2014 in Retrospect: The Best of RIJ

By Jenna Gottlieb *Mon, Dec 15, 2014*

Before 2015 arrives, bringing its own urgent demands for our attention, here's a look back at a dozen of RIJ's best articles of 2014.

RIJ published more than 120 cover or feature stories in 2014, all of them guided by our mission: to cover the "business of retirement" in a way that's independent, eclectic, insightful and iconoclastic. And even with a bit of humor.

As a holiday feature, we decided to revisit some of our favorite stories. Below, you'll find short clips from (and links to) a dozen cover stories from 2014 that we think embody our editorial ideals. If you missed any of them when they first appeared, here's a second chance to read them.

Much of our activity in 2014 took place underneath the homepage, however, not on it. For instance, our forthcoming website improvements will make our registration and subscription process easier to navigate. To enhance the usefulness of the site, we added a new tool, the Social Security Maximizer, to our homepage. On the marketing front, the former circulation chief of *Men's Health* magazine is currently helping us prepare ourselves for growth.

So we're excited about the new year, and about the fresh set of timely articles that it will inevitably bring. But before 2015 arrives with its own urgent demands for our attention, we'll revisit twelve of *RIJ*'s best articles of 2014.

A Physician Heals Himself [Financially] (January 23)

Dimitri Merine is a 56-year-old radiologist at a not-for-profit hospital near Baltimore. During the 2008-2009 financial crisis, he had the sobering experience of watching older colleagues wring their hands over their investment losses and their crumbling retirement dreams.

"A couple of my co-workers had to keep working because of the market meltdown. They didn't feel that they'd saved enough, and they felt too old to implement the strategies that I'm using now. Some of these strategies need a long lead time," he told RIJ recently. "That forced me to get moving so that I wouldn't find myself in the same situation."

At a time when most financial advisers are still learning how to combine insurance and investment products to maximize both income and safety in retirement, a few ambitious near-retirees like Dr. Merine aren’t waiting for the advice profession to discover the merits of guaranteed retirement income.

http://retirementincomejournal.com/issue/january-23-2014/article/a-physician-heals-himself-financially

Are You Being Served? (March 6)

“All the heirs hate it,” rued the paralegal at the law firm that represented the company that held the reverse mortgage on my late father’s two-story condo in a development in suburban Philadelphia. They hate getting sued, that is.

I certainly did. As I explained to the paralegal, I answered my doorbell a few weeks ago to find an officer of the law on the stoop—a stone-faced Lehigh County sheriff’s deputy wearing a Stetson and a brush moustache who, after I confirmed my identity, handed me a thin sheaf of papers, stapled in the upper left hand corner.

Underneath a cover sheet that was peppered with opaque words like “prothonotary,” I found a “Complaint in Mortgage Foreclosure.” The plaintiff was an Austin, Texas, bank that I’d never heard of. The defendant was myself, the executor of my dad’s estate.

Leafing through the “complaint,” I was momentarily transfixed when I saw the phrase, “Amount Due: $264,566.57,” but exhaled when I reached paragraph 12, which said: “Plaintiff does not hold the named Defendants personally liable to this cause of action and releases them from any personal liability.” So why was I being sued?

http://retirementincomejournal.com/issue/march-6-2014/article/are-you-being-served

Two Advisors, Two Strong Opinions of FIAs (March 13)

Do you want to know what really steams Howard Kaplan? It’s when the LPL-affiliated adviser watches CNBC and hears a talking head speak dismissively about fixed indexed annuities, a product he knows a lot about and likes a lot.

Recently, CNBC Shelly Schwartz financial reporter said, “In the context of bond alternatives, fixed index annuities also bear mentioning—if only to urge caution.” When Kaplan, a CPA and financial planner, hears such things, he jumps on the phone or starts typing protest letters.

Do you want to know what infuriates Philadelphia-area adviser Harry Keller? It’s when he turns on CBS radio and hears Phil Cannella, host of the "The Crash-Proof Retirement Show," trash the securities industry and boast of an unnamed, zero-risk, no-fee product for retirees that eventually turns out to be an FIA.

"These products are still being mis-sold, and the sellers are still taking advantage of seniors," Keller told RIJ. "There are more consumer protections for time-shares and gym memberships than there are for fixed indexed annuities."

No financial product sold in the U.S. today triggers stronger emotions and opinions than fixed indexed annuities (or equity-indexed annuities, as they were called from 1995 to 2007). Annuities in general tend to provoke controversy, and FIAs are easily the most polarizing annuities.

http://retirementincomejournal.com/issue/april-3-2014/article/two-advisers-two-strong-opinions-of-fias

Bill Sharpe's New Retirement Blog (April 23)

A few things you should know about Bill Sharpe: He's fascinated by probabilities, he's passionate about computer programming and he's worried that millions of Baby Boomers are about to slam into retirement unprepared.

"Here's the challenge," the goateed Stanford emeritus professors of economics, who created the Capital Asset Pricing Model, co-founded Financial Engines, and, yes, nabbed the Nobel Prize in 1990, told *RIJ* recently. "What should people do when they hit retirement? Ordinary people don't have the foggiest idea."

