
Honorable Mention

By Editorial Staff Thu, Jan 10, 2019

Advances in 'A.I.' favor direct channel growth: Cerulli; Securian offers new multi-year guaranteed annuity; Small employers warm to retirement plans: LIMRA; Citigroup settles 401(k) fiduciary lawsuit for \$6.9 million.

Advances in 'A.I.' favor direct channel growth: Cerulli

The direct-to-investor channel, which maintains relationships with nearly 40% of U.S. retail investor households, now accounts for more than \$7 trillion in assets under management (AUM), according to Cerulli Associates, the global research and consulting firm.

Even with modest return expectations, this segment could easily approach \$10 trillion by the end of 2022, the firm predicts. "Growth will be driven by a combination of investor choice and investor returns over the next few years," a Cerulli release said.

"As direct providers increasingly layer-in enhanced advice offerings with access to highly trained advice personnel, traditional advisory firms will need to redouble their efforts to maintain their market share in the face of the growing presence of the firms in this segment," said Scott Smith, director at Cerulli, in a prepared statement.

"Encouraging investors to use online planning tools is a prime opportunity for providers to help investors better understand their relative progress toward goals, while also uncovering unmet product needs," added Smith. "To boost user engagement, providers must consider making their planning suites as modular as possible, with frequent feedback to reward incremental progress."

"The use of artificial intelligence technology to augment online support and chat features is a major opportunity for platform providers to increase customer satisfaction," he said.

"By logging users' previous actions and stated goals, these tools will be better able to anticipate what answers investors seek and present product solutions even before investors know they want them.

"With advances in online advertising, providers are better able to target prospective clients who could be persuaded into action by promotions such as cash additions for significant account transfers. By delivering these offers through targeted advertising, providers can add assets without undermining the profitability of assets gathered organically through other avenues," Smith added.

These findings are from the January 2019 issue of The Cerulli Edge—U.S. Asset and Wealth Management Edition, which explores the challenges and opportunities facing providers attempting to grow assets under management in the high-net-worth, Millennial, and mass markets.

Securian issues new MYGA contract

Securian Financial has launched SecureOption Choice, a new fixed deferred annuity designed to be competitive in the multi-year guaranteed annuity (MYGA) marketplace, according to a news release this week.

SecureOption Choice, issued by Minnesota Life Insurance Company, offers guaranteed interest throughout the term of the annuity with no exposure to market risk.

Key product features include:

- Competitive rates
- Liquidity features
- 3-, 5-, 7- and 9-year guarantee periods
- 10% free annual withdrawals after the first year

“Clients continue to seek retirement products offering guaranteed returns. SecureOption Choice gives financial professionals a competitive new option to meet this growing need,” said Chris Owens, Securian Financial’s national sales vice president for retail life insurance and annuities, in the release.

SecureOption Choice is available to all Securian Financial-approved distribution channels.

Small employers warm to retirement plans: LIMRA

Only 42% of businesses with fewer than 100 employees offer retirement benefits (either alone or with insurance benefits), even though research shows that Americans’ top financial concern is affording a comfortable retirement, LIMRA reported this week.

But a LIMRA survey shows that 40% of those small business employers regard retirement benefits as “more important now than three years ago,” with 57% saying it is “equally as important.”

The larger the small business, the more likely they were to say retirement benefits are more important today than three years ago. Only 37% of employers with less than 10 employees

say retirement benefits are more important now than three years ago, compared with 64% in companies with 50-99 employees.

Separate LIMRA SRI research points out that access to a retirement plan is essential to saving. Nearly 4 in 10 of all workers said they began saving for retirement because their employer offered a retirement savings plan. While 36% of small businesses don't currently offer retirement benefits to their employees, 4% plan to in the next two years, and 19% of them report they might.

Open multiple-employer plans (MEPs) — retirement plans that are sponsored by multiple employers—could increase coverage for small business employees. Federal proposals in 2018 are intended to broaden the number of small employers who can participate in MEPs (by allowing many unrelated employers to join a single plan).

Citigroup settles 401(k) fiduciary lawsuit for \$6.9 million

A \$6.9 settlement of a suit filed in 2007 against Citigroup by its 401(k) plan participants has been approved by a federal judge, NAPA Net reported this week.

According to the original suit, Citigroup's plan fiduciaries put the company's own interests ahead of participants' interests "by choosing investment products and pension plan services offered and managed by Citigroup subsidiaries and affiliates, which generated substantial revenues for Citigroup at great cost to the 401(k) plan."

The settlement included \$2.3 million for the plaintiffs' attorneys, \$15,000 for each of two class representatives and \$374,100 for case-related expenses.

The remaining \$4.2 million can be distributed to the approximately 300,000 former workers and retirees who invested in certain funds in the 401(k) plan between Oct. 18, 2001, and Dec. 1, 2005, or an average of \$140 each.

"Defendants, defendants' beneficiaries, and defendants' immediate families" were excluded from the settlement.

Citigroup admitted no wrongdoing in the settlement, which the parties reached last August. The bank denied "...all allegations of wrongdoing, fault, liability, or damage to the Plaintiffs and the Class, deny that they have engaged in any wrongdoing or violation of law or breach of duty, and believe they acted properly at all times."

Citigroup maintained that “(a) the fees charged by the nine investment options at issue were reasonable and not unduly high; (b) the performance of the nine investment options at issue was reasonable and, in any event, irrelevant; and (c) the choice to include the nine funds among many other investment options, was reasonable.”

The judge declared that in the case of *Leber et al. v. The Citigroup 401(k) Plan Investment Committee et al.* (case number 1:07-cv-09329, in the U.S. District Court for the Southern District of New York) that “the Settlement resulted from arm’s-length negotiations; (b) the Settlement Agreement was executed only after Class Counsel had conducted appropriate investigation and discovery regarding the strengths and weaknesses of Plaintiffs’ claims and Defendants’ defenses to Plaintiffs’ claims; and (c) the Settlement is fair, reasonable, and adequate.”

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