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## The Bucket

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By Editorial Staff    *Wed, Oct 12, 2011*

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*Brief or late-breaking items from Nationwide Financial, MetLife, Edward Jones, LPL Financial, and Vanguard.*

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### **Nationwide Financial adds eight wholesalers in retirement plan sales**

Nationwide Financial Services Inc. today announced that it has hired eight new wholesalers to support advisors in the annuities and retirement plan businesses, as part of its “team of specialists’ approach to helping advisors help their clients prepare for and live in retirement,” the company said in a release.

The new members of the sales team are:

- **Vince Centineo** will serve as the regional vice president for the Illinois, Indiana, Kentucky, Michigan, Ohio, Pennsylvania and Washington territory, representing the select market team. He had been an external wholesaler and distribution specialist at Halcyon Capital Markets.
- **Sean Milligan** will serve as regional vice president for the North and Central Chicago territory, representing the retirement plans sales team. He had been managing director of institutional sales at MassMutual.
- **Troy V. Simmons**, who will serve as regional income planning specialist for the West territory (which includes Washington, Oregon, California, Nevada, Arizona, Hawaii, Utah, Montana, Wyoming, Colorado, New Mexico, Texas, Kansas, Oklahoma, Montana, Arkansas and Louisiana). He had been a regional vice president at American General.
- **Eric Bokesch** will serve as field service representative for the Cincinnati, Indiana and Kentucky territory, representing pension sales in the private sector. He had been an enrollment advisor at a direct-write third party administrator.
- **Aubrey Burningham** will serve as field service representative for the Washington and Oregon territory, representing the group retirement plans sales team in the private sector. She had worked in operations at Paulson Investment.
- **Geovanny Alfaro** will serve as pension field service representative for the New York City and Westchester County territory, representing the retirement plans sales team. He had been a 401(k) retirement plans consultant at Mutual of America.
- **Gonzalo Villamil** will serve as field service representative for the Southern California territory, representing the retirement plans sales team. He had been a mutual fund and 401(k) retirement plans wholesaler at AIG VALIC Financial Advisors.
- **Josh Cesare** will serve as pension field representative for the Eastern Pennsylvania, Westchester, New York and New Jersey territory, representing the retirement plans sales team. He had been a registered representative/investment advisor representative at MetLife Securities.

## **Vanguard estimates costs for new service for small plan sponsors**

Interest has been extremely strong in Vanguard reports strong interest in its small 401(k) plan service, which the mutual fund giant and jumbo retirement plan provider announced in September, the company said.

As pressure builds on plan sponsors to scrutinize and justify fees, the plan creates a low-cost option for small plans that don't have the economies of scale that help drive down fees for large plans.

Vanguard is providing the new service directly to sponsors of 401(k) and profit-sharing plans with assets up to \$20 million, and to advisors who sell fee-based 401(k) plans. The "all-in" plan fees, comprising total investment, recordkeeping, and administration costs, are anticipated to be among the lowest in the small-plans market.

Industry median all-in fees are 1.27% of plan assets\* for plans between \$1 million and \$10 million in assets, said Vanguard in a release, citing data from the Investment Company Institute and Deloitte Consulting LLP.

The new Vanguard service expects to charge 0.32% of plan assets as an all-in fee for a hypothetical plan with \$5 million in assets, an average account balance of \$50,000, and an investment lineup of Vanguard index and active funds (actual pricing will depend on a plan's investment options, demographics, and ancillary services).

Recordkeeping and other services are provided through Ascensus, and include a call center, compliance testing and documentation, participant education materials, dedicated plan sponsor and participant websites, and trustee services. Among optional services are participant advice and self-directed brokerage.

## **Most Americans still have low "retirement income IQ"**

Of the 1,213 pre-retirees ages 56 to 65 who took a 15-question quiz on retirement issues conducted by the MetLife Mature Market Institute, quiz, a majority answered only five of 15 questions correctly, the company said.

Middle-aged Americans showed "persistent misperception and misunderstanding in a number of core areas, such as life expectancy, inflation, retirement income/savings, long-term care insurance and to some extent Social Security," said those who conducted the *2011 MetLife Retirement Income IQ* study.

Only 17%, for instance, knew that delaying the collection of Social Security by three years would add 24% to the amount they receive.

