Honorable Mention

By Editorial Staff *Thu, Jun 21, 2018*

Brief or late-breaking items from Nationwide, the Center for Retirement Research at Boston College, Prudential Financial, Charles Schwab and Milliman.

Nationwide commits to innovation

Nationwide plans open a new 31,000-square-foot innovation center in the Arena District, according to a release issued this week. The company plans to renovate space within the building at 175 W. Nationwide Blvd., owned by Nationwide Realty Investors and its partner, Capital Square Ltd. The company is also planning to add several dozen jobs to support its innovation programs.

Nationwide expects to run out of space in its existing innovation center, Refinery 191, by the end of this year. Nationwide will eventually move all the work from Refinery 191 to the highly collaborative new innovation center, which is scheduled to open in 2019.

Last August, Nationwide announced its commitment to drive more innovation that helps members:

- Live comfortably in retirement
- Meet their insurance and financial needs in novel and digital ways
- Protect their data and digital assets
- Protect them in the evolving area of mobility

Along with the space expansion, Nationwide plans to hire several dozen highly skilled workers for innovation roles in Columbus over the next year. Nationwide will also move its user-experience (UX) team to the new center.

Nationwide is also investing more than $100 million of venture capital in startups. Nationwide has already made investments in blooom, Nexar, Sure, Matic and Betterview, all of which focus on evolving the insurance and financial planning process.

Divorce hurts retirement success

Divorced Americans are at greater risk of not being able to maintain their standard of living in retirement, according to new research conducted by the Center for Retirement Research at Boston College with the support of Prudential Financial.

The research study, which compares the risk divorced households face using the center's National Retirement Risk Index (NRRI), reveals divorced households have a seven percentage-point greater risk of not having adequate retirement income than households that have not experienced divorce. Among all households, exactly half are at risk of not having adequate retirement income.

Annuities can offer a layer of protection because they can come with guaranteed income and other features to help generate income to supplement other retirement savings. And for people who are divorced or are contemplating divorce, annuities can be particularly important, particularly for the spouse with lower income.

The study's findings show that on top of the normal retirement worries, divorced couples are dealing with legal fees, splitting assets and increased living expenses, and they must find ways of making up for that loss.

James Mahaney, a vice president in Prudential's Strategic Initiatives unit, author of a companion paper to the NRRI study, recommended that people who are divorcing or contemplating divorce consider some key financial issues such as:

Alimony. Starting in 2019, alimony will no longer be tax-deductible for new divorces. This is likely to result in lower alimony being paid due to the higher taxes the combined former spouses must now pay.

Investments. After a divorce, individuals may find themselves in a lower tax bracket, which can be a benefit if they qualify for a zero-percent capital gains tax rate, making investing more affordable and rewarding.

Home ownership. Mothers of school-age children often prefer to keep the marital home when divorcing. Under the new tax law, however, home ownership in high-tax states may become less attractive.

Children and taxes. Although personal exemption deductions have been temporarily eliminated from the federal tax code, they have been replaced by child tax credits, which are more valuable than deductions. The credits reduce an individual's tax burden on a dollar-for-dollar basis. Determining which parent can claim a child post-divorce may now be even more critical.

Social Security. Lower-earning spouses planning to divorce and who have been married for at least 10 years may be eligible for a Social Security spousal benefit or survivor benefit that could exceed their own benefit.

Schwab survey finds many restless advisors

“Examining the Mindset of U.S. Financial Professionals,” a survey released this week by Schwab Independent Branch Services, finds that 76% of client-facing financial professionals have experienced obstacles that have limited their success, citing lack of support and limited autonomy.

Of the 994 survey participants, who have worked in the financial services industry for at least seven years and interact with investors once a week, 73% wish they could better assist clients and had more time to make an impact in the communities they serve.

Schwab Independent Branch Services launched in December 2011 to accelerate growth in new markets. Today there are 44 franchise offices in 24 states.

Those who participated in the survey say their profession is the most important thing to them (61%). Most (86%) feel successful; however, respondents did identify a number of obstacles that they’ve encountered in their careers:

- 41% say they’ve had negative experiences in their professional lives that still keep them up at night, and 26% fear compromising their personal values.
- 69% don’t regret anything about the professional path they’ve taken, but 71% wonder what life would be like if they had taken a different professional path.
- 30% of those who experience obstacles say they are too busy servicing existing clients and lack support to pursue new business.
- 26% say employers have promised things that were never delivered.
- When reflecting on their careers, 46% of those surveyed wish they had built something from scratch.
- 68% consider themselves or aspire to be entrepreneurs.
- 58% say it’s important to be masters of their own destinies.
- 55% dream of owning their own businesses.
- 47% say they want to build something new overall.

The survey findings reveal some feelings of discontent and frustration; notably, 80% say they are ready to take their career to the next level, and 63% are ready for a change.

Milliman reports on status of 100 largest U.S. corporate pensions

Milliman, Inc., the global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

In May, these pensions experienced a $2 billion dip in funded status as investment gains mostly offset a four-point decrease in the monthly discount rate. The funded ratio for the Milliman 100 PFI remains unchanged at 91.6% as of May 31.

“Sometimes no news is good news for corporate pensions,” said Zorast Wadia, co-author of the Milliman 100 PFI, in a release. “May’s 0.73% investment gain exceeded monthly expectations, and helped balance out the month’s modest decrease in corporate bond rates.”

From April 30, 2018 through May 31st, Milliman 100 PFI plans experienced a $7 billion increase in asset values, while the projected benefit obligations (PBO) rose by $9 billion. As a result, the deficit increased from $139 billion to $141 billion for the month. Over the last year (June 2017 – May 2018), the Milliman 100 PFI funded status deficit has improved by $116 billion.

Looking forward, under an optimistic forecast with rising interest rates (reaching 4.34% by the end of 2018 and 5.03% by the end of 2019) and asset gains (10.8% annual returns), the funded ratio would climb to 100% by the end of 2018 and 116% by the end of 2019.

Under a pessimistic forecast (3.64% discount rate at the end of 2018 and 3.03% by the end of 2019 and 2.8% annual returns), the funded ratio would decline to 87% by the end of 2018 and 81% by the end of 2019.

To view the complete Pension Funding Index, go to http://us.milliman.com/PFI. To see the 2018 Milliman Pension Funding Study, go to http://us.milliman.com/PFS/.