
Lump sum DB payouts represent rollover opportunities: Cerulli

By Editor Test *Thu, Mar 21, 2013*

Two new publications from Cerulli Associates point out, respectively, that advisors and IRA providers should target the lump-sum distributions of former DB plan participants and that the direct channel is taking business away from advisors.

The number of separated defined benefit (DB) plan participants has been rising since 2004, and the lump-sum distributions they received represent asset acquisition opportunities for advisors and IRA providers, according to Cerulli Associates.

“The number of separated participants in private DB plans totaled more than 12.4 million at the end of 2011, up from 10 million in 2004,” Kevin Chisholm, associate director at Cerulli Associates, said in a release. “It is likely plan participants will select a lump sum rather than a monthly payout,” he added.

DB plans, DB plan participants and lump-sum distribution trends, including de-risking, are the main topics of the first quarter 2013 issue of *The Cerulli Edge—Retirement Edition*.

IRA providers and advisors should develop marketing plans to reach separated participants in private DB plans, Cerulli suggested. These individuals are not retired, and may be contributing to a defined contribution plan that could create additional rollover opportunity in the future.

Direct channel grabs market share from advisors

The U.S. retail direct channel is growing at the expense of advisor-sold channels, according to a new report from Cerulli, *The Retail Investor Product Usage 2012*.

“Assets in the direct channel grew from \$3.4 trillion in 2010 to \$3.7 trillion in 2011,” said Roger Stamper, a senior analyst at Cerulli. “As direct providers continue to increase their advice and guidance services, they have been able to acquire and retain clients who may have sought advice in the advisor channel,” he added.

Cerulli director Scott Smith said, “Direct providers were largely unscathed by reputation issues facing their advisory counterparts during the market downturn, and therefore have not faced the same level of client distrust.

“Compared to advisory firms, direct firms are more advanced in their client portals as well as online and mobile client access. Direct clients are able to complete the majority of their requests and transactions online or over the phone themselves, which provides an advantage in maintaining a greater number of client accounts.”