May, 2015

Matters of Fact

Consumers, Advisors, and Retirement Decisions (and Results)

A timely data summary from the LIMRA Secure Retirement Institute to help our members plan, respond, and react… with insights about retirement consumers and their advisor relationships.

LIMRA Secure Retirement INSTITUTE™

In This Document

NOTE: Throughout this report, the term "Advisor" refers to a paid financial professional (e.g. broker, financial planner or advisor) used to make at least some of household investment decisions.

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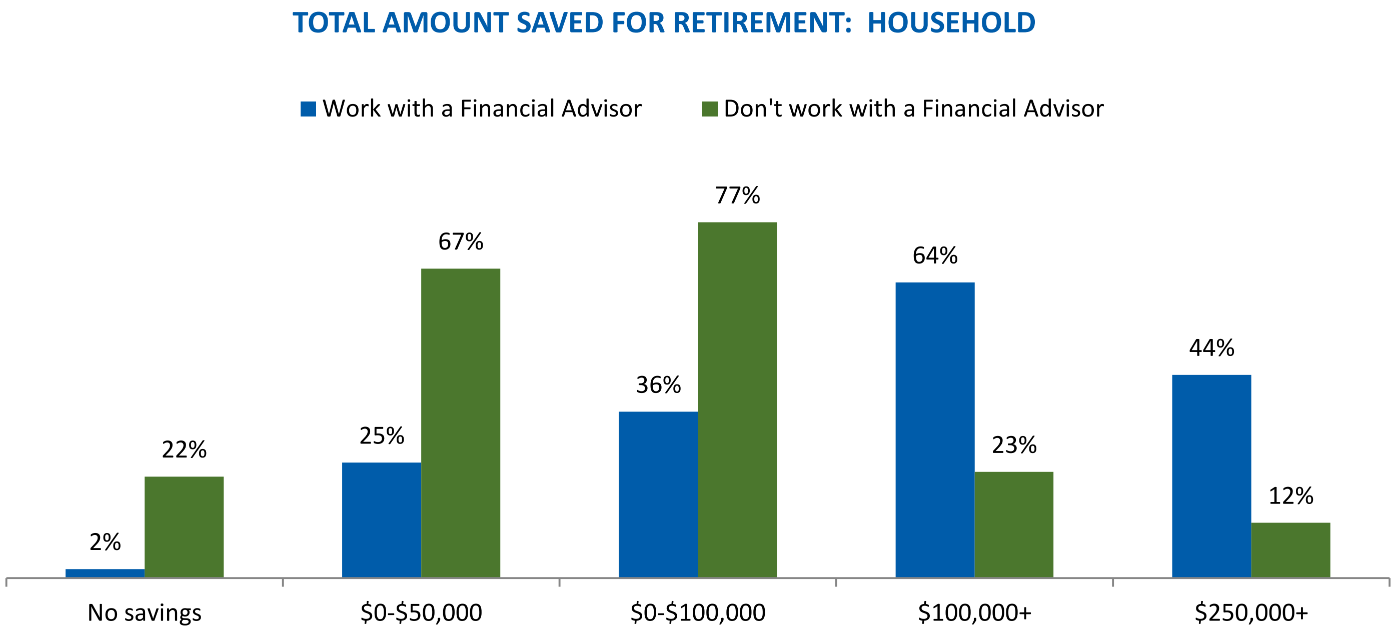
Advisors Are Linked to Better Results: Total Retirement Savings

