

## BEEN THERE (AND *DOING* THAT)



### COMMENTARY

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I have heard a lot of talk lately about how financial advisors are still in the retirement accumulation mode and haven't yet transitioned to the retirement income discussion. Well, that depends on the financial advisors you speak with — the ones we recently heard from have been having retirement income discussions for years . . . and will continue to do so for years to come.

LIMRA recently completed both a survey and a series of focus groups among advisors to address retirement income planning. The survey provided the statistics, while the focus groups shed light on the reasons behind some of the numbers.

We found that 9 out of 10 advisors say they conduct some form of retirement income planning services to their clients and receive at least a third of their income through these activities. About 4 in 10 registered investment advisors (RIAs) and advisors from broker-dealers (B-D reps) spend at least half of their time on retirement-income planning compared with 25 percent of the other advisor types surveyed (bank professionals and those who describe themselves as financial planners or investment advisors). Advisors cite some reasons why clients are engaging in these discussions:

*Clients want to know how long the money will last and then they need a strategy that makes sense to them.*

*People have no clue about longevity risks and withdrawal rates so they need help.*

And, while 46 percent are spending more time today on retirement income planning than they did two years ago, 56 percent will spend more time in the next two years — an increasing trend following the boomer infusion into the retirement space, with 3.5 million Americans beginning their transition to retirement each year — increasing to 4.5 million per year by 2020. And, today's retirees have a fifty-fifty chance they'll live to age 86. One advisor said, "they come in and tell me they don't want to outlive their income."

No wonder the advisors are having the discussions. The opportunity is enormous. LIMRA estimates 18 million Americans could benefit from retirement income planning from a professional. Today's retirees receive over \$1 trillion in retirement income and their net worth is over \$13 trillion.

Given this past year of economic turmoil, one may think that clients are flocking to their advisors looking for guaranteed investments. We found quite the contrary — most of the advisors say their clients aren't asking for guarantees (only 31 percent said clients do) because they either don't think there are any or are skeptical of products that claim guarantees. It is the old saying: The only things guaranteed are death and taxes. Clients want safety and predictability, yet don't always understand what products they need to achieve this. Advisors' comments include:

*People can't chase yield because they give up on safety and security.*

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### RETIREMENT COMMENTARY

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*Clients need to understand that retirement isn't about taking all your money and putting it in a conservative bucket and making it last ... they need to continue investing in the right vehicles.*

*In 2008 people asked about guarantees, now they want safety because they know there's nothing that's guaranteed anymore.*

Interestingly, there are comprehensive income planning needs to discuss expenses, but over one quarter (27 percent) of advisors reported that they don't develop expense plans for clients. Two thirds discuss when to claim Social Security and 62 percent discuss pension distribution.

Since not all advisors are equally prepared for the retirement planning discussion, this creates an opportunity for financial services companies. Advisors need help educating both themselves and their clients about retirement solutions. Advisors made it very clear that they do not want to be sold to, saying that insurance companies need to tread a fine line between educat-

ing and selling. Others told us to make the education simple and straightforward. Like the clients they serve, advisors will shy away from financial products they don't understand or can't easily explain.

*The more sophisticated investor wants more sophisticated investments and vice versa.*

Yet, another advisor says,

*They [older clients] have diminished capacity to understand financial concepts as they age. This lack of financial understanding creates fear.*

Financial services companies can also create collateral material that fights through the volumes of paper out there.

*Make the point-of-sale materials easier for the clients to understand.*

Finally, advisors do listen to their wholesalers and rely on them for information.



*Whenever my wholesalers have something new, they'll give me a call and say, 'There's a new feature that's coming out, come and give us a look,' and I'll take them up on it. We are always open to learning new ideas. 🌐*