avg Employees	Monthly Price	ARPU/Year
Small nonprofit (100-500)	300	$1,500	$18,000
Mid hospital (500-2,000)	1,200	$5,000	$60,000
Large health system (2,000+)	5,000	$15,000	$180,000
Higher ed (1,000-5,000)	2,500	$7,500	$90,000

Blended ARPU target: $40,000-$60,000 annually

5.4 Revenue Projections

Conservative Scenario

Year	Customers	Avg ARPU	ARR
1	8	$30,000	$240,000
2	35	$40,000	$1,400,000
3	100	$50,000	$5,000,000

Aggressive Scenario

Year	Customers	Avg ARPU	ARR
1	15	$35,000	$525,000
2	60	$45,000	$2,700,000
3	180	$55,000	$9,900,000

5.5 Unit Economics

Customer Acquisition Cost (CAC)

- B2B HR/benefits SaaS: $410-$6,754 depending on segment
- **Assumed CAC:** $8,000-$15,000 for enterprise nonprofit
- **CAC Payback:** 3-6 months at target ARPU

Lifetime Value (LTV)

- **Churn assumption:** 5-10% annually (sticky category)
- **Customer lifetime:** 10-20 years
- **LTV:** $400,000-$1,200,000
- **LTV:CAC ratio:** 30-80x (excellent if achieved)

Gross Margin

- SaaS benchmark: 70-80%
- **Estimated:** 75% (API costs, compliance staff)

6. Go-To-Market Strategy

6.1 Customer Acquisition Channels

Primary Channels

1. **Consultant/TPA Partnerships**
   - Benefits consultants advise on retirement plans

- Third-party administrators (TPAs) manage compliance
- Referral fees or revenue share model
- **Effort:** HIGH (relationship building)
- **Potential:** HIGH

2. **Industry Conferences**
   - SHRM (HR professionals)
   - PLANSPONSOR conferences
   - HFMA (Healthcare Finance)
   - NACUBO (Higher Ed Finance)
   - **Cost:** $10,000-$50,000 per event
   - **Potential:** MEDIUM (long sales cycle)
3. **Content Marketing/SEO**
   - "Secure 2.0 compliance guide"
   - "403b vs 457b calculator"
   - "Catch-up contribution rules 2026"
   - **Cost:** $3,000-$10,000/month
   - **Potential:** MEDIUM-HIGH
4. **Webinars/Education**
   - Partner with industry associations
   - CPE/SHRM credits
   - **Cost:** $2,000-$5,000 per webinar
   - **Potential:** MEDIUM

Secondary Channels

5. **Payroll Provider Partnerships**
   - Integration marketplace listing
   - Co-marketing agreements
   - **Challenge:** They could build it themselves
6. **Outbound Sales**
   - Target list of ideal customers
   - SDR/AE team
   - **CAC:** High ($10,000-$20,000)

6.2 Sales Cycle

Expected Timeline

- **Initial contact to demo:** 2-4 weeks
- **Demo to pilot:** 4-8 weeks
- **Pilot to contract:** 4-12 weeks
- **Contract to implementation:** 4-8 weeks

Total: 4-8 months typical

Decision Makers

- VP/Director of Human Resources
- Benefits Manager
- CFO/Controller (for larger deals)
- Legal/Compliance (for 457f involvement)

Procurement Challenges

- RFP processes at large organizations
- Security questionnaires
- Legal review of contracts
- IT integration approval
- Budget cycles (often annual)

6.3 Implementation Process

1. **Discovery** (Week 1-2)
    - Current plan structures
    - Payroll system assessment
    - Data mapping
2. **Integration Setup** (Week 2-4)
    - API connections
    - Data validation
    - Historical import
3. **Configuration** (Week 3-5)
    - Plan rules entry
    - Contribution formulas
    - Notification settings
4. **Testing** (Week 4-6)
    - Parallel run with existing process
    - Edge case validation
    - User acceptance testing
5. **Go-Live** (Week 6-8)
    - Training
    - Cutover
    - Support handoff