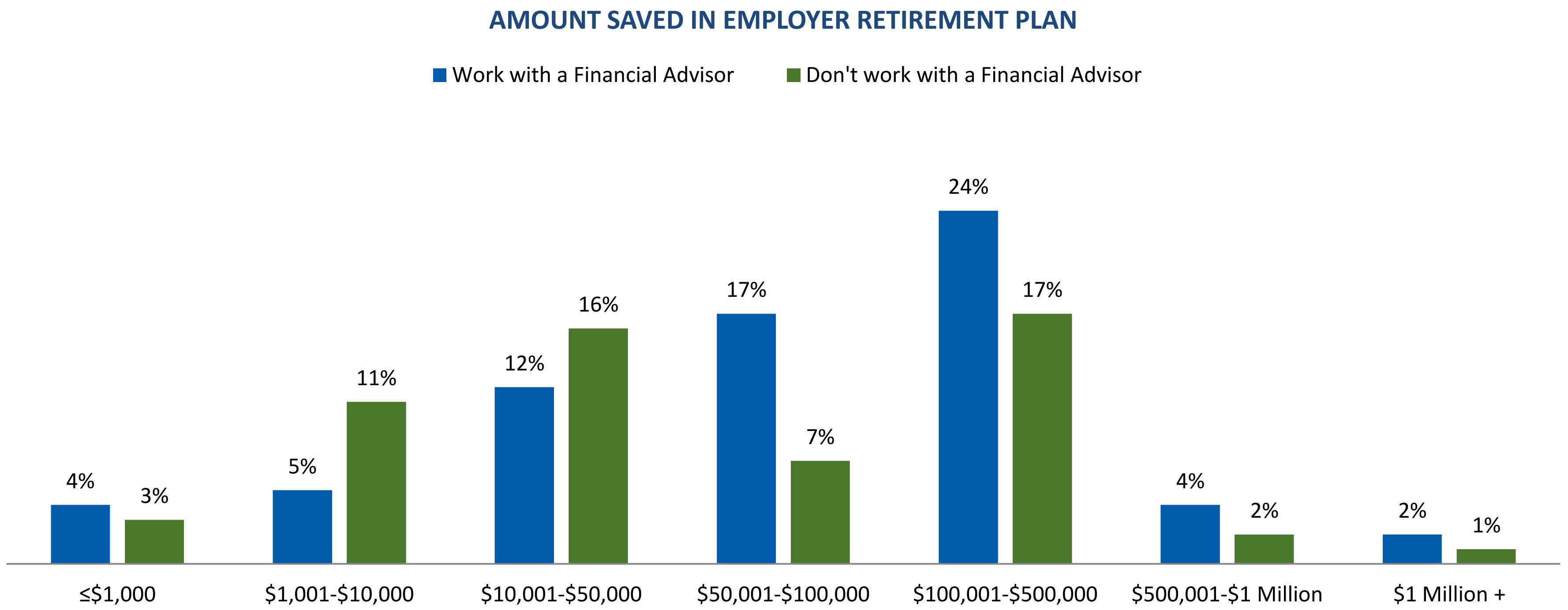
Households that use financial advisors are three times as likely as non-advised households to have $250,000 or more in retirement savings … and are more than twice as likely to have $100,000 or more.



Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

Advisors Are Linked to Better Results: In-Plan (DC)

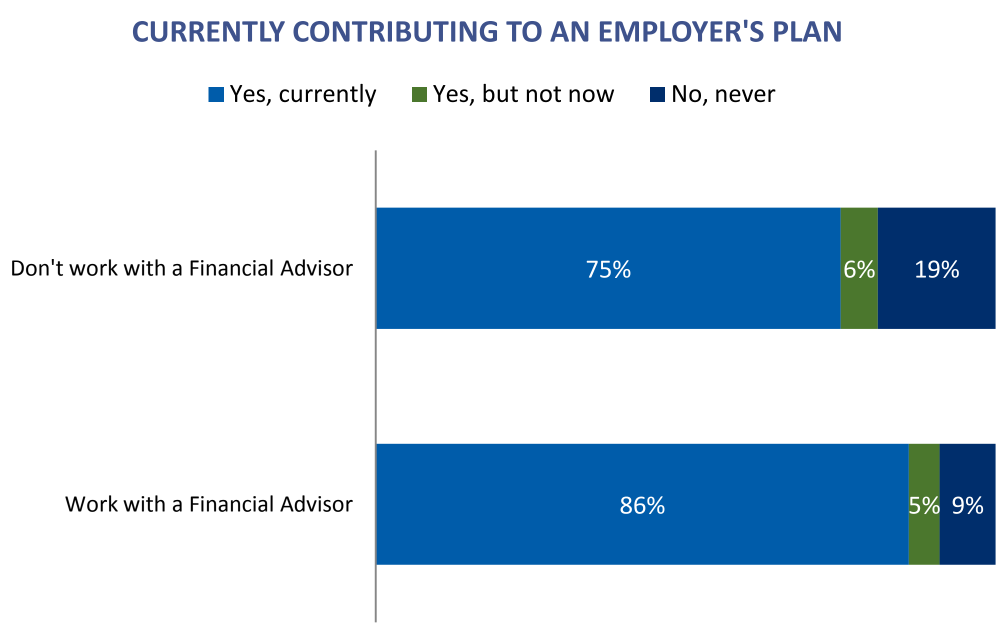
People who engage financial advisors have higher retirement account balances in employer retirement plans.

