The Bucket

By Editorial Staff *Wed, Mar 9, 2011*

Late-breaking items and briefs from Ernst & Young, Charles Schwab, Scarborough, Symetra, MassMutual, Lincoln Financial, Fidelity and Jackson National.

RIA optimism up sharply: Schwab

Independent registered investment advisor (RIA) optimism has risen significantly since July 2010, according to Charles Schwab's latest survey of more than 1,300 RIAs representing $284 billion in assets under management.

Independent advisors also display optimism across a number of economic indicators and consumer behavior metrics. "They clearly think we are turning the corner economically," said Bernie Clark, executive vice president and head of Schwab Advisor Services.

When asked about current economic issues, advisors say:

- **S&P 500:**77% expect the S&P 500 to rise in the next six months, up from 63% last July.
- **Bull/Bear ratio:** 56% classify themselves as bulls; 10% are bears.
- **Consumer spending:** 68% expect consumer spending to rise, up from 42%.
- **Unemployment:** 17% believe unemployment will rise, down from 32%.
- **Housing:** 38% say housing will soften, down from 53%.
- **ETFs:**
  - 84% currently use ETFs; 31% say they will invest more in ETFs, the most of any investment vehicle.
  - 78% currently invest in equity ETFs and 28% plan to invest more in them over the next six months.
  - 70% currently invest in international ETFs for their clients, with 23% planning to invest more.
  - More than 60% are currently using fixed income ETFs.
- **Treasury yields:** 64% think U.S. Treasury yields will increase in the next six months; 8% think they will go down.
- **Bush tax cuts:** 85% believe the extension of the Bush tax cuts will help the stock market and economy overall.
- **Quantitative easing:** 55% say the Fed's quantitative easing activities will help the stock market and economy.
- **Inflation:** 64% expect inflation to rise over the next six months, up from 28%.
- **Cost basis reporting changes:** 48% don't know how recent changes to cost basis reporting will affect their tax situation.

Advisors' Clients Also More Upbeat

According to the advisors surveyed, their clients are more upbeat entering 2011 as well. Over the past six months, the number of advisors' clients that needed reassurance that they will achieve their investment goals declined, falling to 23%, down from 30% in July 2010 and down from a high of 49% in January 2009.

Specifically, more than half of advisors' clients (53%) feel more optimistic about the economy than they did in July 2010, and 56% of clients feel more positive about their investment performance than they did six months ago, up from just 14% in July 2010. However, clients remain cautious about retirement with only 23% percent more optimistic that they will be able to retire on time. According to advisors, 34% of their clients are reducing expenses, down from 47% in July 2010, and 22% are spending more money on discretionary items, up from just eight percent last summer.

Charles Schwab is a leading provider of custodial, operational and trading support for more than 6,000 independent RIAs. The Independent Advisor Outlook Study, conducted for Schwab Advisor Services by Koski Research in January 2011, has a 2.74% margin of error.

The 6.2 million workers over age 65 have big portfolios

The 6.2 million American adults over the age of 65 who are employed full-time or part-time are financially sound and have robust investment portfolios, according to a new study from Scarborough. This is consistent with a recent report of a correlation between higher education and working after age 55.

According to the Employee Benefit Research Institute (EBRI), the higher the educational attainment, the higher the labor-force participation rate. For example, in 2009, 63.1% of Americans ages 55 or older with a graduate or professional degree were in the labor force, compared with 22.4% of those without a high school diploma.

The "Retired for Hire" consumers are slightly more likely than the average adult to have an annual household income of $150,000 and are 51% more likely to live in a home valued at $500,000 or more.

Members of this group are also more likely than the average American to have:

- Stocks or stock options as a household investment (23% more likely)
- Second home or real estate property (36% more likely)
- Mutual funds (27% more likely)
- Money market funds (46% more likely)

Additional survey results are available for free download at www.scarborough.com/freestudies.php.

Symetra expands life and retirement sales force

Symetra Life Insurance Company announced a new sales leader for its western division and six new regional vice presidents to represent the company's portfolio of annuity and life insurance products.

Wes Severin has been named western divisional sales manager of Life and Retirement Sales, with responsibility for sales planning and day-to-day management and training of 12 external wholesalers covering the western United States. Most recently, Severin was national sales director of financial institution markets at Great-West Life & Annuity Insurance Company in Denver, Colo. Before Great-West, he was a financial advisor with Simmers Capital Management.

