
RIJ's Top Ten List for 2010

By Kerry Pechter *Wed, Dec 22, 2010*

Letterman, look out. Retirement Income Journal offers its own list of the year's highlights in the retirement income industry (or in one person's small corner of it).

An industry as large and as important as the retirement income industry shouldn't be without its own annual Top Ten List. (Letterman, take note.) I would now like to introduce *Retirement Income Journal's* own list of the decumulation world's ten most remarkable stories, events, and companies of 2010. IMHO.

1. Someone told them to "get out more."

The most remarkable guerilla marketing campaign of 2010 was embarked upon by AXA-Equitable last summer. A posse of corporate communications managers at AXA headquarters on the Avenue of the Americas grabbed a miniature video recorder, took the elevator down to street level and spent an afternoon interviewing Manhattan pedestrians about their retirement outlook. The footage, edited on a laptop, was published on the AXA website. The same team of gonzo PR folks later commandeered a car and motored to the New Jersey Shore—never call it the "coast"—to shoot a sequel on the boardwalk.

2. My favorite investment book of 2010: *Wall Street: Men and Money*.

It was 1955 and Martin Mayer was only a few years out of Harvard when his editor at *Esquire* sent him downtown to research an article on the culture of Wall Street. He approached his subject as an anthropologist might approach a tribe in New Guinea, and his observations became not just an article but a milestone of early New Journalism literature that still works as both a primer on the financial markets and a window onto a more intimate, more male—as you can tell by the sexist title—and more sensorial Street than the intangible electronic marketplace we know today. You can find a mildly foxed vintage edition at abebooks.com.

3. The most lurid annuities story of 2010.

After a paraplegic former prostitute died from neglected bedsores in a low-rent Chicago nursing home, it was revealed that, only months before, a syndicate had filched her identity and bought a variable annuity with a premium-plus death benefit in her name. A group of con men with access to securities licenses, it turned out, schemed to bilk insurers by exploiting the terminally ill. This heinous practice was mistaken at first as a case of bad-apple advisors who couldn't resist taking advantage of a weakness in certain contracts. But it was more likely a concerted effort by organized criminals to launder millions of dollars through insurance companies.

4. The best TARP turnaround.

In early 2009, some competitors in the annuity industry were writing off Lincoln Financial Group as financial crisis roadkill. Some predicted Lincoln would be acquired. They saw its acceptance of Troubled

Assets Relief Program money as strictly stigmatic. But the website SeekingAlpha.com, for one, argued that Lincoln was basically strong, and it was right. Last June Lincoln announced it would buy back almost \$1 billion in shares it sold to the government a year earlier. As of September 30, Lincoln Financial was the fifth biggest seller of variable annuities in the U.S. in 2010, with \$6.9 billion in sales. And, go figure: Philadelphia Eagles quarterback Michael Vick, himself a Comeback Kid, now plays in Lincoln Financial Field.

5. Best financial metaphor of the year: "Planet Vulcan".

At the Retirement Income Industry Association's meeting at Morningstar/Ibbotson headquarters in Chicago last spring, Moshe Milevsky, the Toronto-based finance professor and writer, asked the gathered retirement mavens to imagine a Planet Vulcan where the inhabitants have only one investment option—risk-free inflation-protected bonds with a real return of 2% to 2.5%. Milevsky had written a paper, "Spending Retirement on Planet Vulcan," suggesting that annuities, more so than stocks, can help a retirement portfolio last longer and yield a higher income.

6. 2010's best conspiracy theory: Madoff the money launderer.

O.K., I admit it: there's no solid evidence to support this theory. But if you're prone to imagining global conspiracies, consider this possibility: Madoff was a mere middleman in a vast money-laundering scheme where the suppliers of endless tainted cash might have been (choose your favorite nemesis) terrorists, drug barons, arms merchants, or perhaps sovereign nations. Wouldn't that explain *everything*, including Madoff's odd Mona Lisa smile, barely visible under the brim of his baseball cap? Is that the ironic, wistful smile of a person who's *taking the fall*?

7. Biggest wrong prediction of 2010: the popularity of annuity-LTC hybrids.

It's too early, of course, to write the obituary of this product, which wasn't even street-legal until January 1, 2010. But several people in the retirement business, including myself, thought there would be much more interest in long-term care annuity hybrids, which allow people to get a cheaper rate on long-term care insurance if they first put a chunk of money in a fixed deferred annuity and promise to use the annuity assets as first-dollar coverage of their nursing home bills. Maybe the moment for this product just hasn't arrived yet. It seemed like a sure winner.

8. Most fascinating threat to mortality tables: telomerase.

This year, scientists were talking about an enzyme called telomerase that keeps your telomeres from eroding. Telomeres are the protective caps at the ends of your chromosomes. Each year, your telomeres get shorter. Eventually, they disappear, lead to cell death. In lab experiments, mice that were bio-engineered *not* to have telomerase aged rapidly. But when researchers reactivated the natural production of telomerase in old mice, the enzyme halted and even reversed the aging process. Are telomerase pills in the offing? And can I wash them down with a glass of vintage resveratrol?

9. Best use of taxpayers' money in the cause of retirement income security.

The Obama administration's Department of Labor and its Employee Benefit Security Administration department may have created nothing but new compliance problems for you this year, but they did have one great idea. They leveraged the Internet to solicit thousands of opinions, both amateur and professional, about the best way to add lifetime income options to employer-sponsored retirement plans. In the process, they created a database of ideas, a networking arena for people interested in retirement income, and a way to take the nation's pulse on retirement security. I don't know if it was unprecedented, and I don't know where it will lead, but it was an exciting development.

10. The industry's most grateful startup publication.

December 31 marks the end of the first full calendar year of *Retirement Income Journal's* existence. It's been a successful and satisfying first year. As editor and publisher, I'm grateful to all of the people (and the companies and institutions they represent) who read RIJ, subscribe to it, advertise in it—who make it possible. I wish you a joyous and healthy holiday season.

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