

---

## Merrill Lynch's Intentions are "Clear"

---

By Kerry Pechter      Wed, May 21, 2014

---

*"I want to be careful not to call it a product or a service. It's an approach," said David Tyrie, head of Personal Wealth and Retirement at Merrill Lynch Wealth Management, in describing Merrill Lynch Clear, a new communication strategy aimed at Boomers.*

---

Every major financial services company craves a share of the trillions of dollars in IRA rollover money—most of it germinated and incubated in subsidized 401(k) accounts, thank you—and announcements of new corporate initiatives in that direction occur almost weekly.

Merrill Lynch is not a newbie in the pursuit of retirement savings. In March 2004, for instance, in a move seen at the time as a defensive response to Fidelity's retirement efforts, Merrill Lynch launched a "Retirement Paycheck Service." But that was a decade ago—before the financial crisis and before the absorption of Merrill Lynch into Bank of America.

Now "the Bull" has a new campaign around retirement. Last week, David Tyrie, managing director and head of Personal Wealth and Retirement at Merrill Lynch Wealth Management, hosted a webinar to launch [Merrill Lynch Clear](#), a marketing and communication strategy designed to burnish the firm's appeal as a rollover IRA destination.

One obvious question—a question that arises when almost any firm announces such an initiative in this space—is whether there's steak to go with the sizzle. With "Clear," Merrill Lynch may be changing its marketing and communication strategy to better penetrate the Boomer retirement market. Clear "is a new way to engage clients and help them solve their goals," Tyrie told *RIJ* in a recent interview. "It's a better experience. And if we offer a better experience, more people will come to us." But there's no clear indication that Merrill Lynch intends to change, or feels a need to change, its accumulation-driven business model and culture.

### Neither a product or service per se

Big companies periodically re-discover that listening to customers and focusing on their wants and needs is the path to bigger sales, and that appears to be what Clear is all about. But whether a holistic, client-centric approach, which fee-only financial planners use, can thrive in the high-pressure, high-cost, sales-driven environment of a wirehouse remains to be seen.

"I want to be careful not to call it a product or a service. It's an *approach*," Tyrie said during the webinar. "It involves seven life priorities (below right). We frame the conversation around that, and we help the customer make the trade-offs that they need to make to realize their goals. We provide trusted guides—specially-trained advisers who are armed with new technology."



The new approach is based on listening tours and focus groups that Merrill Lynch has conducted over the past year. "People told us they were looking for a holistic approach to retirement," Tyrie said during the webinar. "They said, 'Don't just send me to a website. Don't tell me there's a silver bullet. Don't tell me there's any kind of guarantee. And don't call it retirement income;' call it retirement outcome.

"In one of our focus groups, we asked 14 people what percent of the time a rocket traveling to the moon is likely to be 'on track.' The answer is: it's 'on track' only three percent of the time; 97% of the time it's off track. Mission Control is constantly correcting its course. People today don't want to be put in a rocket. They want Mission Control. They want constant course correction. This fit perfectly into Merrill Lynch's model. And that's how we came up with Merrill Lynch Clear."

### **Retirement income philosophy**

When asked if there's any particular retirement income philosophy, or method or tool that Clear is supporting, Tyrie didn't point to anything in particular. But in fact, a team at Merrill Lynch recently published a whitepaper that promotes a "proprietary Goals-Based Wealth Management" [process](#) that includes the creation of retirement income.

There's not much here that's new. This process (see graphic below) will sound familiar to most fee-only financial planners and to those who have read the Retirement Income Industry Association's curriculum for the Retirement Management Analyst professional designation.

The GBWM process may represent a major change in the practices of Merrill Lynch advisors, however. It involves the incorporation of Social Security income and future health care expenses-household balance sheet items-into the overall planning process—making the process more holistic. Changing a sales culture to a planning culture, especially at a huge and tradition-bound institution, isn't likely to be easy.



Instead of investment risk being the main or the only consideration by the adviser, the GBWM calls for a consideration of the main retirement risks—longevity risk, sequence of returns risk, health care risk and inflation risk. It also embraces all of the products and processes that can mitigate those risks—“systematic withdrawal programs, variable and immediate annuities, longevity insurance... investments with market downside protection, life insurance [for legacy purposes] and long-term care insurance.”

