
The Bucket

By Kerry Pechter *Thu, Feb 27, 2014*

Brief or late-breaking items from Prudential Annuities, Woodbine Associates, the National Institute on Retirement Security, USAA and the Federal Reserve Bank of New York.

Prudential debuts interactive retirement income website

Prudential Annuities has launched www.IncomeCertainty.com, a website that gives consumers answers to common questions, helps them share information with their advisers, and alerts them to the risks of retirement. Along the way, it repurposes some of the themes, images and music of Prudential's Day One and Blue Dot ad campaigns.

Investors can access the site via computer, mobile phone or tablet devices.

The domestic annuity arm of Prudential Financial, which rolled out the site this month, wants to make retirement income planning more accessible to investors. IncomeCertainty.com features quizzes, retirement income calculators and "educational snacks" or infographics related to retirement.

The "Know Your Challenges" tab on the website unveils different retirement risks and ways in which investors can mitigate them. Challenges that are illustrated include the risk of outliving one's income, market risk and inflation risk.

The website also enables users to create a virtual binder or folder. It allows investors to save the content they find most relevant and share it with their financial adviser during face-to-face meetings.

Brochures, videos and research are also available on the site. They offer tips on avoiding costly Social Security mistakes, on preparing for rising healthcare costs, and other practical advice.

Woodbine: Are you ready for the Volcker Rule?

A new report that outlines compliance and business requirements for banks under the Volcker Rule has been released by Woodbine Associates. The Volcker Rule requirements are set to go into effect April 1, 2014.

The report, *Volcker Rule Readiness Assessment*, was written by Sean Owens, director of fixed income research and consulting at Woodbine. It provides guidance in preparing for trading and covered fund investments.

Woodbine reminds clients that, under the rule, banks must meet several new requirements, from

establishing comprehensive compliance programs to making improvements in corporate governance. Banks will also be required to implement new reporting metrics, describe compensation policies and enforce modified risk management measures.

Woodbine warns that:

- Banks that engage in underwriting, market making and hedging must develop and implement a comprehensive business and compliance framework that includes detailed policies and procedures for trading, risk management, internal control and oversight.
- The complexity of the new regulation will require banks to create multi-functional teams to develop and implement necessary measures.
- Qualified external and independent analysis of business practices, policies, procedures, and internal controls is essential to ensure compliance without business disruption.

The full report can be purchased at www.woodbineassociates.com.

NIRS to host retirement conference in D.C. March 4

The National Institute on Retirement Security will host its fifth annual retirement policy conference, "On the Money? A Close Up Look at Americans' Retirement Prospects," on Tuesday, March 4, 2014, from 8:00 AM - 2:30 PM at the Washington Court Hotel, 525 New Jersey Avenue, N.W., Washington, D.C.

The event will feature the release of a new report, *The Financial Security Scorecard: A State-by-State Analysis of Economic Pressures on Future Retirees*. This report ranks the 50 states and the District of Columbia relative to three areas: potential retirement income; major retiree costs such as housing and health care; and labor market conditions.

Conference speakers include:

- Ray Boshara, Assistant Vice President, St. Louis Federal Reserve Bank
- Jack Ehnes, CEO, CalSTRS
- Mark Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary, U.S. Treasury Department
- Mark Miller, Author and Journalist
- Earl Pomeroy, Former U.S. Congressman and Senior Counsel, Alston and Bird
- David M. Rubenstein, Co-Founder and Co-CEO, The Carlyle Group
- Dallas Salisbury, President and CEO, Employee Benefits Research Institute
- Damon Silvers, Director of Policy and Special Counsel, AFL-CIO
- Christian Weller, Professor, University of Massachusetts Boston and Fellow, Center for American Progress

USAA CEO to retire next year

USAA CEO and President, Major General Josue “Joe” Robles Jr., U.S. Army (Ret.), announced today that he will retire from USAA in the first quarter of 2015.

Robles has been instrumental in expanding USAA membership eligibility to all who have ever honorably served in the U.S. military and their eligible family members. Under Robles’ leadership, USAA has grown 53 percent in members, 45 percent in revenue, 68 percent in net worth, and 59 percent in assets owned and managed - all during one of the worst U.S. economic downturns in recent history.