Symetra also announced six new regional vice presidents in its Life and Retirement Sales organization:

Christopher Grubbs (Maryland, Washington, D.C., Virginia) most recently served as a regional vice president at New York Life, managing relationships with major financial institutions and independent broker-dealers in southern Virginia and West Virginia. He also has held sales positions with ING and GE Financial (now Genworth Financial).

Lydia Hopper (Los Angeles, Central California) joins Symetra from Michel Financial Group, where she was an annuity specialist. She previously held regional sales roles at MassMutual Financial Group and AIG SunAmerica, focusing on variable and fixed annuity sales through independent and bank registered representatives.

Brad Kiesling (North Texas, Oklahoma) is an experienced annuity and life insurance sales professional, having held external wholesaling roles at Great-West Life & Annuity Insurance Company, AXA Equitable and Genworth Financial. He also was a regional director for Cherry Financial Partners, helping expand the financial services firm's national network.

Matthew O'Neil (Maine, New York, Vermont) comes to Symetra from Genworth Financial, where he was a regional vice president responsible for annuity sales in upstate New York. He previously held regional sales roles at Phoenix Life and Liberty Funds Distributors, concentrating on variable and fixed annuity sales through independent, bank and regional wirehouse registered representatives.

Matthew Sennet (Florida, excluding Panhandle) joins Symetra from ING Financial Solutions, where he was a regional vice president in north Florida. He also has served as a regional marketing director for Lincoln Financial Distributors and a Florida district retirement planning advisor for Merrill Lynch. He has extensive wholesaling experience with mutual funds and fixed, variable and immediate annuities through multiple distribution channels.

Tammy Viccari (Georgia, East Tennessee and Florida Panhandle) brings to Symetra 13 years of experience as a successful external and internal wholesaler at ING Financial Services and Wachovia. Her financial services background also includes work as a stockbroker at Morgan Stanley Dean Witter.

Gender gap exists in retirement confidence: MassMutual

Economic uncertainty and market volatility have contributed to lower levels of investing confidence and generally more conservative investing behavior among participants.

Confidence in investment decisions and the stock market is much lower for women than men, and the gap is widening, according to a survey of 1,517 plan participants using MassMutual's Retirement Services last November, December, and January.

MassMutual's data indicates that men are twice as likely as women to believe the stock market will improve over the next year. Only 37.3% of all participants are confident in making their own investment decisions (vs. 42.5% last year). However, women were significantly less confident in making their own investment decisions.

At the same time last year, the percentages were 32.8% for women and 47.8% for men.

More men enjoy learning about investments (71.7%) than do women (54.4%), and more women (53.1%) than men (35.1%) also prefer to spend as little time as possible on investment decisions.

The survey indicates that a rise in anxiety about having adequate savings to retire. Overall, 67% are concerned they won't have enough saved for retirement vs. 64.9% last year. In this year's survey, the percentage of women concerned increased by 4.4 percentage points to 74.7%, while the percentage of men declined by 1.3 percentage points to 61.9%.

Participants of both genders are also becoming more conservative in terms of their investing behavior. Among participants who made a change in their approach to investing in the last 12 months, 61.7% became more conservative compared to 38.3% who became more aggressive.

Among all participants, 39.8% identified being able to retire as their greatest concern, up from 37.3% last year. Significantly, 74.3% agree they have more responsibility for achieving retirement income objectives than their employer. Managing debt is the greatest financial concern for participants under age 40, while being able to retire is by far the greatest concern for people 40 years old or above.

MassMutual's Retirement Services Division serves approximately 1.2 million participants.

Lincoln Financial bolsters DC team

Lincoln Financial Group announced the appointment of Michael Conte as vice president, Small Market Business Leader for the company's Defined Contribution Products team. Conte will report to Eric Levy, senior vice president, Head of Defined Contribution Products, and will oversee cross-functional initiatives to help grow Lincoln's revenue and earnings in the small market space.

During his 13-year tenure at Lincoln Financial Group, Conte has held numerous leadership positions across a variety of functional areas including Sales, Internal Sales and Compliance, and Retirement Plan

Administration for Delaware Investments. Most recently Conte served as DC Product and Relationship Manager for Lincoln Financial Distributors. He holds Series 6 and 63 designations and earned a bachelor's degree in business administration from Rider University.

Lincoln also appointed seasoned senior-level employees John Weber in a new role as vice president, Multi-Fund Business Leader and Bob Melia as vice president, Defined Contribution Product Development. Both positions report to Levy.

Fidelity debunks myths about 401(k)s and IRAs

"Despite the myths out there, [the 401(k)] is helping millions of Americans of all income levels save for their futures," said James M. MacDonald, president, Workplace Investing, Fidelity Investments, in a recent release.

