Retirement Income
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Many advisors overlook rollovers: Cogent

By Editor Test *Thu, Mar 24, 2011*

Outside of Lake Wobegon, not all advisors are above average—especially when it comes to success in capturing rollover money.

Nearly half of all advisors fail to take advantage of the opportunity to manage their clients' rollover assets, according to a new survey by Cogent Research.

But about a third of advisors, apparently more resourceful or aggressive, said they gained $5 million or more of rollover assets in the previous year. On average, these high performing advisors have an average of $128 million in assets under management.

The Investment Company Institute estimated in May 2010 (*Research Fundamentals*, Vol. 19, No. 3) that Americans held about $4.2 trillion in traditional or rollover IRAs, exceeding the $4.1 trillion in defined contribution plans. Together, IRAs and DC plans accounted for more than half of the $16.0 trillion in retirement assets at year-end 2009.

"There is a group of highly focused advisors who not only build the biggest books of business, but also put their mind to winning rollover assets. They are firing on all cylinders," said David Feltman, Cogent's managing director for Syndicated Research.

The highly successful "rollover advisors" convert more retirement accounts and the size of those accounts is 2.4 times larger, at $344,000, than the advisors who fall into the second tier in terms of rollover success.

The Cogent Study revealed a significant opportunity for both asset managers and advisory firms to win both IRA and ESRP (employer sponsored retirement plans) conversions.

"These assets are available to be won and those who work hardest succeed at winning them," said Feltman. "Given the propensity of retirees to move their employer-sponsored account at retirement, these funds are a ripe opportunity."

A year ago, Cogent reported that for the first time that it had been tracking investor allocations, wealthy Americans held more assets in IRAs than in workplace-based retirement accounts like 401(k)s and 403(b)s. The findings were included in the report, 2010 Investor Assets in Motion: IRA & Retirement Marketplace Opportunities.

The report, based on a nationally representative sample of 4,000 affluent and high net-worth Americans, found that while ownership of both types of retirement accounts is down since 2006, ownership of workplace-based retirement accounts have decreased much more dramatically. Since 2006 IRA ownership has slid by just 5%, meanwhile ownership of workplace-based retirement accounts has decreased by almost one quarter (23%).

It appears that the majority of dollars that investors formerly allocated to ESRPs have been funneled into

IRA accounts and, to a lesser extent, bank accounts. This shift has resulted in the proportion of assets affluent Americans hold in IRAs (31%) to surpass the proportion of assets they hold in 401(k) and other employer-based retirement plans (25%).