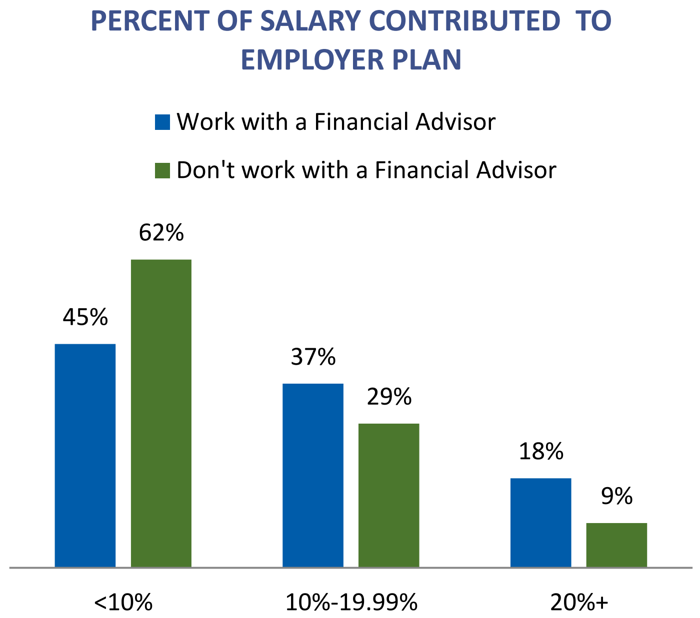


Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

People With Professionals Are More Engaged in Employer Plans

People who work with financial advisors are more likely (than those who do not) to participate in their employers' DC plans. More of those with advisors also demonstrate "good" behavior — contribute 10 percent or more to their employers' plans (and are twice as likely to contribute 20 percent or more).

