Retirement Income
JOURNAL

IRA assets to reach $8 trillion by 2017: Cerulli

By Editor Test *Thu, Dec 13, 2012*

A new report from Cerulli Associates analyzes pre-retiree, retiree, and post-retiree transactions and investor behavior, including a close look at IRAs.

Individual retirement account (IRA) assets reached $5 trillion in the first quarter of 2012, and should increase 60% to $8 trillion in 2017, according to a new proprietary report from Boston-based research firm Cerulli Associates.

“The lack of income options available in defined contribution plans will make IRAs the focal point for many in their retirement income planning process,” Kevin Chisholm, senior analyst at Cerulli, explains.

In the report, “Evolution of the Retirement Investor 2012: Understanding 401(k) Participant Dynamics, and Trends in Rollover and Retirement Income,” Cerulli analyzes pre-retiree, retiree, and post-retiree transactions and investor behavior, including a close look at IRAs.

The report makes recommendations in three areas. A summary of the report said:

- Recordkeepers should further advance their participant demographic segmentation profiling characteristics. Profiling based exclusively on age does not take into account many other aspects that contribute to a participant’s life stage. Firms that are able to segment participants further by life stage and attitude toward retirement savings may be able to promote personalized communication and drive engagement.
- IRA providers and advisors need to establish relationships early to be in position to benefit from a rollover opportunity. In the majority of cases, the rollover goes to an existing relationship. Providers should be less focused on the current opportunity and try to project the benefits of a long-term relationship.
- Advisors and investors clearly value the benefits of variable annuities (VA); however, Cerulli recommends that insurers and asset managers expand alternative product solutions and guarantees. Asset managers not at scale to distribute unique solutions should continue to support insurers in the traditional VA marketplace, while both insurers and larger asset managers can evolve in-plan designs. Cerulli emphasizes that enhancing in-plan products will help educate investors earlier in life, which may advance awareness, retirement readiness, and asset bases.

Topics covered in the report include investor behavior in DC plans, desires for advice and guidance, money in motion via rollover, and retirement income product use and need considerations. The report also reviews IRA, SEPs, SIMPLE, and Solo 401(k) plans.

Research included in this report is from two proprietary surveys: a retirement income survey, and a 401(k) participant survey with over 1,000 respondents.