
Income-Oriented Advisors Seek Validation: Survey

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"The market now seems divided among total return, pooled [buckets] and income floor practitioners with none of these approaches appearing to dominate," say Howard Schneider and Dennis Gallant.

Investment advisors have recovered some of the confidence they divested last winter, but they'd like a chance to either validate or adjust their own income-generation methods by comparing them with the best practices of their peers.

That's one of the findings of "Update: Advisor Best Practices in Retirement Income, Q4 2009," the third in a series of surveys of investment advisors in a variety of distribution channels by Practical Perspectives, a Boxford, Mass., research firm and GDC Research of Sherborn, Mass.

"Advisors are not sure if their system of providing retirement income is broken or not, but they are open to looking at best practices. They aren't getting the benchmarking they need," said Howard Schneider, president of Practical Perspectives, who co-authored the 54-page report with Dennis Gallant, president of GDC.

The study supplements the authors' two previous advisor studies, a third-quarter 2008 survey called "Advisor Best Practices: Delivering Retirement Income and Transition Support" and a second-quarter 2009 survey called "Examining Best Practices in Retirement Income Portfolios: How Advisors Support Retirement Income Clients." The report is for sale by the authors.

About 47% of the advisors polled have 40% or more of their clients near or in retirement. Many already use a variation of the "bucket" method, which assigns different accounts or portfolio segments to different stages of retirement or different purposes in retirement.

These advisors, who indicate greater confidence in their methods, are often independent advisors who use the "team approach"-that is, they collaborate with accountants, attorneys, and other specialists in serving their clients, Gallant and Schneider told RIJ.

In their summary, the authors say, "The market now seems divided among total return, pooled [buckets] and income floor practitioners with none of these approaches appearing to dominate . . . One element of portfolio construction that is gaining greater traction is the need to create a safety net to meet minimum income needs for essential day-to-day living expenses. This change underscores the growing distinction between income needs and income wants . . . Product providers looking to expand support to this growing market need to understand that a one-size-fits-all approach will likely gain little traction."

Of the advisors surveyed by Schneider and Gallant, 36% were independents, 27% were registered investment advisors (RIAs), 15% were wirehouse advisors, and six percent were in insurance companies. The bank and regional broker-dealer channels had five percent each.

