Honorable Mention

By Editorial Staff *Thu, Feb 9, 2017*

Brief or late-breaking items from LifeYield, Northwestern Mutual and Envestnet | Retirement Solutions, Lincoln Financial, AICPA, and Mercer.

LifeYield Advantage Suite now boasts 75,000 users

LifeYield, whose software offers tax-minimizing retirement drawdown strategies, said that more than 75,000 advisors and investors are now using its LifeYield Advantage Suite.

"An increasing number of investors and advisors are able to reduce the cost of taxes on their portfolios, which is their single largest cost over the life of the investment," said Mark Hoffman, LifeYield CEO and founder. "We see tax-optimized household management as the next big wave in our industry."

A December 2016 report, *Digital Habits Revealed*, released by financial services research firm Hearts & Wallets found that affluent investors want and will pay for advice to have their portfolios managed in a tax-optimized way across multiple accounts, including tax-optimized withdrawals.

The report analyzes qualitative research with investors in three behavioral groups according to their use of online and financial professional advice. It also found that the desire for tax optimization was one of the highest-rated pain points among retail investors who were interviewed, whether they were 'heavy digital,' 'light digital' or users of 'live only' advice.

"The quantitative data validate these qualitative findings, with nearly half (44%) of consumers facing retirement stating they want help with minimizing taxes from investments," explains Laura Varas, CEO and Founder of Hearts & Wallets. "The interesting thing is, 48% think somehow they are getting this, but only 32% say they have execution support."

Assets in Northwestern Mutual's 'active/passive' models reach $2 billion

Northwestern Mutual's Signature Portfolios Active/Passive models, first introduced in early 2016, have surpassed $2 billion in assets through the end of 2016, the Milwaukee-based mutual insurer announced this week.

The models, which are offered by Northwestern Mutual Wealth Management Company, use both actively managed mutual funds and passively managed ETFs in an overall portfolio.

The active/passive models employ a dynamic asset allocation selection overlay to provide "measured tilts" from the static long-term strategic asset allocation, based on the intermediate-term attractiveness of an asset class, as determined by Northwestern Mutual's chief investment strategist, Brent Schutte, and his team.

Envestnet and TRAU announce fiduciary training partnership

Envestnet | Retirement Solutions will partner with The Retirement Advisor University (TRAU) to deliver the Essential Retirement Advisor, "a fiduciary training program designed to help financial advisors obtain access to continuing practice management and fiduciary education," an Envestnet release said.

TRAU's fiduciary training program, developed with the Envestnet Institute, is an online and in-person educational curriculum designed for the advisor who is new to the retirement plan space, as well as experienced registered investment advisors (RIAs). TRAU's program was also developed in collaboration with the UCLA Anderson School of Management Executive Education. TRAU was founded by Fred Barstein, its CEO.

Certified advisors will be authorized to deliver proprietary fiduciary training content online and in-person to their plan sponsor clients and prospects. The program will be introduced at this year's Envestnet Advisor Summit, scheduled to take place May 3-5, 2017 at the Gaylord Texan Resort and Convention Center in Dallas.

Lincoln Financial enhances income riders

Lincoln Financial Group announced enhancements to its guaranteed lifetime income riders available through its flagship *Lincoln ChoicePlus Assurance* and American Legacy variable annuity solutions. The enhancements, which add more flexible investment requirements and increased income payouts, provide advisors and consumers with more options to help create a known source of income in retirement that they can never outlive and that can never go down.

New rider elections of *Market Select* Advantage feature more investment options without a managed risk overlay and up to 70% equity exposure (up from 60%), which can lead to higher upside growth potential through *Lincoln ChoicePlus Assurance* and American Legacy.

New rider elections of *i4LIFE* Advantage Select GIB also benefit from this enhancement. *i4LIFE* is Lincoln's unique income distribution method that offers clients tax-efficient lifetime income when investing nonqualified assets. These living benefit riders are available through Lincoln variable annuities for an additional cost.