There's no major embrace of insurance products here, however. In the whitepaper, annuities are described as safety nets for “a lower net worth client with a high desire for protection and low desire for protection.” For high net worth clients, “the resource allocation might focus on systematic withdrawal programs, self-funded long-term care and wealth accumulation.”

On the technology side, a major element of the Clear initiative, and perhaps its primary medium, is an iPad application that Merrill Lynch advisers can use with clients.

### **Long build-up to Clear**

Merrill Lynch's most recent pivot toward the retirement opportunity has been in the works for some time. Last July, *Investment News* reported on an internal Merrill Lynch memo describing the consolidation of the firm's huge 401(k), its personal retirement, and its preferred-segment-solutions divisions into a Retirement and Personal Wealth Solutions unit under Andy Sieg, head of global wealth and retirement solutions. David Tyrie reports to Sieg.

The memo outlined an asset- and client-retention strategy starting in the 401(k) business and continuing on the retail side for the life of the client. The article quoted Tyrie as saying: “The magic formula is this relationship with the customer while they're with a retirement plan — you build trust, there is an interest to stay with you. We have a field force of 15,000-plus advisers who are serving individual clients and if a participant chooses to work with an adviser, we can get them there.”

"You have this massive group of people moving to retirement, and it's built on this initial stage of retirement; there is no guidance for this second stage," Mr. Tyrie said. "The industry should adopt the strategy of to and through retirement. That's what customers want."



Merrill Lynch has also moved to establish its thought leadership status in the retirement space. In 2013, the firm financed the creation of *The Journal of Retirement*, a scholarly journal published four times a year by Institutional Investor Journals and edited by annuity and pensions expert George A. "Sandy" Mackenzie, who has held senior positions at AARP and the International Monetary Fund.

In March, Merrill Lynch's director of Investment Analytics and the co-author of the white paper on GBWM, delivered a presentation on that topic at the RIIA's spring meeting. In April, a director in the Merrill Lynch Personal Retirement Solutions Group, Bill Hunter, was a panelist at LIMRA's Retirement Industry Conference in Chicago.

### **Next steps**

There's no reason to doubt that Merrill Lynch is serious about securing its ability to retain and grow assets, but one former Merrill Lynch insider said that style may be outweighing substance in the new positioning and that certain peripheral factors are likely to affect how the firm deals with the retirement opportunity.

More so that its rivals in the wirehouse space, such as Wells Fargo and UBS, Merrill Lynch has a bias against technologies "not invented here," he said. In the retirement space, that would mean that the firm would want to build a retirement assessment or product-allocation tool in-house.

But technology resources are always limited, and a robust tool for creating retirement solutions out of investments and annuities might not get priority over projects brought from more vital parts of the business, such as separately managed accounts, or SMAs, he said.

As might be expected, annuities are not a favored product at Merrill Lynch, he added. The compliance department is said to be wary of annuity sales, and puts them through a disproportionate amount of suitability review. In addition, compensation for annuity sales at Merrill Lynch is lower than at other

wirehouses, specifically to disincentivize potentially conflicted sales, he said.

A high net worth client who worked with a Merrill Lynch adviser last year told RIJ that his adviser had no ideas about generating retirement income other than systematic withdrawals from an SMA, and that his only retirement tool was a calculator that predicted chances of portfolio ruin at different withdrawal rates.

"The products that I wanted to talk about"—such as deferred income annuities—"are not things that their advisers use or like to use," the client said. His adviser wanted to sell him "very expensive private REITs." But that bias could be changing, the client said. The adviser recently told him that he was about to receive additional retirement training.

Since January, about 10,000 of Merrill Lynch Wealth Management's 15,000 advisers have been "made aware" of the Clear initiative, Tyrie said. About 3,000 advisers have been trained to use the Clear iPad application. Asked if Clear would soon be the subject of a media campaign, a Merrill Lynch spokesman told *RIJ*, "Ongoing Merrill Lynch advertising will begin to focus more around the seven life priorities this fall, with placements in traditional and non-traditional media."

© 2014 RIJ Publishing LLC. All rights reserved.