Cerulli publishes pointers on capturing IRA rollovers

By Editorial Staff *Thu, Sep 18, 2014*

Of the $1.1 trillion that former participants could have rolled over in 2013, $720 billion remained in plans, awaiting future action, Cerulli analysts said.

A new research report from Cerulli Associates confirms most of the rules of thumb about the IRA rollover market that were shared by presenters at the "Winning in IRA Rollovers" conference in Boston this week. (See today's RIJ feature on that conference, above.)

The new report, the *Evolution of the Retirement Investor 2014: Understanding 401(k) Participant Behavior and Trends in IRAs, Rollovers, and Retirement Income*,is designed to help firms develop strategies to capturing more retirement assets.

Like the presenters at the conference, Cerulli noted in a press release that about two-thirds of rollovers go to firms with which the client has an existing relationships and that financial advisors and recordkeepers always need to ask new prospects if they have old 401(k) plans that are eligible for rollover.

IRA assets reached $6.5 trillion at the end of 2013 and rollover contributions were nearly $324 billion, Cerulli said, adding that both figures will grow over the next five years as Baby Boomer retire. Those rollovers were less than a third of the amount that was eligible for rollover, Cerulli observed.

In a comment that seemed to echo the concerns of regulators, Cerulli noted, "Assets had a tendency to move to places that had the primary influencers' best interests in mind as well, which may not be the same as the clients'."

Other observations from the report include:

- Rollovers are grabbing most of the attention, but about $720 billion of the $1.1 trillion in defined contribution assets that were eligible for distribution in 2013 remained in employer-sponsored plans. It represents potential rollover business.
- About 28% of participants surveyed cited their 401(k) provider as their primary source of retirement advice.
- If a firm does not have any existing relationship with a client, it will be challenging to capture that rollover.
- It may be easier and more profitable for recordkeepers to acquire rollovers than to focus solely on increasing contribution rates.

- Most of this money in plans will eventually move to an IRA.
- Rising healthcare costs and debt service of participants will make it a challenge for recordkeepers to increase enrollment and contribution rates.
- Industry attempts to market retirement income to those in their late fifties are often dismissed because they do not consider themselves pre-retirees.
- Financial services firms are in the difficult position of having to offer personal financial services to a large number of participants who may suddenly face a job loss or health issue.