The Bucket

By Kerry Pechter *Thu, Mar 13, 2014*

Brief or late-breaking items from Vanguard, Prudential Financial, Nationwide Financial, LPL, Fidelity, Franklin Templeton, the American Bar Association and AARP.

Good advice can be worth 3%: Vanguard

A new report from Vanguard, evidently intended as a value-add for fee-based financial advisers who recommend Vanguard funds, asserts that a Vanguard "wealth management framework" can help advisers enhance their clients' returns by up to "about 3%," relative to advisers who don't use it.

The framework, called Vanguard Advisor's Alpha, " focuses on portfolio construction, behavioral coaching, asset location, and other relationship-oriented services," according to Vanguard. It is described in the report, *Putting a Value on Your Value: Quantifying Vanguard Advisor Alpha.*

According to Vanguard, advisers can enhance returns by:

- Being an effective behavioral coach and helping clients maintain a long-term perspective (up to 1.5%).
- Applying an asset location strategy that involves the efficient use of taxable and tax-advantaged accounts (up to 0.75%).
- Minimizing investment costs (up to 0.45%).
- Rebalancing back to a target allocation (up to 0.35%).
- Implementing a tax-smart drawdown strategy (up to 0.70%).

The potential 3% "advisor's alpha" should not be viewed as an annual add, but as an intermittent add, with benefits accruing mainly "during periods of market duress or euphoria that tempt clients to abandon their well-thought-out investment plans," Vanguard said.

Prudential white paper highlights new LGBT rights

"Financial Planning Considerations for Same-Sex Couples After Windsor," a new white paper from Prudential Financial, explores how this past year's U.S. Supreme Court decision to overturn Section 3 of the Defense of Marriage Act (DOMA) has helped establish the financial rights of legally married same-sex couples.

The 2013 Windsor decision, named for appellant Edith Windsor (U.S. v Windsor), recognized the legality of same-sex marriages for federal tax purposes if they are lawful under a state or a foreign jurisdiction. The white paper, written by James Mahaney, vice president, strategic initiatives at Prudential, describes workplace benefits and financial planning strategies that same-sex couples may want to consider post-Windsor.

According to the white paper, depending on the employer, same-sex married couples might now gain access to spousal healthcare benefits, including health coverage, flexible spending accounts, health reimbursement accounts, and/or health savings accounts.

The white paper also encourages same-sex married couples to meet with a tax professional to review whether filing amended federal tax returns for prior years is beneficial, as they may be able to claim a refund for federal taxes paid on imputed income related to healthcare benefits previously purchased for a same-sex spouse.

A spouse in a same-sex marriage now has improved survivor benefits for defined benefit and defined contribution retirement plans. In addition, they may gain access to group life insurance coverage through a spouse's employer.

The paper points out that the federal recognition of same-sex marriages isn't all positive from a financial perspective, as some married couples will pay higher federal taxes, while others may see their ability to qualify for a child's college financial aid reduced.

Nancy Prior succeeds Charlie Morrison as Fidelity fixed income chief

Nancy D. Prior has been appointed president of Fidelity Investments' fixed income division and vice chairman of Pyramis Global Advisors, the Boston-based financial services firm announced. She will report to her predecessor, Charlie Morrison, who last month became president of Fidelity's $1.9 trillion Asset Management organization.

Headquartered in Merrimack, New Hampshire, Fidelity's fixed income division manages more than $750 billion in assets on behalf of retail, intermediary and institutional clients globally. Prior, who joined Fidelity in 2002 as senior legal counsel for fixed income, most recently served as president of Money Markets and Short Duration Bonds.

Prior had been president of Money Markets since 2011. She expanded her responsibilities in 2013 to oversee the Limited Term Bond team. Before heading Money Markets, Prior was managing director of Credit Research from 2009 to 2011. Before joining Fidelity, she was general counsel at Advantage Schools Inc. and an attorney at Mintz Levin in Boston.

'I'll never retire' vow weakens with age: Franklin Templeton survey

The concept of retirement is "laden with contradictions in both attitude and preparedness," according to Franklin Templeton Investments' 2014 Retirement Income Strategies and Expectations (RISE) Survey of 2,011 Americans ages 18 and over.

Among those not yet retired, the survey found that 92% of individuals anticipate their retirement expenses to be similar to or less than pre-retirement spending. Interestingly, more than a third of pre-retirees (39%) have not yet started saving for retirement.

Most (72%) of pre-retirees said they are looking forward to retirement, but only 25% expect their retirement to be better than previous generations while 33% expect it to be similar and 41% expect it to be worse.

Almost half of those surveyed said they are concerned (48%) about outliving their assets or having to make major sacrifices to their retirement plan, up from 44% at the beginning of last year.

By a ratio of three to two, women are more likely to respond that they are not very confident with and don't really understand their retirement income plan. Men more frequently said they think their retirement will be better than previous generations.

Men are slightly more likely to consider the needs of their spouse, while women are more likely to consider their own needs and those of their children and grandchildren.

The younger the respondent, the earlier they expect to retire. When asked what they would do if they were unable to retire as planned due to insufficient income, "retire later" was the top response.

About a fourth (24%) of retirees retire due to circumstances beyond their control, the survey showed. As people pass age 35 and near retirement, they grow less willing to retire later and more willing to downsize their expenses and lifestyle.

The 2014 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey was conducted online among a sample of 2,011 adults comprising 1,008 men and 1,003 women 18 years of age and older. ORC International's Online CARAVAN administered the survey from January 2 to January 16, 2014.

ABA and AARP publish practical guide for family survivors

The American Bar Association and AARP have co-published a guidebook for the survivors of deceased family members. Written by AARP lawyer and former ABA staff lawyer Sally Hurme, the "ABA/AARP Checklist for Family Survivors" shows readers how to:

- Create a simple system to organize investments, assets and estate planning information.
- Keep letters and forms updated.
- Gather key information in either paper or electronic form.
- Get organized in financial and legal matters.
- Assemble a team and working with key advisers to handle everything in confidence.
- Take responsibility in a difficult situation.

The book consists of checklists and forms that the reader can fill in and includes a CD-ROM containing the documents in electronic format. The book is a companion volume to Hurme's 2011 book, "ABA Checkllist for Family Heirs."

Nationwide and LPL in platform integration

Nationwide Financial has integrated LPL Financial's Worksite Financial Solutions platform into its 401(k) products, the Columbus, Ohio financial services firm announced. According to a release, the integration will "help LPL advisors provide their retirement plan participants with financial advice." LPL is the nation's largest independent broker-dealer, an RIA custodian, and a wholly owned subsidiary of LPL Financial Holdings Inc.

Nationwide's plan sponsor clients who work with a LPL advisor will be able to use the platform's Employee Transition and Engagement Solutions. This supports the enrollment of employees into retirement plans, promotes financial education and wellness, and helps employees during entry and exit from employment.