During that same period, which included some of the costliest catastrophe years in USAA history, USAA returned \$7.3 billion to members and customers through dividends, distributions, bank rebates and rewards, and remained among just a handful of companies to earn the highest possible ratings for financial strength from Moody’s, A.M. Best and Standard & Poor’s.

After serving on the USAA Board of Directors from 1990 to 1994 while on active duty, Robles joined the company in 1994 as CFO and Controller. He also served as Corporate Treasurer and Chief Administrative Officer before assuming the role of CEO and President in 2007.

Consumer debt reached \$11.52 trillion at end of 2013

Aggregate consumer debt increased in the fourth quarter by \$241 billion, the largest quarter-to-quarter increase seen since the third quarter of 2007, according to the Federal Reserve Bank of New York.

As of December 31, 2013, total consumer indebtedness was \$11.52 trillion, up by 2.1% from its level in the third quarter of 2013.

The four quarters ending on December 31, 2013 were the first since late 2008 to register an increase (\$180 billion or 1.6%) in total debt outstanding. Nonetheless, overall consumer debt remains 9.1% below its 2008Q3 peak of \$12.68 trillion.

Mortgages, the largest component of household debt, increased 1.9% during the fourth quarter of 2013. Mortgage balances shown on consumer credit reports stand at \$8.05 trillion, up by \$152 billion from their level in the third quarter. Furthermore, calendar year 2013 saw a net increase of \$16 billion in mortgage balances, ending the four-year streak of year over year declines.

Balances on home equity lines of credit (HELOC) dropped by \$6 billion (1.1%) and now stand at \$529 billion. Non-housing debt balances increased by 3.3%, with gains of \$18 billion in auto loan balances, \$53 billion in student loan balances, and \$11 billion in credit card balances.

Delinquency rates improved for most loan types in 2013Q4. As of December 31, 7.1% of outstanding debt was in some stage of delinquency, compared with 7.4% in 2013Q3. About \$820 billion of debt is delinquent, with \$580 billion seriously delinquent (at least 90 days late or “severely derogatory”).

Delinquency transition rates for current mortgage accounts are near pre-crisis levels, with 1.48% of current mortgage balances transitioning into delinquency. The rate of transition from early (30-60 days) into serious (90 days or more) delinquency dropped, to 20.9%, while the cure rate—the share of balances that transitioned from 30- 60 days delinquent to current—improved slightly, rising to 26.9%.

About 332,000 consumers had a bankruptcy notation added to their credit reports in 2013Q4, roughly flat compared to the same quarter last year.

Housing Debt

- Originations, which we measure as appearances of new mortgage balances on consumer credit reports, dropped again, to \$452 billion.
- About 157,000 individuals had a new foreclosure notation added to their credit reports between October 1 and December 31.
- Foreclosures have been on a declining trend since the second quarter of 2009 and are now at the lowest levels seen since the end of 2005.
- Mortgage delinquency rates have seen consistent improvements; 3.9% of mortgage balances were 90+ days delinquent during 2013Q4, compared to 4.3% in the previous quarter.
- Serious delinquency rates on Home Equity Lines of Credit decreased to 3.2%, down from 3.5% in 2013Q3.

Student Loans and Credit Cards

- Outstanding student loan balances reported on credit reports increased to \$1.08 trillion (+\$53 billion) as of December 31, 2013, representing a \$114 billion increase for 2013.
- About 11.5% of student loan balances are 90+ days delinquent or in default.
- Balances on credit cards accounts increased by \$11 billion.
- The 90+ day delinquency rate on credit card balances increased slightly to 9.5%.

Auto Loans and Inquiries

- Auto loan originations decreased in the fourth quarter of 2013 to \$88 billion.
- The percentage of auto loan debt that is 90+ days delinquent remains unchanged at 3.4%.
- The number of credit inquiries within six months - an indicator of consumer credit demand - remained virtually unchanged from the previous quarter at 169 million.