
In Helping Clients Plan for Retirement, Advisors Focus on Process, Not Product

By Editor Test Mon, Jun 15, 2009

For top advisors, retirement income planning involves a step by step process; it's not about picking the right annuity or right mutual fund, says consultant Howard Schneider.

Advisors are satisfied with the retirement products available to them today, but would like help with the retirement process, according to the results of a survey by GDC Research and Practical Perspectives.

The findings in the 173-page report, "Examining Best Practices in Constructing Retirement Income Portfolios," were based on some 500 interviews with independent brokers, Registered Investment Advisors (RIAs), wirehouse reps, regional brokers and bank/insurance representatives in late 2008 and early 2009.

The report's authors say that, for the more sophisticated advisers and their clients, the retirement income process begins with discussions about the client's goals in retirement. This process has no preconceived endpoint, and is not designed around a specific product. Indeed, money may not even be the main topic of the initial interview.

"The advisor's challenge is how to integrate this and bring it all together and make it scalable," said Howard Schneider, president of GDC Research. "For them, retirement income is taking people through the step by step process, it's not about picking the right annuity or right mutual fund. Those decisions are part of it, but farther down the road."

To obtain the full report or a summary, contact: hss@practicalperspectives.com or gallant@gdcresearch.com

According to the survey, one in seven advisors has made a significant change in how they construct retirement income portfolios and 77% have changed how they allocate assets in response to the capital markets environment. More than one-third (36%) said they were less confident now than they were one year ago in their ability to manage assets for retirees.

The report also concluded:

- Considerable variation exists across distribution channels in how advisors manage retirement income portfolios.
- Nine out of 10 advisors are hands-on in key aspects of managing retirement assets, although half are influenced by other sources in allocating assets, researching products and selecting providers.
- There is increasing distinction between satisfying income "needs" and "wants."
- Advisors tend either to manage client assets in retirement the same as before retirement (54%) and draw income as needed or they use a "bucket" approach (46%) and segment the portfolio into a stable or guaranteed income-producing bucket and a riskier, long-term growth bucket.
- Most advisors rely on familiar investment vehicles and providers for creating retirement income

portfolios, with only modest interest in many of the new retirement income solutions, such as variable annuities with living benefits.

“The findings indicate that advisors perceive building retirement income portfolios to be more complex, time consuming and customized than managing assets for pre-retirement clients and becoming increasingly so,” said the survey’s authors in a release.

“While virtually all advisors agree that retirement portfolios must support dual goals of providing consistent income and long-term asset growth, there is little agreement on the best method to achieve these objectives,” said Dennis Gallant, president of GDC Research and co-author of the report. “Advisors show significant variation in the philosophies they follow in managing retirement assets, how they diversify assets, and the ways they implement portfolios.”

“The market downturn has been a wake up call for many advisors who serve retirement clients,” said. Schneider. “Advisors know that among their most important roles is being a trusted guide for clients who are trying to navigate the myriad of questions that emerge in retirement. Making sure a client’s assets are managed appropriately to meet income needs for basic living expenses such as shelter, food, energy and healthcare has never been more of a challenge for advisors.”

GDC Research (GDC), based in Sherborn, Mass., is a boutique firm providing competitive analysis, tactical and strategic planning, business development and market testing of products or services to broker-dealers, asset managers, banks, insurance firms, and other service providers. Practical Perspectives, in Boxford, Mass., provides customized strategic and tactical support to companies involved in the creation and distribution of asset management products and services.