In the 2008 version of the study, most respondents correctly answered six of the 15 questions. The 2011 study also asked a number of questions related to additional aspects of Americans' post-retirement income needs.

Only 45% knew that experts believe retirees will need 80 to 90% of their pre-retirement income to maintain their current standard of living. About 40% believed that they should limit withdrawals from their savings to between 7% and 15%, instead of the widely recommended 4% to 6%.

The respondents' average estimate of what a couple would need in pre-retirement income to cover their essential living expenses (i.e., housing, food, health care, transportation, insurance and taxes) was 61%, very close to informal estimates that about 60% is needed to take care of the absolute basics.

Key findings from the study include:

- Sixty-two percent of those surveyed in 2011 realize that the greatest financial risk facing retirees is longevity, compared with 56% in 2008 and 23% in 2003.
- The most common concern regarding retirement was having enough income to cover essential expenses (32%), followed by the ability to afford health care (18%).
- The majority (87%) of respondents have taken steps toward ensuring adequate income for retirement, such as increasing their contributions to retirement plans or extending their working years. Just under two-thirds (62%) of them are currently seeking financial product advice.
- Almost one-quarter (24%) correctly identified that a reverse mortgage is accessible only to homeowners age 62 or older, but more than half (54%) were unaware that a reverse mortgage can be used to purchase a primary home.
- 42% of Americans still incorrectly believe that health insurance, Medicare or disability insurance will cover the costs of long-term care.

The [2011 MetLife Retirement Income IQ](#), which included 15 intelligence-quotient questions and an additional set of nine questions to address respondents' retirement security and planning, was conducted by the MetLife Mature Market Institute and administered online by GfK North America to 1,213 pre-retirees in June 2011. Participants aged 56 to 65, working full-time, within five years of retirement, who were the co- or primary household financial decision-maker qualified for the survey. Data were weighted based on gender, education and occupation. The margin of error for the survey was +/- 3 percentage points.

### **LPL Financial Retirement Partners enhances "Tool Suite" for plan advisors**

LPL Financial Retirement Partners has enhanced its Tool Suite package for pre-qualified, retirement plan-focused financial advisors. The enhancement includes a new Lineup Comparison Tool component.

LPL Financial Retirement Partners is a division of LPL Financial that focuses on serving the brokerage and

practice management needs of independent retirement plan advisors.

The Tool Suite helps advisors conduct plan provider and investment manager searches, monitor fiduciary responsibility, communicate with plan sponsor clients through a highly customized interface, complete regular due diligence and identify new retirement plan opportunities.

The Lineup Comparison Tool is available as an additional module. It allows advisors to compare performance and comprehensive expense information for up to five retirement plan lineup options in a side-by-side format.

“The expansion of the LPL Financial Retirement Partners Tool Suite is the culmination of our integration with National Retirement Partners (NRP) and an expression of our focus and commitment to the retirement plan industry,” said Bill Chetney, executive vice president of LPL Financial Retirement Partners.

### **Americans clueless about the real cost of retirement**

One-third of Americans (34%), including 38% of women and 30% of men, don't know what percentage of their savings they will need to take out annually in retirement, according to a new survey by Edward Jones and Opinion Research Corp.

The survey of 1,011 respondents showed that 22% of Americans think that they will need to use more than 10% of their retirement savings each year. One-third of those between the ages of 35 to 44 expect to spend the same percentage on a yearly basis once they stop working.

Among retired Americans, 15% believe they will need to withdraw more than 10% of their saving; 25% of non-retirees believed that.

Younger Americans (18-34-years-old) say they do not believe their retirement will come at a high cost, as 19% said they plan to withdraw one to two percent annually from their retirement savings.

Other key findings from the survey included:

- 44% of Americans expect to spend less than 10% of their retirement savings each year. This decision was influenced by gender as 50% of men polled indicated the same compared with 37% of women.
- 12% of Americans in the Northeast and 11% in the West expect to spend more than 20% of their retirement savings on a yearly basis. In contrast, 49% of respondents in the South and 46% in the Midwest expect to withdraw less than 10% of their retirement savings each year.
- 50% of Americans with a household income of more than \$100,000 plan to spend less than 10% of their retirement savings each year. One-third of those with a household income of \$35,000 to \$50,000 expect to spend more than 10% annually.