Sharpe, who lives in Carmel, California and will turn 80 in June, has responded to this challenge, most recently, in a modern way: he started a blog. It's called RetirementIncomeScenarios, and he's posted there intermittently since last August. The posts describe his progress toward writing an easily accessible software tool for testing decumulation strategies.

When he finishes the tool, he said, advisers and their clients will be able to input their own personal data and market assumptions and so forth, and determine the sustainability of a particular income or spending rate.

http://retirementincomejournal.com/issue/april-25-2014/article/bill-sharpe-s-new-retirement-blog

Ten Images That Explain Retirement (May 22)

Longevity risk, Social Security maximization, diversification—these concepts are fundamental to conversations between advisers and their older clients. But they can be hard to explain in words alone, without an illustration or diagram.

You'd think it would be easy to find such images. Tons of relevant charts and graphs can be found on most financial services company websites. And financial planning software can generate multitudes of colorful retirement projections in a flash.

But just as the department stores are filled with beautiful clothes but no one looks especially well dressed, images that produce a shock of financial recognition in clients' brains evidently aren't so plentiful. A while ago, we asked retirement advisers to share some of their most effective visual aids with us. The most common response: "When you find some, let us know!"

So we searched for some, and we found ten examples that you and your clients might find useful and entertaining. There's no magic pill here to banish client confusion; adviser input will still be needed. But, according to Catherine Mulbrandon, author of An Illustrated Guide to Income in the United States and founder of Visualizingeconomics.com, that's the most you can hope for.

http://retirementincomejournal.com/issue/may-22-2014/article/ten-images-that-explain-retirement

Short on Shares, Women Share Homes (June 20)

The idea of widows and divorcees cohabiting to save money was a novelty in the late '80s, when it served as the premise for NBC's hit comedy, *The Golden Girls*. It turns out that those girls—saucy Blanche, dizzy Rose, crusty Dorothy and wise Sophia—were ahead of their time.

Today there's a website, Roommates4Boomers.com, built specifically to facilitate matchmaking between unattached women over age 50 who want to reduce their housing costs by doubling up or tripling up in a home or apartment with women like themselves.

Roommates4Boomers was founded in 2013 by Karen Venable, who was living alone at age 55 and thinking about the importance of her women friends "to my well-being." She searched online for a service that could help her locate a compatible, reliable roommate but didn't find much.

http://retirementincomejournal.com/issue/june-20-2014/article/short-on-shares-women-share-homes

An Algorithm that Loves Annuities (June 26)

Decumulationistas, to coin a term, tend to believe that a lot of Americans could probably spend more money with less risk during retirement if they allocated their savings to a blend of annuity and investment products rather than to investments or annuities alone.

Such a product allocation, the theory goes, pays off in at least three ways. It uses mortality risk pooling to boost income; it reduces the need to hoard against uncertain future expenses, and it lets people gamble a little with their liquid investments without losing sleep.

But how do you optimize such a strategy? And how can you do it in an intellectually rigorous way that:

- Incorporates the major knowns (income needs, existing resources, legacy desires)
- Adjusts for the major variables (product fees and features; broker-dealer suitability restrictions) and
- Doesn't fudge the major uncertainties (market risk, sequence risk and longevity risk) by assuming average values

In 2008, Moshe Milevsky's QWeMA Group in Toronto tackled this multidimensional problem. Using partial differential equations, they developed a calculator to generate custom allocations within a portfolio with three types of products: mutual funds, variable annuities with lifetime income riders, and fixed income annuities.

The calculator's acronym is PrARI, or Product Allocation for Retirement Income.

http://retirementincomejournal.com/issue/june-26-2014/article/an-algorithm-that-loves-annuities

What's Your Zip Code's Annuity Potential? (September 11)

If you ever read or watched *Moneyball*, the book and movie about the Oakland Athletics, you know that the application of statistical analysis to the chore of identifying under-valued ballplayers helped turn a mediocre club into a contender, if not a champion.

Bill Poll, co-founder of a New Jersey-based market research firm called Information Asset Partners, wants to help annuity producers, wholesalers and manufacturers sell more annuities with less wasted effort by using a similarly data-driven approach.

As Poll explained it to *RIJ* recently, his company uses data from a massive biennial survey of household finances, called MacroMonitor, to create a profile of likely annuity buyers. Then it grades U.S. ZIP codes on their annuity sales potential, as indicated by their density of such people.

That's Step One. In Step Two, his firm uses regularly updated annuity sales information, from DTCC, the giant securities clearinghouse, to grade U.S. ZIP codes on their actual level of sales. By cross-referencing sales potential with actual sales, he can tell if a territory is saturated, underdeveloped, concentrated or diffuse.

IAP's product is the Annuity Market Assessment, and Poll, a former Dun & Bradstreet marketer with an MBA from Columbia, has been pitching it to prospective customers—insurance companies, insurance marketing organizations (IMOs), broker-dealers, individual producers and journalists—since last February.

http://retirementincomejournal.com/issue/september-11-2014/article/what-s-your-zip-code-s-annuity-potential

Anatomy of a Success: Elite Access (September 18)

The story behind Jackson National Life's success with the Elite Access variable annuity contract is an interesting one. It's a business strategy story in which a quiet, foreign-owned life insurer created not just a top-selling new product but also a new product category, and injected much-needed new energy into a flagging industry.

