‘If you’re not talking about it, you’re not winning’

By Kerry Pechter *Wed, Sep 4, 2024*

'The topic of retirement income is a relevant discussion for J.P. Morgan to have, even if it doesn’t turn out to be a big asset gatherer for them,' said Mark Fortier, an actuary who has long experience with 401(k) annuities.

Mark Fortier is an actuary who worked on AllianceBernstein’s pioneering 401(k)/annuity at United Technologies [now RTX] over a decade ago. He sees JPMAM’s initiative in the context of the DCIO (defined contribution investment-only) market, where it competes against other asset managers that distribute products (funds, TDFs, ETFs, CITs, etc.) through 401(k)s but don’t own their own proprietary retirement plan businesses.

With its DCIO/TDF competitors chasing the 401(k) income trend, J.P. Morgan can’t ignore it. “Retirement income has always been a popular topic of discussion for plan sponsors, advisors, and consultants,” said Mark Fortier. The theory is that if you are not talking about it, you’re not winning. So the topic of retirement income is a relevant discussion for them to have, even if it doesn’t turn out to be a big asset gatherer for them.”

Among the leading TDF issuers, JPMAM has a couple of competitive disadvantages. Having sold its retirement plan business to Empower in 2014, it doesn’t have the kind of captive pool of 401(k) participants that, for instance, Vanguard and Fidelity have.

Its TDFs also contain actively managed funds, which means that the fees are higher than those of the all-passive TDF providers. “Target date funds fees have fallen each year, driven by fee litigation and a shift to passive. The pure passive providers such as Vanguard, Blackrock, and State Street Global Advisors have been the winners of this trend,” Fortier told *RIJ*.

The TDF sector’s flattening growth curve is likely to be a challenge for all TDF issuers. “The growth of the TDF market has always been organic,” he said. “It was based on the fact that contributions exceeded distributions because ‘savers’ outnumbered ‘spenders.’ But ‘money out’ is starting to equal ‘money in,’ so the days of double-digit organic growth are ending.”

“As a DCIO player in the 401(k) business, J.P. Morgan fears irrelevance,” Fortier said. His personal assessment is that the 401(k) income opportunity has remained frustratingly out of the grasp of TDF manufacturers. “They’re doing a lot of work just to bet on the chance that participants will voluntarily convert their savings to an annuity,” he said. “But so far that has been a losing bet.”

Another executive, who has tried to market income products to plan sponsors for many years, told *RIJ*, "I'm skeptical. "Most employers and plan sponsors scratch their heads. No one is clamoring for it. Industry insiders are still cautious about the uptake so far.

"The hype is there, but I haven't seen anything to justify it. Think of the things people could be pushing for, like the best way to claim Social Security or how to choose between Medigap and MedicareAdvantage plans. We're all being told it's the next big thing. But I don't think the momentum is there."