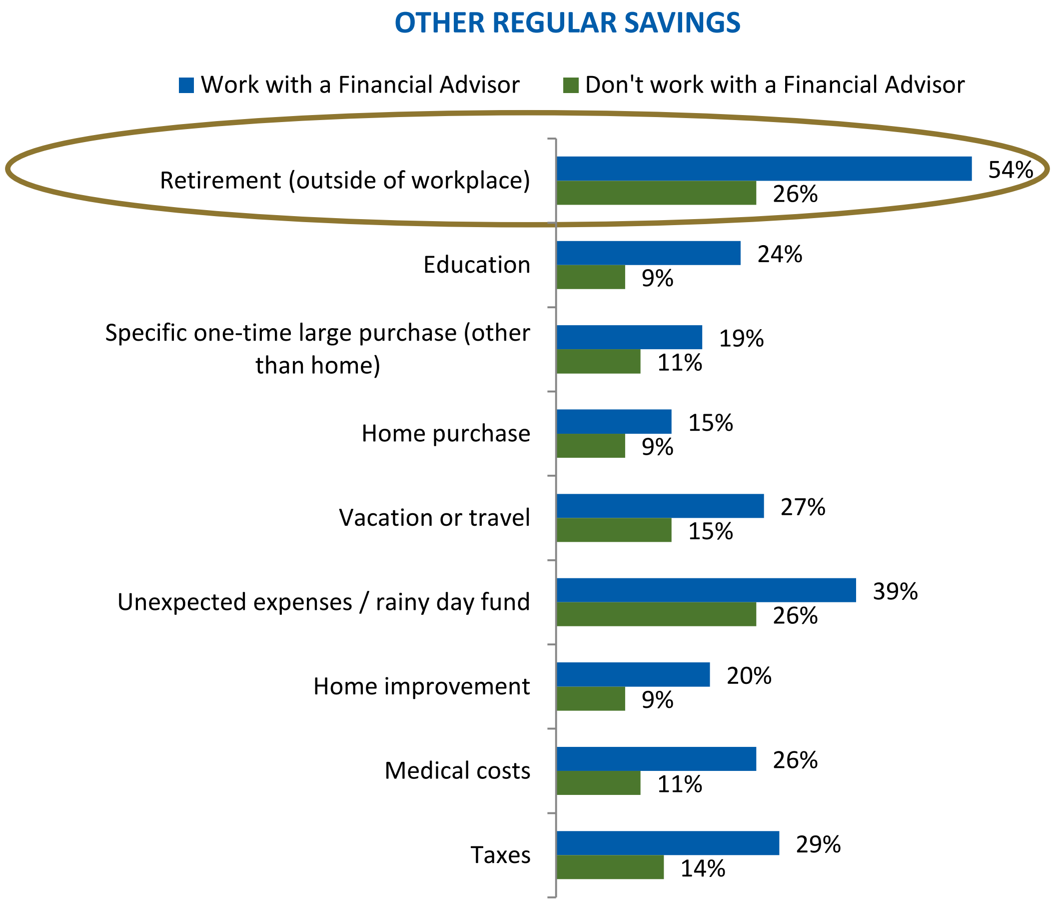




Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

People who Consult Professionals Save Regularly for a Variety of Goals

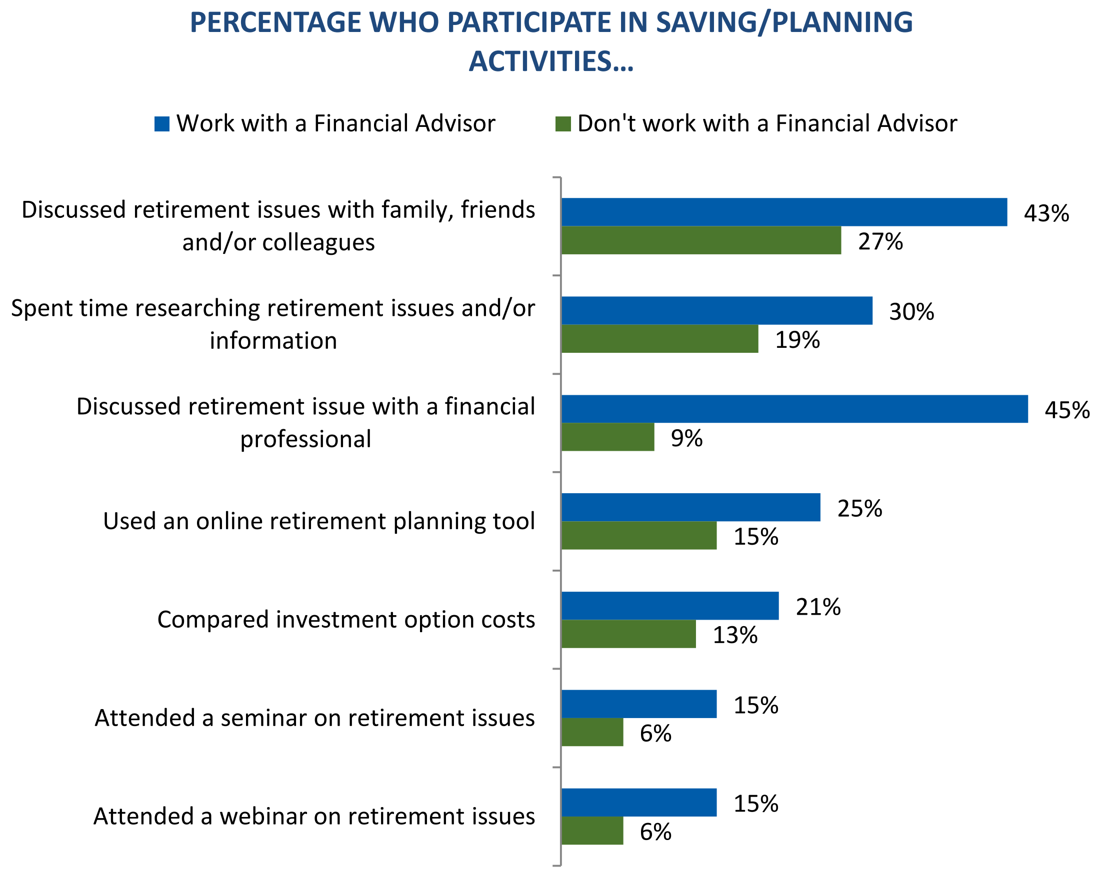
Advisors can also add value by encouraging clients to save holistically, not just for retirement. For nearly every listed savings goal (except vacation), advisors' clients are significantly more likely to save on a regular basis compared with people who don't consult advisors.



Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

Advisors are Associated with Engagement and Activity

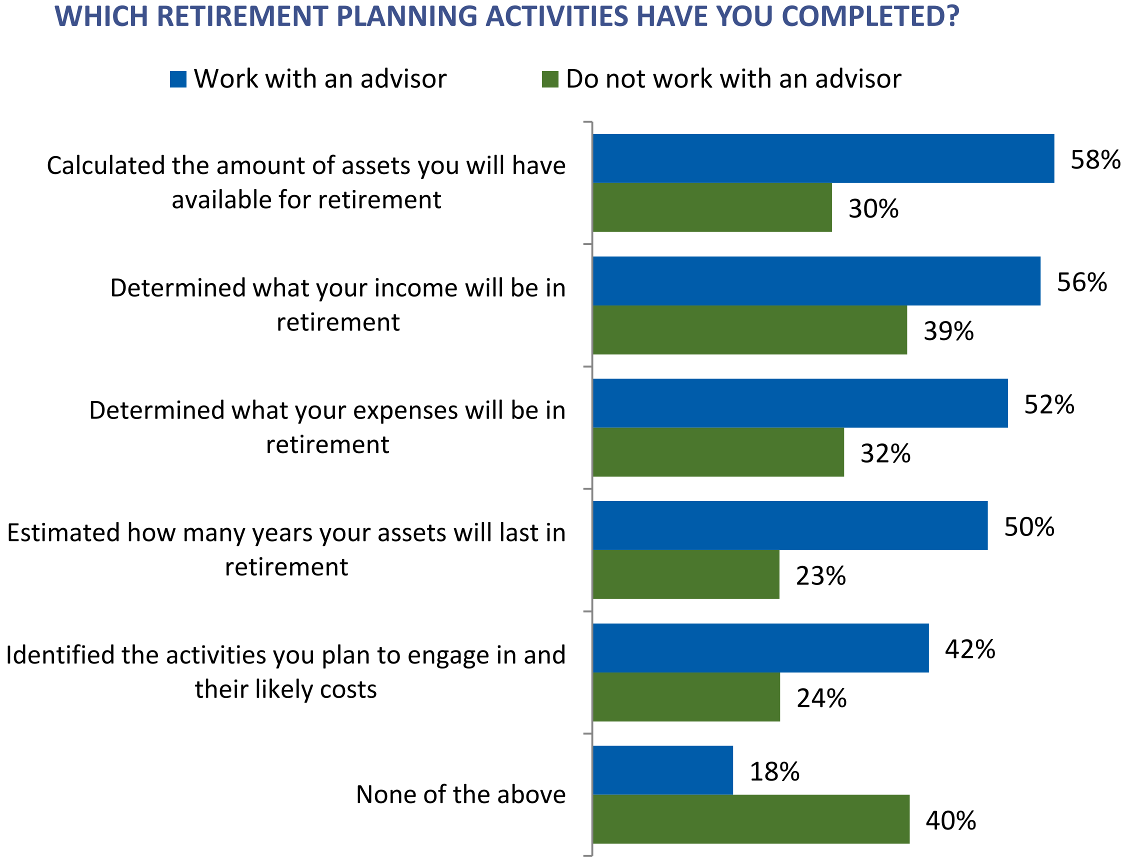
Advisors can help their clients engage with their own retirement and financial lives. People who use advisors are more likely to discuss their retirements with a range of individuals, from family to financial professionals; and, to conduct basic planning activities such as attending seminars and webinars, and using planning tools.



Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

Using an Advisor Tracks with Increased Engagement

Pre-retirees who work with financial professionals are more likely to complete key planning activities.

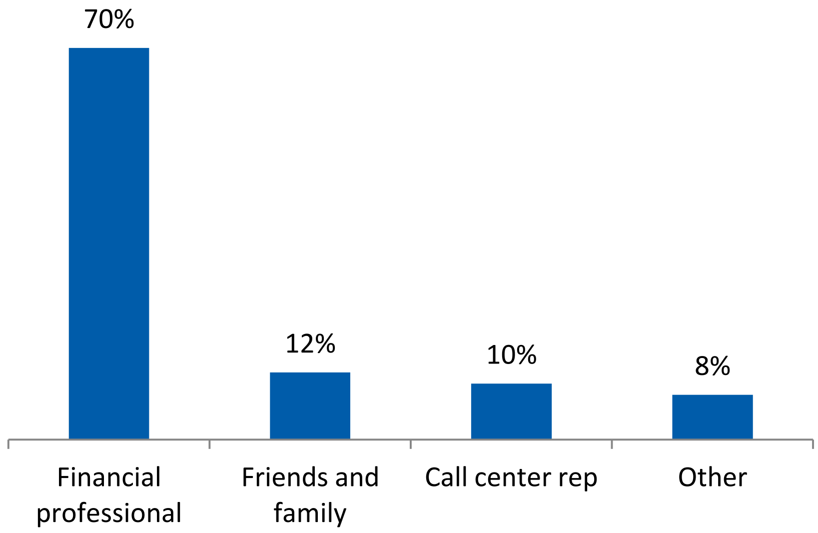


Source: LIMRA Secure Retirement Institute 2014 Consumer Survey

IRA and Rollover Decisions Are Not Purely a Function of Fees

Financial professionals/advisors are highly influential in helping individuals to make informed rollover decisions.