Lincoln also announced increased income payouts for single- and joint-life contracts with new elections of *Lincoln Lifetime Income* Advantage 2.0 Managed Risk, an optional living benefit rider available for an additional cost with American Legacy and *Lincoln ChoicePlus Assurance* variable annuity solutions. Income percentages increased for the following ages:

- Joint life: ages 65-74 to 5%
- Single life: ages 65+ to 5.25%
- Single life: ages 59-64 to 4.25%

It pays to stay married in later life, CPAs say

Three-in-four (75.6%) retirement-age divorcees need to better understand how to manage their personal finances, according to a "Personal Financial Planning (PFP) Trends Survey" of CPA financial planners by the American Institute of Certified Public Accountants (AICPA).

The divorce rate for Americans over the age of 50 has doubled since 1990, AICPA said. Its survey found that men and women were about equally likely to experience a deterioration of their spending habits post-divorce (women: 25.7%, men: 24.9%), but the similarities between the sexes ended there.

Female clients are far more likely to adopt positive financial behaviors post-divorce than their male clients, CPA financial planners said. Women are twice as likely to seek out a job (40.2% to 20.6%) and increase their savings toward retirement (41.3% to 16.4%). Women were almost four times likelier than men to improve their spending habits (42.3% to 11.7%) and roughly fourteen times more likely to seek financial advice after divorce (60.4% to 4.4%).

The survey also asked CPA financial planners what steps would have better prepared their clients near retirement age financially for divorce. The most frequently cited were: Understanding how to manage personal finances (75.6%), Understanding the long-term financial planning consequences of a divorce settlement (73.0%) and Understanding the tax implications of a divorce settlement (56.9%).

The additional steps CPA financial planners felt would have better prepared their clients for divorce were updating wills or trusts (51.2%), increasing saving for retirement (50.7%) and decreasing spending (42.8%). About one in three planners (36.1%) cited a pre-nuptial agreement as financial preparation for a future divorce.

Raises will be slim in 2017 for financial services workers: Mercer

Salary increases are set to be modest in 2017 as financial services companies worldwide feel the impact of slow economic growth, low inflation as well as continued low interest rates, according to the latest data from Mercer.

On average, 2017 base salary increases for all roles are expected to be between 1.9% and 2.4%. Mercer's research finds that the majority of organizations predict 2017 annual incentive levels to remain similar or unchanged to 2016.

Mercer's "Global Financial Services Executive Compensation Snapshot Survey" was conducted in October/November 2016. The survey reviews the pay practices of 42 global financial services companies — banks, insurers and other financial services — based in 14 countries in Europe, North America, Asia, and South America.

Forecasted base salary increases are expected to be lower in Europe (1.4% to 2.0%) than North America (1.6% to 2.6%). Projections for India (6.0% average salary increase) are higher than any other growth market across Latin and South America (3.5%) and Asia (3.8%). Approximately two-thirds of organizations predict that the 2017 actual corporate incentive pools will be similar (within +/- 5% range) or unchanged to 2016 levels. Almost one-quarter of companies surveyed predict the actual 2017 incentive pool to be significantly lower than 2016 levels, while only 11% predict it to be significantly higher. A similar trend was observed last year.

The most prevalent changes in remuneration policy and practices planned by organizations in the next 12 months are job evaluation/global leveling (63%), parental leave policies company-wide (38%) and flexible benefits (33%). Pay equity policies remain an area for change, particularly in European firms where 40% say they plan to make changes to their formal pay equity policy company-wide in the next 12 months.

According to Mercer's research, a growing number of organizations are implementing the use of non-financial performance measures as a way of aligning performance with sound risk-taking. Non-financial performance measures of conduct, compliance and risk management are increasingly being allowed to override financial outcomes. Approximately one-third of organizations allow for non-financial measures to override financial measures in their annual incentive plan (38%) and multi-year incentive plan (32%). This is more common in banks (55%) than insurance firms (15%).

Organizations continue to respond to regulatory developments and talent shortages by increasing fixed pay in the compensation of control functions. Mercer's data showed around half (48%) of companies had increased fixed pay for control functions, one-third had decreased variable pay, and 19% showed an increase in total compensation levels.

On a regional level, far more European organizations reported a shift from variable to fixed pay: about half (52%) of European organizations reported an increase in pay linkage to function performance compared to 21% in North America. One-third of both insurers and banks reported that regulatory impact decreased the link between pay and business performance.

Mercer's research showed that less than 30% of banks overall report a linkage of compensation for control functions to line of business performance.