
Searching for the Right Decumulation Tool

By Editor Test *Wed, Jan 4, 2012*

This month we'll be dedicating a fair amount of space to retirement income planning software tools.

No matter how sophisticated it might be, no retirement income planning software program can replace the instincts, intellect and mental intangibles of a good financial advisor. This much we know.

But that's not to say that software can't help brighten advisors' presentations, or streamline their methodology, or add new capabilities to their repertoire. So the search for a useful decumulation tool goes on.

Last fall, in an email, an advisor asked us if we knew of any good income planning tools for independent advisors. He was a relative newcomer to the world of decumulation, and he wanted a few suggestions on selecting the right technology.

We felt his pain; there are no easy answers to that question. He also inspired us to devote much of this month's editorial space to an informal review of the available software. Today's cover story, by Joel Bruckenstein, CFP, looks at a few tools you may never have heard of.

You might have avoided software until now—because of the expense, or the initial learning curve, or even because you're computer-phobic—but there are good reasons for incorporating it into your practice. Offhand, I can easily think of three:

Your clients may learn better with their eyes than with their ears. A multi-hued chart that enables clients to visualize the elements of their income plan is a basic requirement (not sufficient, but necessary) of any good retirement software program. Obviously, a well-designed visual aid can educate and impress clients and cement their buy-in. An income planning tool needs to be part illustration/sales tool, part algorithmic tool, and part heuristic tool (because there are no "right" answers).

To serve mass-affluent clients cost-effectively, you need automation. Every retiree's finances are unique, but most Boomers won't be able to afford a time-intensive, fully customized income plans. Therefore you need a scalable system, whether it be DIY or off-the-shelf, that automates and accelerates the more routine parts of the process so that you can serve more people in less time. A tool that demands a lot of your time will simply go unused.

You may be new to the decumulation process and don't have a preferred planning method. Many advisors who read RIJ are already experts at creating retirement income. Some of you have even created and marketed your own software. But for other advisors, especially those still wired for risk (as opposed to risk-mitigation), decumulation may represent a strange new landscape. They may need a structure—a financial GPS, so to speak—in order to orient themselves in it.

Researching, evaluating, and ultimately choosing an income-planning tool can be, by most accounts, a trial-

and-error process. One software specialist warned us that trying to compare tools is a bit of a fool's errand, since they're "all over the map" in terms of price and capabilities. "To make it more difficult, every producer you talk to likes his or her software best," he said.

All the more reason for us to try to shed some well-deserved light on the subject. There's really no alternative. The Boomers are streaming into retirement, and they'll need effective, affordable and mass-customized guidance from independent advisors.

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