The Bucket

By Editorial Staff *Tue, Mar 27, 2012*

Brief or late-breaking items from DST Brokerage Solutions, Broadridge, BNY Mellon, SIGNiX, VERTEX, Allianz Life, the U.S. Treasury Department, Nataxis Global Investment Management, EBRI, Financial Executives International and Allianz Global Investors.

DST Brokerage Solutions merges DST TASS and Wall Street Advisor Services

DST Brokerage Solutions, a unit of DST Systems, a developer of tools, products, and services for broker-dealers, has combined its two sub-accounting service providers to form DST Market Services, LLC.

The new entity was created through the merger of DST TASS and Wall Street Advisor Services, and will continue to deliver mutual fund processing and sub-accounting services.

As a registered broker-dealer, DST Market Services is subject to the same regulatory environment as their clients. It will continue to provide mutual fund subaccounting services based on broker-dealer operations experience, an understanding of subaccounting work flow processes, and DST's technology platform. DST Market Services is also a member of FINRA and SIPC.

Broadridge launches FinancePro

Broadridge Financial Solutions, Inc., has launched FinancePro, a global, multi-asset, multi-currency securities financing solution that can help financial institutions "optimize their funding activities by enabling them to make better collateral decisions and efficiently scale their repo, treasury and securities lending desks."

FinancePro enables tracking and management of positions throughout the entire lifecycle of a financing transaction. The new Tri-party Allocation Simulator allows firms to optimize collateral allocations within tri-party trades prior to submission to the clearing bank. This unique capability reduces the firms' overall funding expense.

FinancePro's reporting capabilities allow front-, middle- and back-office personnel to analyze and act on information across a broad array of criteria, including: geographies, entities, currencies, business units, depositories, asset classes, counter-parties and many other categories.

This increased visibility into aggregated global positions will enhance Broadridge's clients' ability to optimize collateral and mitigate market and operational risk across legal or regional business entities. Advanced workflow functions within FinancePro also allow sales, trading and compliance teams to review and approve financing transactions according to pre-defined thresholds and parameters.

FinancePro integrates with Broadridge’s industry-leading securities processing solutions such as impact, BPS and Gloss as well as other front-, middle- and back-office systems. A full suite of straight-through-processing adapters is available for executing inter-capital broker transactions. FinancePro is designed to adapt to applicable regulatory requirements and tri-party reforms.

Investors postponing decisions until after election: BNY Mellon

In the past 10 years, the percentage of American investors who believe they will run out of money someday has risen to 48% from 30%, according to a survey commissioned by BNY Mellon Wealth Management.

More than six in ten investors (61%) surveyed said that Americans are pessimistic about the markets compared to fewer than four in ten (39%) who sense optimism.

“When it comes to how investors feel about the financial markets, you could say that bleak is the new black,” said Larry Hughes, CEO of BNY Mellon Wealth Management. “Many people are so negative about the markets that they find it hard to believe that something could possibly go right.
The survey, conducted last February, found that such worries are leading investors to postpone their investing or planning decisions, with 59% saying they are waiting for conditions to improve before taking action.

Nearly four in ten investors said they are holding off until after the Presidential election to take action and more than a third said they don’t intend to make any decision before they have a better sense of where tax and interest rates are heading.
Leo Grohowski, BNY Mellon Wealth Management’s Chief Investment Officer, said he nonetheless sees several opportunities in the current market: emerging market equities, high-yield bonds, dividend stocks.

Jere Doyle, senior vice president of BNY Mellon and an estate planning strategist for BNY Mellon Wealth Management, notes that the current combination of low interest rates, valuations and taxes offer specific planning opportunities.

“Given low interest rates, intra-family lending can be a compelling and timely estate planning opportunity. Bear in mind that transfer tax rates are likely to go up this year,” Mr. Doyle said. “There are also a number of mortgage and credit strategies now, too, because of historically low interest rates.”

SIGNiX and VERTEX partner to promote digital signatures

SIGNiX, a provider of digital signature technology, will partner with VERTEX, a provider of professional services and software to the financial services industry, to promote the use of electronic execution of transactions with secure digital signatures.