WHO HAD THE MOST INFLUENCE OVER THE ROLLOVER DECISION?*



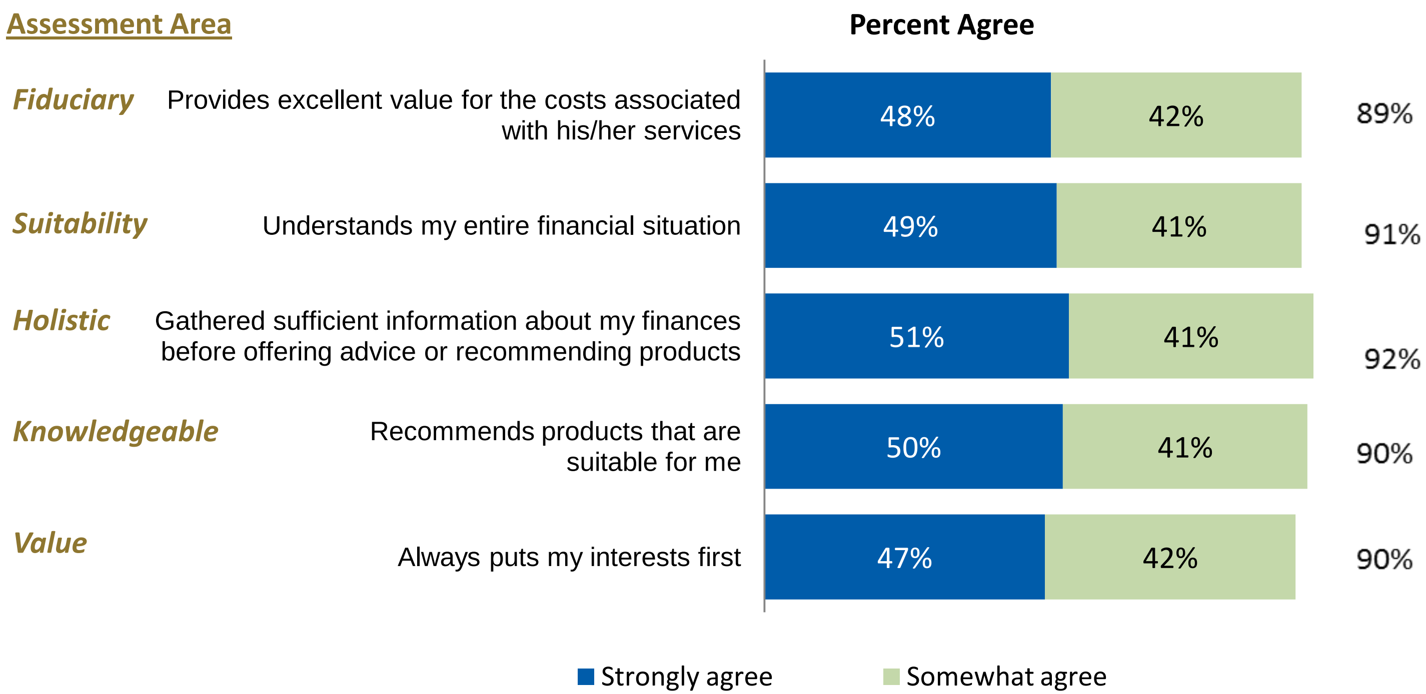
*Among consumers who are near retirement or recently retired (aged 55 to 70) and have rolled money from a DC plan into an IRA and spoke with someone about their decision.

Source: LIMRA Secure Retirement Institute 2014 Rollover Consortium

People Value Their Advisors

Consumers feel that advisors look out for their best interests, and understand their own needs and goals.

CONSUMER ASSESSMENT OF FINANCIAL PROFESSIONALS

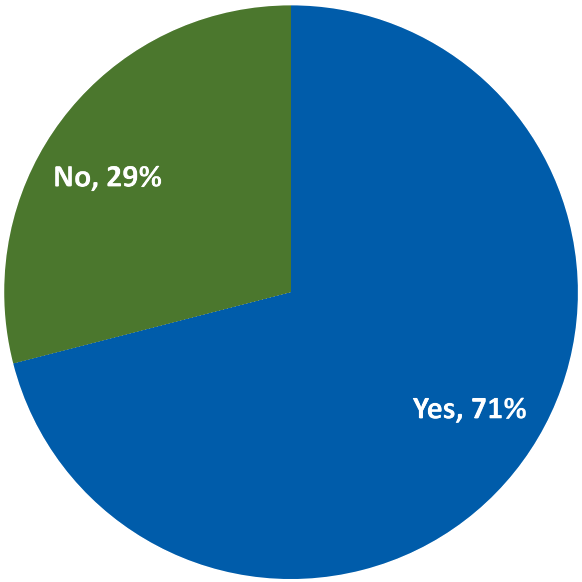


Source: *Quarterly Consumer Sentiment Q2 2015,* LIMRA Secure Retirement Institute.

Disclosure Does Not Improve Participant Knowledge About Fees

Even after disclosure, most participants think DC plan fees and expenses are reasonable… but few pay a great deal of attention to disclosure when delivered.

