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## The Bucket

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By Kerry Pechter    *Thu, Jan 30, 2014*

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*Brief or late-breaking items from: T. Rowe Price, MassMutual and TD Ameritrade.*

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### **T. Rowe Price reports AUM of \$692.4 billion**

In its 2013 fourth quarter report, Baltimore-based T. Rowe Price Group, Inc., reported net revenues of \$929.8 million, net income of \$287.7 million, and diluted earnings per common share of \$1.06.

One year earlier, net revenues were \$787.3 million, net income was \$232.0 million, and diluted earnings per common share was \$.88 in the fourth quarter of 2012, the publicly held no-load mutual fund and 401(k) provider reported.

Investment advisory revenues for the fourth quarter of 2013 were \$811.7 million, up \$134.1 million from the comparable 2012 period, as average assets under management increased \$101.2 billion, or 18%.

During the fourth quarter of 2013, market appreciation and income of \$45.1 billion and net cash inflows of \$0.1 billion lifted assets under management to a record \$692.4 billion at December 31, 2013.

Annual results for 2013 include:

- Net revenues of nearly \$3.5 billion
- Net income of \$1.0 billion
- Diluted earnings per share of \$3.90
- An increase of 16% from the \$3.36 per share earned in 2012

Year-end assets under management of \$692.4 billion increased \$115.6 billion from the end of 2012, including \$127.6 billion from market appreciation and income, reduced by net cash outflows of \$12.0 billion during 2013. Net cash inflows of \$10.2 billion into the mutual funds were more than offset by net cash outflows of \$22.2 billion from other investment portfolios.

The vast majority of these net outflows from our other investment portfolios were concentrated among several large institutional clients outside the U.S. and intermediary clients that changed their investment objectives, repositioned their strategy allocations, or experienced investment performance challenges within their portfolio.

From an investment performance standpoint, 76% of the T. Rowe Price mutual funds across their share classes outperformed their comparable Lipper averages on a total return basis for the three-year period ended December 31, 2013, 77% outperformed for the five-year period, 82% outperformed for the 10-year period, and 71% outperformed for the one-year period.

In addition, T. Rowe Price stock, bond and blended asset funds that ended the quarter with an overall rating of four or five stars from Morningstar account for 78% of the firm's rated funds' assets under management. The performance of our institutional strategies against their benchmarks was substantially similar. The firm's target-date retirement funds continue to deliver very attractive long-term performance, with 100% of these funds outperforming their comparable Lipper averages on a total return basis for the three- and five-year periods ended December 31, 2013.

## **Dalbar recognizes MassMutual Retirement Services statements**

For the third consecutive year, the participant statements issued in MassMutual's Retirement Services Division's defined benefit (DB) and defined contribution (DC) plans have been recognized as a "champion" in DALBAR's annual *Trends and Best Practices in Investor Statements* report.

In the recently released report, MassMutual's DB and DC investor statements earned DALBAR's 'Excellent' designation, while the firm's DB statements garnered a first place ranking.

According to DALBAR, MassMutual's DB and DC financial statements adhere to the 5 C's of user-friendly financial communication:

- **Clarity** that allows consumers to easily understand the information being provided
- **Content** that is comprehensive, detailed and useful
- **Choices** that empower consumers in making financial decisions to accomplish their goals
- **Customer Service** that promotes a positive relationship with the firm
- **Creative Design** that supports all communication with appropriate visual elements

## **A fiduciary standard could help RIAs get 401(k) business: TD Ameritrade**

If the fiduciary standards for advisers to defined contribution retirement plans go up next summer—and the Department of Labor seems intent on it—the change could open up opportunities for registered investment advisers, who are already held to that standard.

So says the latest TD Ameritrade Institutional Advisor Survey.

But relatively few RIAs have targeted the \$5 trillion DC market. According to the survey, 62% of RIAs service 10 or fewer plans and 19% work with no plans. Only 6% percent of retirement plan advisers are RIAs.

That might be changing. Half of the survey's respondents see an opportunity to expand in the retirement business and are currently directing time and resources towards that goal. Another 19% said they don't advise plans today, but probably will in the near future.

The U.S. retirement market is estimated at \$21.8 trillion. Analysts expect it to reach \$23.8 trillion by 2017. Retirement plan assets over the past five years increased at a faster pace than non-retirement assets because Americans contribute to their workplace plans with every paycheck across market cycles, TD Ameritrade said.

In addition to their familiarity with the fiduciary standard, RIAs have another potential leg-up on retirement business: half of RIAs surveyed said 10% or more of their clients are business owners, who could steer their companies' retirement plans to RIAs. Business owners can also provide referrals.

RIAs say they have not capitalized on this opportunity for several reasons:

- 60% cited a lack of time or resources.
- 42% cited compliance and regulatory requirements.
- 38% said they lacked business relationships with third party administrators ("TPAs") or recordkeepers.
- 30% were not sure of the opportunity.
- 25% said they lacked the tools needed to service retirement plans.

Half of RIAs said they would like to understand retirement plan compliance and regulation better; more than half said they want more education about the retirement market. About 58% seek referrals to third-party plan administrators and recordkeepers. More than a third would want ongoing practice management support, the survey showed.