“The adoption and importance of e-signature technology has been rapidly accelerating in our industry,” said Steve Wilson, VERTEX’s CEO. “SIGNiX’s secure digital signature service is especially suited to significant financial transactions, and they are the only solution certified by the annuity industry through IRI, the Insured Retirement Institute.”

VERTEX “will offer our standalone solution known as MyDoX for immediate use by companies with no need for integration, but they also have the professional services resources to tightly embed the SIGNiX signature service as a seamless part of any automated process or application,” said SIGNiX CEO Jay Jumper.

Allianz Life promotes Matt Gray to vice president

Matt Gray has been named vice president, Market Management and Product innovation (MMPI) at Allianz Life Insurance Company of North America. He will lead product strategy and development, customer experience, and customer intelligence initiatives, as well as competitive intelligence, market research, segmentation, and analytics that help inform company strategies.

Gray started with Allianz Life as an intern in 1998. Most recently, he served as assistant vice president for the actuarial group, collaborating across the company in the development of new Allianz Life products including the Allianz ProV1 Annuity, the Simple Income III Rider on the MasterDex X Annuity, the Allianz 360 Annuity, and the Allianz 365i Annuity. During his time with Allianz Life, Gray was part of the team that developed the Allianz Life dynamic hedging platform, assisted Allianz Korea in developing a fixed index annuity, and consecutively led actuarial product development for variable and then fixed index annuities.

Gray holds a Bachelor of Science degree in mathematics from the University of Minnesota. He is a Fellow of the Society of Actuaries, a member of the American Academy of Actuaries, and holds a Series 7 securities registration.

Treasury Department launches “Ready.Save.Grow.”

The U.S. Department of the Treasury has announced a new public education initiative, Ready.Save.Grow., that will “provide information and access to affordable, safe and convenient Treasury savings options that can help people take control of their future.”

Ready.Save.Grow. offers information and solutions to people who may not be aware of Treasury savings options, such as digital savings bonds and Treasury marketable securities,” said Bureau of the Public Debt Commissioner Van Zeck.

The Treasury Department’s Bureau of the Public Debt offers interest-bearing digital savings bonds starting at $25 and Treasury marketable securities starting at $100, and with no risk of principal loss. These savings options are offered through TreasuryDirect.gov, and can be purchased online or through payroll direct deposit after opening a free TreasuryDirect account.

20% of Americans 50+ unsure how to save

A survey of 463 investors commissioned by Natixis Global Asset Management (NGAM) found that even many affluent people aren't sure how much they need to save, say they lack money for investing and prefer to spend today rather than save for tomorrow.

"Too many Americans… aren't aware of the solutions available to them or simply don't have enough money available to put toward savings," said John T. Hailer, president and chief executive officer, Natixis Global Asset Management – The Americas & Asia.

Among the key findings from the NGAM survey:

- 30% of investors with $300,000 to $500,000 of assets, 22% with more than $1 million and 18% of those over age 50 aren't sure how much to save or invest for future needs..
- 32% of respondents with less than $1 million in investable assets, 16% of those with more than $1 million in assets and 19% of those over age 50 say they can't afford to save.
- 18% of Americans say they would rather spend today than put money away for the future. 22% of those with less than $500,000 in assets say they'd rather spend than save, compared with 13% of those with more than $1 million.

Steep market movements in the last few years have raised doubt among investors. Overall, 47% say they curbed their savings and investing because they didn't want to risk losing money. NGAM CEO Hailer said effective retirement solutions should be "durable portfolios" that include commodities, currencies and alternative mutual funds as well as stocks and bonds.

Other findings from the survey include:

- 28% percent of investors rate their portfolios as "risky," while 47% categorize them as "neutral" and 25 percent as "not risky." Just 17% of those with more than $1 million in investable assets label their investment portfolios as "risky," compared to 33% of those with less than $1 million. More men (35%) than women (19%) classify their investment portfolios as risky.
- Asked what most motivates them to save, 48% of Americans overall say providing for themselves and their families is their primary objective. Asset growth is the second choice, at 18%, and capital preservation to provide for future generations of their family is third, at 9%. Saving for their children's education trails at 5%.
- More women than men (53% compared to 43%) say their top reason to save is to take care of themselves and their families. More men than women (21% compared to 14%) said asset growth is the next biggest motivator for saving.