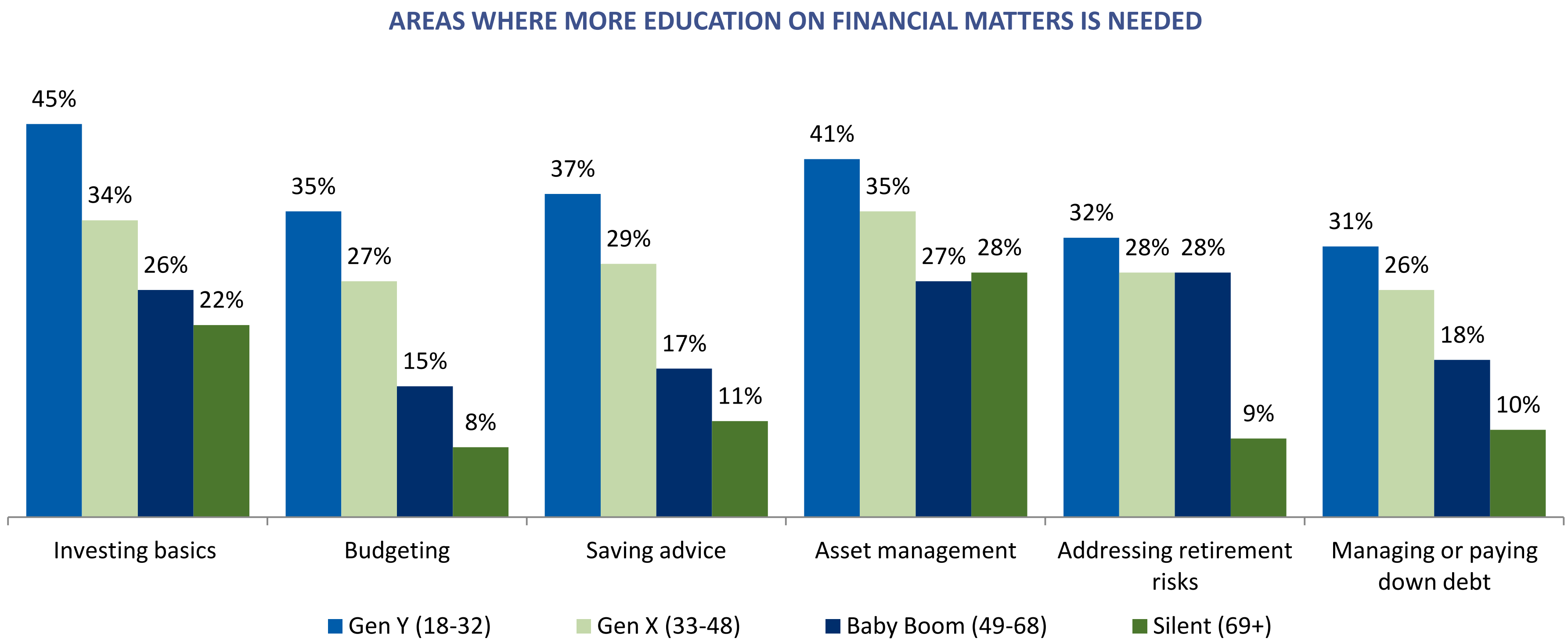
PERCENT WHO AGREE THAT DC PLAN FEES/EXPENSES ARE REASONABLE



Source: *Deciphering Disclosure,* 2013, LIMRA Secure Retirement Institute

Consumers Want More Education

Many consumers, especially younger ones, say that they need additional guidance on matters critical to financial security and retirement planning.



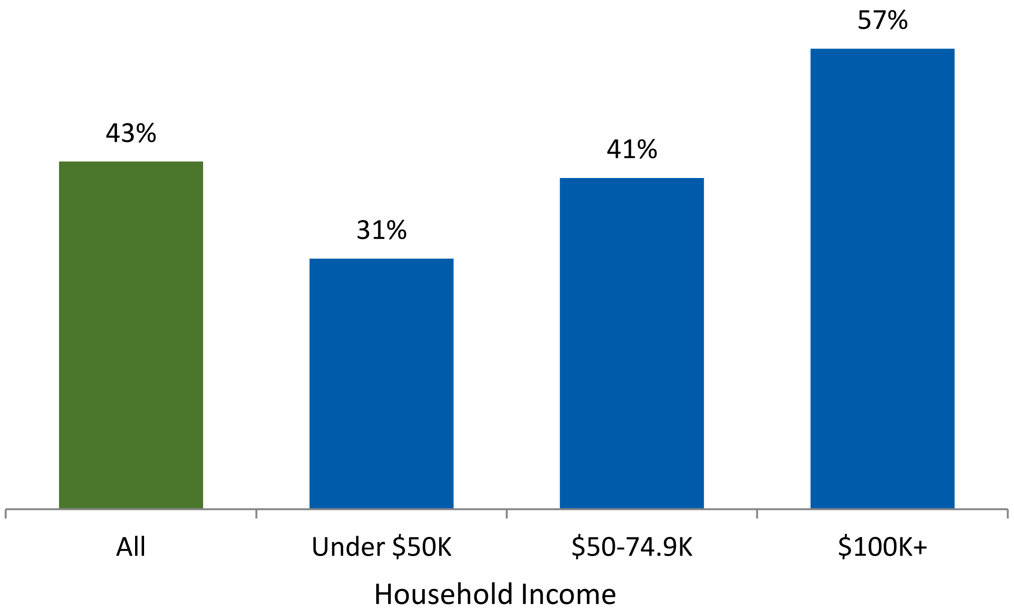
Source: *Third Quarter 2013 Consumer Perspectives,* LIMRA Secure Retirement Institute.

