

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