The Natixis Global Asset Management U.S. Investor Insights Survey was conducted by CoreData Research, which surveyed 463 American adults to better understand their investment attitudes, behavior and sentiments. The survey was conducted in May and July 2011. In addition, NGAM conducted qualitative interviews with investors in October 2011.

The NGAM survey looked at four different categories of investors, including: Mass-market investors (with

$200,000–$300,000 of investable assets); mass affluent investors ($300,000–$500,000 of investable assets); emerging high-net-worth investors ($500,000–$1 million in investable assets); and high-net-worth investors (more than $1 million of investable assets).

Without tax deferral, 401(k) participants would save less: EBRI

The recent proposal to alter the tax deferred status of 401(k) plans could reduce 401(k) account balances by 6% to 22% for workers ages 26-35 by the time they reach Social Security normal retirement age, according to the Employee Benefit Research Institute (EBRI).

Participants in smaller plans would experience deeper average reductions in 401(k) balances, according to EBRI's baseline analysis. Participant balances at Social Security normal retirement age for workers currently ages 26–35 in plans with less than $10 million in assets could decline 23% to 40%, depending on the size of the plan and income of the participant.

EBRI's report analyzed the potential response of both private-sector 401(k) plan sponsors and participants to a proposed scenario where workers would have to pay federal taxes on these amounts currently, rather than on a deferred basis (as under current law), and receive an 18% government match on all contributions instead.

"Surveys of individual participants suggest… that some would decrease or even eliminate their contributions in response to these changes," said Jack VanDerhei, EBRI research director and author of the report. "Additionally, surveys of plan sponsors indicate that many would modify their plan design, or even terminate these plans."

Full results of the study are published in the March *EBRI Notes*, "Modifying the Federal Tax Treatment of 401(k) Plan Contributions: Projected Impact on Participant Account Balances," online at www.ebri.org

In the debate over reducing the federal deficit, a 2011 plan was proposed that would modify the existing tax treatment of both worker and employer 401(k) contributions and introduce a flat-rate refundable tax credit that serves as a federal matching contribution into a retirement savings account.

FEI applauds passage of Dodd-Frank fix for derivatives end-users

Financial Executives International (FEI) has commended the House of Representatives for passing H.R. 2682 and H.R. 2779, to clarify that commercial end-users of over-the-counter (OTC) derivatives should be exempt from certain regulatory requirements, as intended by the Dodd-Frank Act.

FEI is a professional association for senior-level financial executives from both major public and private companies. The two bills now go to the Senate for consideration.

“This legislation will ensure end-users can continue to hedge business risks, innovate and grow their businesses without adding billions of dollars in new costs or placing strain on hundreds of thousands of jobs,” said Marie Hollein, president and CEO of FEI.

H.R. 2682 would clarify that end-users should not be subject to regulatory-imposed margin requirements, and H.R. 2779 would prevent companies’ internal, or inter-affiliate trades from being subject to requirements meant only for certain street-facing swaps.

Shlomo Benartzi, of Allianz Global Investors Center for Behavioral Finance, publishes *Save More Tomorrow*

Allianz Global Investors Center for Behavioral Finance has announced the release of *Save More Tomorrow* (Portfolio Penguin), by Shlomo Benartzi, professor and co-chair of the Behavioral Decision-Making Group of the UCLA Anderson School of Management and chief behavioral economist of the Center.

The book addresses the behavioral challenges that led to the retirement crisis – inertia, limited self-control, loss aversion and myopia – and transforms them into behavioral solutions. Half of Americans do not have access to a retirement saving plan at their workplace; of those who do, about a third fail to join. Those who do join tend to save too little and often make unwise investment decisions.

“This book applies the relatively new field of behavioral finance to 401(k) plans with the ultimate goal of improving retirement outcomes,” said Benartzi in a release. “As we recover from market conditions that left many Americans uneasy about their ability to secure a comfortable retirement, it is critical that plan sponsors use lessons from behavioral finance to make it easier for their employees to save, save more and save smarter.”

The Allianz Global Investors Center for Behavioral Finance was founded in 2010 to help turn academic insights into actionable ideas and practical tools that financial advisors and plan sponsors can use to help their clients and employees make better financial decisions.

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