A Majority of Consumers Do Not Take an Active Role in Managing Their Assets

Only 4 in 10 consumers are actively engaged in managing their assets.

Even among higher-income consumers, only 6 in 10 actively manage their assets.

PERCENTAGE OF PEOPLE WHO ARE VERY INVOLVED WITH MONITORING AND MANAGING THEIR RETIREMENT SAVINGS.



Sources: *Financial Triage Assessing Consumer Wellness (2015)* and 2014 Consumer Survey, LIMRA Secure Retirement Institute

“Best Interests” Differ Based on Attitudes and Preferences

Consumers with similar demographic profiles, wealth levels, and lifestyle ambitions may have very different preferences and financial priorities. Because their attitudes toward money differ, we developed three consumer segments based on the income solutions they prefer.

Three money mind-sets:

- **Guarantee Seekers** – Want to know that their income won’t disappear. Have a floor of lifetime guaranteed income and would be interested in converting even more of their savings to a pension-like contractual guarantee. Want to spend money without the day-to-day worry of how long it has to last. Want the peace of mind of a certain outcome.
- **Estate Planners** – Financially savvy. Understand that equity markets generally out-perform risk-free fixed investments. Can withstand a little volatility to maximize the potential of investments. Trust their own investment decisions. Want to maintain personal control over investment decisions and to retain the flexibility to adjust income and spending as needs change over time.
- **Asset Protectors** – Have been saving money for a long time. Do not want to see savings account balance decrease. Will live off the interest and dividends of savings, but are uncomfortable invading principal. Don’t want to be “poorer.”

Source: *A New Perspective on Retirement Income*, 2015, LIMRA Secure Retirement Institute

Additional Facts and Research Data

- Controlling for household wealth, individuals who work with paid financial professionals are more likely to have formal, written retirement plans and to be confident that they are on track with their retirement savings.
- Confidence in being able to live their desired lifestyle in retirement is higher among those working with paid financial professionals, particularly for less-wealthy households.
- Among pre-retiree households with less than $500,000 in financial assets, there is a significant difference in subjective levels of retirement preparedness between those who work with financial professionals and those who do not work with financial professionals.
- Individuals who work with paid financial professionals are twice as likely as those not working with paid financial professionals to say that they had a discussion reviewing the pros and cons of doing a rollover to an IRA versus leaving the money in the plan.
- For pre-retirees (aged 55 to 70), the most common reasons involve consolidation of assets, gaining greater control over their money, seeking better returns, not wanting to leave their money with their former employer, and access to a greater range of investments.
- Pre-retirees say their desire for consolidation, better returns, and control most influenced their rollover decisions. Fees were not a significant factor.
- Seeking lower fees is not a major motivator, regardless of who had the greatest influence.
- Despite regulatory concern over conflicts of interest, 9 in 10 consumers agree that their financial professional always puts their interests first.
- Nine in ten agree that their financial professionals provide excellent value for the costs associated with their services. This assessment does not vary based on compensation method.
- Half of consumers who work with a financial professional have worked with their advisor for more than five years.
- Two thirds of consumers had a financial professional help with their rollover decision. Seven in ten consumers say the discussion they had with the financial professional about the advantages and disadvantages of the options they could take with their retirement plan assets was helpful.

Additional Facts and Research Data (Continued)

- DC participants don't spend a lot of time reading their statements. Most people spend less than 10 minutes with their statements.
- The Institute asked participants about their perceptions of 401(k) fees before and after disclosure. People don't have a good grasp of what they were paying, before or after. Despite receiving a fee disclosure notice, half of DC participants can not say how much they pay in fees.
- DC participants are generally satisfied with the value for cost.
- Only one third of consumers have a long-term financial plan. One in three have a monthly household budget.
- Slightly more than half of consumers have neither. Only 19 percent of consumers have both a short-term budget and long-term financial plan.

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