Launched in March 2012, Elite Access B was ranked fifth in sales among all VA contracts in the U.S. at the end of the first quarter of this year. Now attracting over $1 billion in premia every quarter, it's the dominant contract in the so-called "investment only" segment of the VA market

The contract started out as a way to leverage the growing interest in "liquid alts," to give retail investors a convenient, tax-efficient way to get exposure to institutional-style assets like commodities, hedge funds and long/short strategies through actively managed mutual funds. Since then, Elite Access has been repositioned as a versatile, one-stop platform for investing in a volatile market where alts, not bonds, are expected to be the best diversifiers of equity risk.

We were curious about the effort and the strategy behind this successful launch. So we started calling broker-dealers and advisers who have and haven't sold Elite Access, including a few who were flown to Jackson's Denver headquarters for all-day immersions in the benefits of Elite Access. We also talked to the heads of annuity sales and of overall marketing at Jackson, which is a unit of UK insurance giant Prudential plc.

http://retirementincomejournal.com/issue/september-18-2014/article/anatomy-of-a-success-elite-access

A New Robo-Advisor Eyes the 401(k) Space (October 30)

Not long ago, a few retirement industry mavens were pondering the robo-advisor phenomenon. "If they break into the 401(k) space, it could be disruptive," one said. "That won't happen," answered another. "Financial Engines, GuidedChoice and Morningstar… they've got too big a lead."

The discussion was timely. Only days later, a suburban Kansas City startup named **blooom**—like the flower, but with three o's and a lowercase b—put out a press release. It had just won an award at the FinovateFall trade show in New York. Its business objective, the founders said, is to bring low-cost ($10/mo. or less), high-value investment advice to post-Boomer 401(k) participants.

The mid-life brainchild of a CFP with a $525 million RIA practice, and others, blooom aims to turn participant accounts into discretionary accounts, without necessarily going through the existing plan sponsor or recordkeeper. blooom isn't designed to be a broker-dealer, an aggregator, or a managed account provider. It simply plans to obtain usernames and passwords from its clients and to re-allocate and re-balance their accounts for them.

http://retirementincomejournal.com/issue/october-30-2014/article/a-new-robo-advisor-eyes-the-401-k-space

Two Robo-Advisors, Two Income Strategies (December 4)

While the greybeards of the retirement industry struggle to migrate from product cultures to planning cultures, the new generation of so-called robo-advisers has cherry-picked their best practices and focused on the *process*—the web-mediated delivery system. And their growth has alarmed the incumbents.

So far, robo-advisers have been lacking in the area of retirement income planning. Perhaps because retirement isn't yet a top-of-mind concern for their target market, or because income plans can be too complex or idiosyncratic to automate, the robos have fed mainly on the lower-hanging fruit of aggregation and asset allocation services.

But that's changing. Last spring, Betterment.com, the online broker-dealer and registered investment adviser that now partners with Fidelity, has a payout function. Just this month, SigFig.com, a smaller firm, also announced a payout function markedly different from Betterment's.

RIJ recently visited these firms' websites and talked with their principals. The big-picture takeaway: Advisors who are glorified salespeople have a lot to fear from robo-advisers. Serious retirement specialists who know how construct custom plans out of combinations of safe income sources and risky investments will be far less vulnerable.

http://retirementincomejournal.com/issue/december-4-2014/article/two-robo-advisors-two-income-strategies

The Hidden Gold in Mid-Sized Rollovers (December 11)

When 401(k) participants change jobs, they're not the only ones thinking about where their accounts might go next. Recordkeepers, asset managers, registered investment advisors, automatic rollover specialists, and rollover magnets like Fidelity and E*Trade, to name a few, all take an interest.

The intensity of their interest, of course, depends on the size of the account. The largest accounts are the most sought-after. The smaller ones get cashed out or gobbled up by automatic rollover specialists. The mid-sized pots—worth $5,000 to $50,000— are like odd-sized fish: too small to keep, too big to ignore.

Too often, says Pete Littlejohn, the director of strategic partnerships at **Insp*ira***, a $20 million closely held IRA recordkeeper based in Pittsburgh, the owners of those accounts wind up in steerage on titanic asset management platforms, generating minimal or even negative revenue and receiving barebones yet over-priced service in return.

Littlejohn (right) thinks those investors deserve better. In fact, he thinks the whole IRA food chain would be more efficient if recordkeepers and others farmed out their $5,000-to-$50,000 accounts to white-label IRAs at Insp*ira*—at least until the accounts got bigger. Meanwhile, the account owners would get first-class advice from **GuidedChoice** and everybody—investor, recordkeeper, asset manager, Insp*ira* and GuidedChoice—would see upside.

http://retirementincomejournal.com/issue/december-11-2014/article/the-hidden-gold-in-mid-size-rollovers