

Advisors Provide Icing, But Retirees Need Cake

By Chuck Yanikoski Thu, Jan 21, 2016

'I thought that, if given the right software, the retirement industry would use it to address the non-investment needs of the mass market. I was wrong,' writes our guest columnist, the president of RetirementWorks, Inc., of Harvard, Mass.



After a quarter-century of designing and building retirement planning software, I find myself nearing my own retirement. It's time to ponder lessons that I have learned or failed to learn. One thing I've learned, the hard way, is that most financial services companies and advisors don't especially want to change the way they serve (or under-serve) most retirement clients, or to radically change the software they do it with.

Lesson One. For most people, retirement planning is not about investments, taxes, estate planning, or even retirement income. It's about other stuff. It's about where to live, what to do, what relationships to pursue or drop, and how to solidify their legacies. It's about focusing on what matters and, surprisingly often, it isn't money.

True, people pursue their non-financial goals in ways that are enabled or constrained by money. So if advisors weren't engaged in the financial minutiae of retirement planning, we'd miss important details. But in most cases those details are secondary or even irrelevant.

And we can't work magic. Most people, when they retire, already hold all the cards they can ever play. The present value of their net worth and their probable future income streams are more or less determined. We can advise them to add risk or exercise more caution at certain times, but the success of those strategies depends on what cards their opponent (i.e., Fate) plays. There are no guarantees, just probabilities.

Lesson Two. Most of the advice our industry offers won't help people who are already headed for financial trouble. They need to add to the value of their financial resources, relative to expected expenses. Moving money around won't do that reliably. Often it just adds risk and strengthens Fate's hand.

Most retirees can improve their financial situation in only two ways: By working more

and/or slashing expenses. That is the unappetizing two-layer cake upon which our fancy planning serves merely as icing. The icing has value, but the millions of people who are approaching retirement need to find more cake or go on a diet.

Lesson Three. There's no market for the kind of planning software that would address this problem.

In 1991, I began imagining software that could give people exactly what they need. It would deal with every financial issue retirees face, with particular emphasis on those with the biggest impact. It would deal with these issues in an integrated way and produce a coherent plan. The software would support complexity, but be simple to use.

Fifteen years later, I had a prototype and took it on the road. But the big financial services companies didn't want it. The software either required actual cooperation among their silos, or they didn't offer all the same products and services that the software encompassed.

Financial advisors didn't want to deal with it either, it turned out. The software either did too much for them, they said, or it operated in unfamiliar ways, or required new workflows. I believed in it because it worked for my clients and myself. But the product's success began and ended there.

Employers, plan sponsors or other organizations weren't seriously interested either. A few considered licensing it, but they were reluctant to endorse (and be held liable for) what they didn't understand. And they didn't understand it.

Finally, I began offering it to individuals. Many of them have liked the software, and some have renewed it year after year to keep their plans on track. But without a campaign to drive consumer awareness—an effort that only big companies like Apple can afford—I couldn't generate enough demand.

The Bottom Line. Naturally, it bothers me that my small company reaped only thousands of dollars in sales after spending millions on product development. But my frustration runs deeper than that. Fifteen years ago, I was certain that, if given the right software, the retirement industry would embrace it, and use it to address the non-investment needs of the mass market. In other words, I believed the industry would change. Since 2007, I've learned why software like mine hasn't been widely adopted. The industry, for reasons of its own, has little desire to change.