

# Institutional Investment Advisors and Consultants Forum: *Developing Expertise and Insights*

## ***INTEGRATION WITH ADVISOR'S EXISTING PRACTICE***

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*Innovation, Communication, Evaluation*

# BACKGROUND



- **Retirement income products come in many different forms**
  - In-plan and out-of-plan
  - Guaranteed and non-guaranteed
  - Products and services
- **Non-guaranteed options include:**
  - Managed payout products
  - Systematic withdrawal programs
  - Discretionary investment advice programs
- **Guaranteed products include**
  - Deferred fixed annuity products
  - Guaranteed minimum income benefits (GMIB)
  - Guaranteed minimum withdrawal benefit (GMWB)
  - Qualified longevity annuity contracts (QLAC)

**The focus of this presentation is integrating an in-plan product into your practice**

# EVALUATING, MONITORING, AND REPLACING PRODUCTS

**For in-plan products, the key distinction is whether it is guaranteed or non-guaranteed**

**The process for evaluating, monitoring, and replacing products should be clearly outlined in an organization's investment policy statement (IPS)**

- ERISA charges plan sponsors with selecting and monitoring investment options using a prudent process that would be employed by an expert in the field
  - This process has been well honed for traditional products, but many lifetime income products require additional considerations

Unique criteria for lifetime income products:

- Efficacy of Underlying Investment Process
  - High scores given to products that have strong quantitative and qualitative performance and give participants the ability to take on risk based on their individual profile or time horizon
- Nature of lifetime income guarantee
- Counterparty strength
  - Single vs. multiple insurers
  - Scores from rating agencies
  - Navigation of financial crisis



# EVALUATING, MONITORING, AND REPLACING PRODUCTS

- Cost of product
  - investment management and insurance expenses must be considered
- Operational flexibility
  - Portability for participants leaving plan and plan sponsors changing platform
- Participant demographics
  - Average age
  - Average income
  - Average account balance
  - Availability of defined benefit plan
  - Add other items we'll look at...
- Unique criteria for lifetime income product
  - Asset flow
  - Changes to product features
  - Guarantee rate compared to similar product

Institutional Retirement Income Council; *Evaluation Scorecard for Retirement Income Products.* <http://iricouncil.org/>  
Institutional Retirement Income Council; *Retirement Income Products: Which One Is Right for Your Plan?* <http://iricouncil.org/>

# TIME, FEES, AND RESOURCES FOR SERVING CLIENTS



## What impact will retirement income products have on your practice?

### Time & Fees

- Adding an in-plan retirement income solution will generally increase the amount of time and resources necessary to service clients
  - The amount of additional time depends on the complexity of the product or service
- In spite of the retirement industry's focus on financial wellness and retirement outcomes, our experience is that we have not been able to charge additional revenue

### Resources

- Generally, an advisor or consultant does not have to create original content for communication or education
- Leveraging provider materials and personnel is key to success
- Prior to adding a product or service:
  - Carefully review provider materials
  - Discuss and plan for an initial and ongoing education strategy
- Institutional Retirement Income Council (IRIC)

# IMPACT ON OTHER SOURCES OF REVENUE



**Will adding an in-plan retirement income impact other sources of revenue?**

**Short answer, yes.**

**The real question is, how???**

## **Evolving role of the advisor as a fiduciary**

- Will impact IRA rollover practice
- Acting as a fiduciary means providing only recommendations reasonably believed to be in the best interest of the client
- As the market develops, institutionally priced retirement income products will become more and more competitive

## **Evolving concept of financial wellness and planning services**

- Retirement income products inevitably add more complexity to plans
  - Added complexity enhances the need and role of the advisor

# DIFFERENTIATION: LEVERAGING YOUR KNOWLEDGE



## **Developing an expertise in retirement income gives consultants and advisors a distinct competitive advantage**

### **Developing Market**

- Plan sponsors and most advisors or consultants are not well versed in this area
- QLACs, GMIBs, and GMWBs are just a few cutting edge products most cannot speak to

### **Increased Exposure**

- Experts are increasingly sought after for panel and speaking engagements

### **Differentiator in finals**

- As we're all aware, this market is extremely competitive
- Differentiate yourself in pointing out your ability to provide income solutions

## **Guide your clients into the next generation of retirement planning**

# BENEFITS TO ADVISORS, SPONSORS, AND PARTICIPANTS: A FEW STORIES



- **Advisor Benefits**
- **Plan Sponsor Benefits**
- **Participant Benefits**

# FOR MORE INFORMATION



Visit: <http://iricouncil.org/>

- **Thought Leadership**



## Advantages to Offering Retirement Income Solutions

Offering retirement income solutions provides significant advantages to both DC plan participants and employers.

View



## Evaluation Scorecard for Retirement Income Products

In this paper, Mendel Melzer and Julie Leinenbach introduce a set of metrics that plan sponsors and their consultants can utilize in assessing the suitability of a retirement income strategy in a DC plan.

View

- **Evaluation Tools**

- Compare product features, processes

- **Reference Library**

- Articles of Interest, regulatory & government research, and a video library