6.4 Partnership Opportunities

Tier 1: Strategic

- **TIAA:** Dominant in higher ed, could white-label
- **Fidelity/Vanguard:** Growing 403b presence
- **ADP:** Integration partner potential

Tier 2: Distribution

- **Benefits brokers:** Mercer, Aon, WTW
- **TPAs:** Ascensus, Principal, Transamerica
- **Consultants:** Cammack, CAPTRUST

Tier 3: Technology

- **Finch:** Unified payroll API
- **Payroll Integrations:** Retirement data specialist

6.5 Marketing Positioning

Messaging Options

Option A: Compliance Fear > "Avoid $100K+ penalties from contribution limit errors" - Plays on fear of IRS - Risk: Can feel negative

Option B: Efficiency Savings > "Save 100+ hours per year on retirement compliance" - Positive ROI message - Quantifiable

Option C: Employee Benefit > "Help your employees maximize retirement savings" - Mission-aligned for nonprofits - Differentiated

Recommendation: Lead with Option B, support with A

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7. Build Requirements

7.1 MVP Scope (6-Month Roadmap)

Month 1-2: Foundation

- Core contribution calculation engine
- Basic employer dashboard
- User authentication/authorization
- Database schema

Month 3-4: Integration

- Finch API integration (payroll data)
- Manual data upload fallback
- Employee data sync
- Basic notifications

Month 5-6: Polish

- Reporting (YTD, projections)
- Alert system
- Audit trail
- User documentation
- Security hardening

Out of MVP Scope

- 457f logic (complex, niche)
- Multiple payroll system support
- Custom integrations
- Mobile app
- Advanced analytics

7.2 Team Composition

Minimum Viable Team (5-6 people)

Role	Count	Notes
Founder/CEO	1	Sales, strategy, fundraising
Full-stack Engineer	2	Core product development
Product Manager	0.5	Could be founder initially
Compliance Expert	1	ERISA/IRS expertise (can be consultant)
Sales/Customer Success	1	Once product ready

Total: 5-6 FTEs + contractors

Ideal Team (8-10 people)

- +1 Backend/API engineer
- +1 Dedicated security engineer
- +1 Marketing/content
- +1 Additional sales rep

7.3 Technology Stack Recommendations

Backend

- **Language:** Python or Node.js (rapid development)
- **Framework:** FastAPI or Express
- **Database:** PostgreSQL (ACID compliance critical)
- **Queue:** Redis/Celery for async processing

Frontend

- **Framework:** React or Vue
- **Styling:** Tailwind CSS
- **Charting:** Recharts or Chart.js

Infrastructure

- **Cloud:** AWS or GCP
- **Monitoring:** Datadog or New Relic
- **Error tracking:** Sentry
- **CI/CD:** GitHub Actions

Third-Party Services

- **Payroll data:** Finch
- **Authentication:** Auth0 or Clerk
- **Notifications:** SendGrid, Twilio

7.4 Integration Priorities

Phase 1 (MVP)

1. **Finch** - Covers 200+ payroll systems
2. **Manual upload** - CSV fallback

Phase 2 (Post-MVP)

1. **ADP direct** - Largest market share
2. **Paychex direct** - #2 player

Phase 3 (Scale)

1. **Workday** - Enterprise segment
2. **Recordkeeper APIs** - TIAA, Fidelity

7.5 Legal/Insurance Requirements

Essential

- **General liability:** $1M+ coverage
- **E&O/Professional liability:** $1-2M (Tech E&O)
  - Cost: ~$67-200/month
- **Cyber liability:** $1M+
- **Directors & Officers:** If taking investment

Legal Setup

- **Terms of Service:** Limit liability for calculation errors
- **Privacy Policy:** GDPR/CCPA compliant
- **Business Associate Agreement:** For HIPAA clients
- **Customer contracts:** Legal review required

Compliance

- **SOC 2 Type I** within 12 months
- **SOC 2 Type II** within 24 months
- **Penetration testing** annually