"Employers are committed to offering a compelling program with a company match as well as lifetime investment guidance to help their employees reach their goals."

MacDonald pointed to several healthy signs. The average 401(k) account balance rose to $71,500 at the end of 2010, reaching a 10- year high since Fidelity began tracking the data based on the industry's largest participant base of 11 million 401(k) accounts.

For participants who were continuously active for the past 10 years3, their average balance increased to $183,100 at the end of last year from $59,100 at the end of the fourth quarter 2000.

Average participant deferrals remained at 8.2 percent for an eighth straight quarter. For a seventh straight quarter, more participants increased their total deferral rate than decreased (6.1% vs. 3.0% respectively).

Despite its wide usage as a primary savings vehicle for many working Americans, the following myths about 401(k) plans persists, Fidelity says:

Myth 1: The majority of lower-income employees don't participate in their 401(k) plan.

· On the contrary, the majority (53%) of participants in 401(k) plans recordkept by Fidelity earning between $20,000 and $40,000 do participate, and 71 percent of participants earning $40,000 and $60,000 participate.

Myth 2: 401(k) participants don't take an interest in their retirement plans.

· In reality, Fidelity found workplace participants are increasingly more engaged in their plans. In 2010, approximately three out of four active participants contacted Fidelity via the phone or over the Web. More than 1.1 million workplace participants took advantage of Fidelity's online guidance tools.

· Of those who used the savings tools, nearly half (47%) increased contributions to their 401(k)s by an average of three percentage points (from 4% to 7%)5.

· When employees sought Fidelity's comprehensive guidance with their investment strategy, one in five made adjustments to their portfolio from suggestions based on their age and target retirement date6.

Myth 3: Most employers suspended their company match during the recession and have not reinstated it.

· Only 8% of Fidelity plan sponsors reduced or eliminated their employer contributions during the height of recession in 2008 and 2009. Since then, more than half (55%) have already or indicated they plan to reinstate this benefit within the next 12 months.

· Larger companies (5,000+ employees) are at the forefront of this trend with 71% having already reinstated or planning to reinstate their employer contribution.

· Overall, 80% of active participants within corporate defined contribution plans recordkept by Fidelity received employer contributions in 2010.

Myth 4: Most people take loans or cash out of their 401(k)s.

· A loan from a 401(k)s is sometimes a necessity for a participant, however, nearly four out of five participants have rejected the urge to take out a loan.

· Seven out of 10 participants opt not to cash out of their 401(k)s in the months following a separation from an employer, instead wisely electing to stay in-plan or rolling over into another qualified retirement account such as an IRA.

Myth 5: Roth 401(k)s are only for older, wealthy employees.

· Not true. More than twice as many active participants in their 20s contribute to Roth 401(k)s than do those aged 50 and older (9% vs. 4% respectively).

· About half of Roth 401(k) contributors earn less than $75,000, and one in four earns less than $50,000.

· One out of five Fidelity plan sponsors offers eligible employees a Roth 401(k). Fidelity's largest plans (more than 250,000 participants) have adopted at the greatest rate with half offering the feature.

Jackson announces record sales and operating income in 2010

During 2010, Jackson National Life Insurance Company achieved record sales and deposits of $19.8 billion and record IFRS pretax operating income of $1.3 billion.2 Total sales and deposits climbed 30 percent over

2009, driven by a 47-percent increase in variable annuity (VA) sales to nearly $14.7 billion.

IFRS pretax operating income increased 33% over 2009, due primarily to higher spread and fee income. Jackson's 2010 IFRS net income of $509 million was lower than the $670 million reported in the prior year due largely to the benefit from the reversal of a $319 million tax valuation allowance in 2009.

Total IFRS assets increased to $107 billion at the end of 2010, up from $88 billion at the end of 2009.

"In 2010, Jackson extended its track record of generating sustainable, profitable growth," said Mike Wells, Jackson's president and chief executive officer. "Jackson earned more than a half-billion dollars in IFRS net income, which the company achieved in six out of the past seven years."

Jackson, an indirect wholly owned subsidiary of the United Kingdom's Prudential plc, finished 2010 with record retail sales and deposits in the fourth quarter of nearly $5.5 billion. Annuity net flows (total premium minus surrenders, death benefits and annuitizations) of $10.9 billion in 2010 were 38 percent higher than 2009. During 2010, Jackson ranked second in variable annuity net flow, according to reporting by SimFund VA. At December 31, 2010,Jackson had $4.6 billion of regulatory adjusted capital, more than nine times the regulatory requirement5, up from $4.0 billion at the end of 2009.