# RSQ-y Business at John Hancock B/D

By Kerry Pechter *Wed, Oct 12, 2011*

*John Hancock Financial Network will offer its advisors the Retirement Sustainability Quotient, an income planning tool that Moshe Milevsky (pictured) developed for ManuLife Financial, JHFN's Canadian parent.*

Many nice things come to us from Canada. *Jeopardy* host Alex Trebek comes quickly to mind. There's actors like Rick Moranis and Rachel McAdams. Can't forget those familiar green bottles of Moosehead lager.

And now comes the Retirement Sustainability Quotient.

John Hancock Financial Network is importing a web-based retirement "product allocation" strategy from its Canadian parent, ManuLife, and making it available to 1,900 independent financial advisors in the U.S. who use John Hancock—an entity distinct the life insurer of the same name—as their broker/dealer.

The new program and website, called Retirement Ready, is built around the Retirement Sustainability Quotient (RSQ) technology that Toronto-based QWeMa Group created and launched on the web for Canadian customers of ManuLife about four years ago.

QWeMA Group is led by Moshe Milevsky, the well-known author, business school professor and consultant who has advised a number of U.S. insurance companies on product development and retirement planning strategies.

"Retirement Ready uses Moshe Milevsky's product allocation methodology, which generates the probability of having a sustainable income in retirement," said Bruce Harrington, the head of retirement strategy and sales for JHFN who came to John Hancock from LPL Financial a year ago.

"During the development cycle for this, one of the two big things we heard when interviewing was, 'I already know how to mix these products but I didn't know how to explain how I did it,'" Harrington told RIJ.

"On the surface, it's meant to be simple. We intentionally wanted to have a simple approach for advisors. They tell us, the more I need to input [into a calculator] the less time I have to use it. But underneath it interacts with Moshe's QWeMA engine," he said. "We announced and this at our national sales meeting in Boston," he said. "We'll roll it out across the country through a series of road shows in October and November."

Retirement Ready gives advisors a modeling tool that allows them to estimate a client's annual income need in retirement (net of Social Security and pensions) and then to divide the client's investable assets into three income generating products—a systematic withdrawal plan (SWP) account attached to an investment portfolio, a single-premium immediate annuity, and variable annuity with a guaranteed minimum withdrawal benefit.

Using sliders, the advisor and client can adjust the allocation of assets to each product category. As they move the sliders, two other numbers on the screen automatically go up or down: the projected value of the client’s legacy (account value at death) and the client’s Retirement Sustainability Quotient.

The RSQ measures the likelihood that the client’s money, as allocated to the SWP account, SPIA and GMWB, will produce the desired income (the default value is 80% of the pre-retirement income) until the death of the client (or the surviving spouse). The RSQ ranges from zero to 99%.

A score of less than 80% is a signal that the client either has to save more, work longer, spend less in retirement, downsize a home, or allocating more of his or her savings to products that produce guaranteed income. (A SPIA, for instance, can perk up insufficient savings with mortality credits.)

Why those three products? As Milevsky himself explains in a video on the ManuLife sight, each product handily addresses one of the three most important retirement risks. The growth potential of the risky investments in the SWP account protects against inflation risk, the SPIA protects against longevity risk, and the GMWB (especially one with a strong deferral bonus) protects against sequence of returns risk.

“Once you do the ‘what if”-ing, it produces a compliance-approved report,” Harrington told RIJ. The calculator is linked to at least three databases: the Cannex database of U.S. SPIAs, Morningstar’s Annuity Intelligence service, and John Hancock Mutual Fund’s comparison tool, Portfolio Insight. It is not connected to a brokerage or annuity ordering system.

Notably, Retirement Ready eschews time-segmented retirement income planning methods. A 65-year-old, for instance, couldn’t use RSQ today to model the purchase of an immediate annuity ten years from now, or the purchase of a deferred period-certain annuity that provides income only from age 65 to 75, or mortality insurance that provides life-contingent income starting at age 80. Since it doesn’t differentiate between assets held in taxable and non-taxable accounts, it probably doesn’t lend itself to tax-driven drawdown strategies.

John Hancock Annuities sells all three of the products that are modeled in the Retirement Ready tool, including mutual funds, SPIAs and Venture variable annuities. Its GMWB rider, Income Plus for Life, provides for a 4% drawdown for life starting at age 59 (3.75% for joint life) and a 5% drawdown for life starting at age 65 (4.75% for joint life). There’s a 6% annual deferral bonus available starting at age 65 (5% available before age 65). The current cost is 1%, with a 1.5% maximum.