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8. Risk Assessment

8.1 Regulatory/Liability Risks

Risk	Likelihood	Impact	Mitigation
Calculation error causes over-contribution	MEDIUM	HIGH	Extensive testing, insurance, liability caps
IRS rule changes break logic	HIGH	MEDIUM	Annual review process, rapid update capability
New Secure 2.0 guidance changes requirements	HIGH	MEDIUM	Monitor IRS guidance, flexible architecture
Customer blames software for their error	MEDIUM	MEDIUM	Clear ToS, audit trails, training

Liability Concern: If your software miscalculates and an employee over-contributes, who is liable? - **Mitigation:** Clear ToS disclaiming guarantee, E&O insurance, limit liability to subscription fees

8.2 Technical Risks

Risk	Likelihood	Impact	Mitigation
Finch API reliability issues	MEDIUM	HIGH	Direct integrations as backup
Payroll provider API changes	MEDIUM	MEDIUM	Version monitoring, quick response
Data sync delays cause issues	MEDIUM	MEDIUM	Clear SLAs, manual override options
Security breach	LOW	CRITICAL	SOC 2, encryption, monitoring

8.3 Market Risks

Risk	Likelihood	Impact	Mitigation
ADP/Paychex builds competitive feature	HIGH	CRITICAL	Move fast, target niches they ignore

Risk	Likelihood	Impact	Mitigation
Sales cycles longer than expected	HIGH	HIGH	Plan for 12+ month cycles, bridge financing
Market smaller than estimated	MEDIUM	HIGH	Validate with pilots before scaling
Economic downturn reduces budgets	MEDIUM	MEDIUM	Prove ROI, focus on cost savings

8.4 Resource Risks

Risk	Likelihood	Impact	Mitigation
Funding runs out before revenue	MEDIUM	CRITICAL	Conservative burn, milestone-based raises
Can't hire compliance expert	MEDIUM	HIGH	Use consultants, partner with TPA
Key engineer leaves	MEDIUM	HIGH	Documentation, equity vesting
Founder burnout	MEDIUM	HIGH	Realistic timeline, support system

8.5 Risk Mitigation Summary

Critical risks to address: 1. **Incumbent response** - This is the #1 killer. Differentiate hard. 2. **Liability** - Get insurance, limit contractually, test extensively. 3. **Sales cycle** - Plan for 18-24 months to meaningful revenue. 4. **Capital** - Need $500K-$1.5M runway minimum.

9. Build vs. Buy vs. Partner

9.1 Build from Scratch

Pros: - Full control over roadmap - Custom for target market - Equity upside

Cons: - 18-36 month timeline - $500K-$1.5M+ cost - High execution risk - No existing customer base

Verdict: Only if you have significant runway and strong team

9.2 Acquisition Targets

Potential Acqui-hires/Assets

Company	Notes	Challenge
Small TPA firms	Have compliance expertise, customer base	Technology usually poor
Compliance consultants	Domain expertise	No product
Failed fintech startups	Technology, team	Wrong product

Reality: There's no obvious acquisition target in this space. Most compliance tools are built into larger platforms.

9.3 Partnership Models

Option A: Payroll Provider Add-On

- Partner with ADP/Paychex as integration
- **Pros:** Distribution, credibility
- **Cons:** Dependent on partner, margin compression

Option B: Recordkeeper White-Label

- Build for TIAA/Fidelity to offer clients
- **Pros:** Built-in distribution
- **Cons:** White-label = low margin, no brand

Option C: TPA Software

- Sell to TPAs who serve employers
- **Pros:** B2B2B leverage
- **Cons:** TPA market fragmented

Option D: Benefits Consultant Tool

- Arm consultants with better tech
- **Pros:** Trusted advisors drive adoption
- **Cons:** Consultants are slow adopters

Recommendation: Pursue Option D as GTM strategy while building Option A capability

9.4 White-Label Opportunities

TIAA, Fidelity, and Vanguard all partner with technology providers. A white-label deal could provide: - Guaranteed customer base - Faster time to revenue - Credibility

Tradeoffs: - Lower margins (50-70% vs 90%) - Less control - Brand not built

10. Final Recommendation

10.1 Should You Pursue This?

If You Have:

- ✅ $750K+ runway
- ✅ 2+ years patience
- ✅ ERISA/retirement plan expertise on team
- ✅ Relationships in nonprofit healthcare/higher ed
- ✅ Tolerance for long sales cycles

Then: Proceed with narrow MVP focus

If You Don't Have Those:

Then: This is not the right opportunity

10.2 If Yes: Recommended Approach

Narrow the Focus

- **Target:** Large nonprofit hospitals ONLY (initially)
- **Problem:** 403b + 457b waterfall automation
- **Ignore:** 457f, government 457, 401k (initially)

MVP in 6 Months

- Single payroll integration (via Finch)
- Core contribution calculation
- Basic employer dashboard
- Manual data upload fallback

Validate Before Building

1. Talk to 20 hospital CFOs/HR directors
2. Confirm willingness to pay $3,000-5,000/month
3. Identify 3-5 pilot customers before writing code

Team

- 1 founder (sales/product)
- 2 engineers
- 1 compliance consultant (part-time)
- Total: ~$400K/year burn

Timeline

- Months 1-3: Validation, design
- Months 4-9: MVP build
- Months 10-15: Pilot customers
- Months 16-24: Initial revenue

Budget

- Year 1: $500K
- Year 2: $750K
- Total: $1.25M to meaningful revenue

10.3 If No: Alternative Paths

Alternative A: Compliance Consulting

- Offer manual contribution tracking as a service
- Lower tech investment, faster revenue
- Test market before building product

Alternative B: Content/Education Business

- Build the "Secure 2.0 compliance guide" website
- Monetize through ads, lead gen
- Validate demand and build audience first

Alternative C: Different Market Entirely

- Consumer apps have faster iteration cycles
- B2C retirement apps (rollover, education)
- Lower CAC, faster validation

10.4 Comparison to Consumer App Opportunity

Factor	Retirement Compliance SaaS	Consumer App
Time to first revenue	12-18 months	3-6 months
Capital required	$500K-$1.5M	$50K-$200K
Sales cycle	4-12 months	Minutes
Technical complexity	High	Varies
Regulatory risk	High	Low-Medium
Market size	Small ($15M TAM)	Potentially large
Competition	Incumbents strong	Varies
Iteration speed	Slow (annual rules)	Fast

Bottom Line: Consumer apps offer faster validation and lower risk, but smaller potential upside per customer. Retirement SaaS has higher potential ARPU but much higher barriers.

10.5 Key Questions to Answer

Before proceeding, answer these:

1. **Do you have a compliance expert** who can stay current on IRS rules?
2. **Have you talked to 10+ potential customers** and confirmed willingness to pay?
3. **Do you have 24 months of runway** or ability to raise it?
4. **Can you tolerate 6-12 month sales cycles** with 50%+ loss rate?
5. **Do you have relationships** in nonprofit healthcare or higher ed?

If you can't answer "yes" to at least 3 of these, this is probably not the right opportunity for you.

Appendix

A. Key Sources

- IRS.gov - Contribution limits, plan rules
- PLANSPONSOR 2024 403(b) Market Survey
- Investment Company Institute - Retirement statistics
- Secure 2.0 Act of 2022 legislation
- Industry interviews and analysis

B. Glossary

- **403(b):** Tax-sheltered annuity for nonprofits/schools
- **457(b):** Deferred compensation for government/nonprofits
- **457(f):** Ineligible deferred comp (no limits)
- **ERISA:** Employee Retirement Income Security Act
- **PEPM:** Per Employee Per Month pricing
- **TPA:** Third Party Administrator
- **ARPU:** Average Revenue Per User
- **CAC:** Customer Acquisition Cost
- **LTV:** Lifetime Value

C. IRS Resources

- Form 5500: Annual retirement plan filing
- Publication 571: 403(b) guide
- Notice 2024-2: Secure 2.0 guidance
- Revenue Procedure 2021-30: EPCRS correction

This analysis represents a point-in-time assessment. Market conditions, regulations, and competitive landscape may change.