Retirement Income
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The Bucket

By Editorial Staff *Wed, Nov 17, 2010*

Late-breaking items from AnnuitySpecs, Pershing, ING, Jefferson National, Securian, Allianz Life and more…

Indexed Annuities Set Sales Record

Sales of indexed annuities reached $8.7 billion in the third quarter of 2010. That was up 16% from the same period last year and up nearly 5% from the previous quarter, according to AnnuitySpecs.com's quarterly report, based on data from 40 carriers representing virtually the entire market.

"With CDs averaging 0.56% a year and fixed annuities hovering at 3.14%, I think we can count on another record quarter to close-out the year," said the Sheryl Moore, president of AnnuitySpecs.

Allianz Life maintained its leadership position with a 21% market share, followed by Aviva, American Equity, Lincoln National and ING, in that order. Allianz Life's MasterDex X was the top-selling indexed annuity for the sixth consecutive quarter. The average weighted commission paid to the indexed annuity agent reached an all-time low, 6.50%.

'Chained CPI' Will Punish Pensioners: RetireSafe

The 'Deficit Commission' draft report that was released last week quickly drew criticism from RetireSafe, a 400,000-member national advocacy group for older Americans.

The draft report contained various approaches to reduce debt many directly affected seniors, two of the most onerous are; the chained Consumer Price Index (CPI) and changes to Medicare services.

"The 'chained' CPI will make the already flawed CPI used for the annual cost of living adjustment (COLA) even worse," said Thair Phillips, president of RetireSafe.

The Bureau of Labor Statistics first published the chained CPI in 2002 by the Bureau of Labor Statistics. It assumes consumers adapt to higher prices by switching to cheaper substitutes for their favorite items. For example, people shop at Costco if their usual supermarket raises prices, or buy chicken if the price of beef rises.

Advocates for older Americans say that seniors don't have the same flexibility to change their purchasing habits or have as many options as younger people. They see the use of the chained CPI as an excuse to delay cost of living increases in entitlements. A skeptic might say it's stingier.

The chained CPI rose from 100 at the beginning of 2000 to 126.4 in September 2010, representing an increase in prices of over 26% over almost 10 years. The more common CPI-Urban rose from 168.8 in

January 2000 to 218.4 in September 2010, an increase in prices of 29.4%, according to the Bureau of Labor Statistics. http://data.bls.gov/cgi-bin/surveymost?su

"Instead of adopting a fair and accurate CPI for seniors as outlined in the CPI for Seniors Act, HR 5305, the Commission goes in the opposite direction to further cut the COLA for older Americans," Phillips said. "Reducing benefits and punishing older Americans to pay off the debt is not right or fair, and it must be stopped."

Pershing Buys Clearing Relationships from Jefferies & Co.

Pershing LLC and the investment bank, Jefferies & Company, Inc., have reached a agreement where Pershing will assume certain of Jefferies' clearing and custody relationships with introducing broker-dealers

Pershing, a unit of BNY Mellon, will also offer its processing services and technology solutions to Jefferies' retail and institutional broker-dealer customers. The terms are undisclosed and are subject to regulatory approval.

Pershing to Offer Jefferson National's Monument VA

Jefferson National, manufacturer of a flat-insurance fee variable annuity, said its Monument Advisor VA will be available to fee-based advisors on Pershing Advisor Solutions' NetX360.

NetX360 is an open-architecture technology platform for fee-based advisors, including independent registered investment advisors (RIAs), introducing broker-dealer firms and dually registered advisors.

Under the new arrangement, fee-based advisors using NetX360 will be able to consolidate clients' Jefferson National Monument Advisor variable annuity contract data within their clients' brokerage accounts, allowing real-time updates of the valuation of the VA contracts on their workstation and, subsequently, on clients' brokerage account statements.

Age – Not Finances – Drives Retirement Timing: Schwab

How do 50-something baby boomers approach fundamental questions about when it's time to retire? According to a new Charles Schwab survey, 46% have a target date or age in mind, 38% have a target number in mind, and 34% have neither.

And what do retirees actually do? About 47% of retirees said they actually did retire when they reached their target date or age; another 27% said they retired when they reached their financial target; and 38% said they had neither a financial nor date or age target in mind leading up to retirement.

Schwab also surveyed baby boomers about their feelings on Social Security and found that, compared to the general population, 50- to 60-year-olds have far higher expectations for Social Security in retirement.

Over half (55%) of 50- to 60-year-olds are counting on Social Security to supplement their retirement income, compared to 37% for all Americans. While 46% of all Americans aren't counting on Social Security, only 26% of 50-somethings aren't counting on it.

Americans' Retirement Fears Revealed

In a recent survey from Edward Jones, nearly a quarter (23%) of Americans said not being able to pay for healthcare costs in retirement was their top fear, a percentage that has actually decreased over the last four years.

In 2006, when Americans were polled on this topic, 30% said paying for healthcare was their greatest fear. The survey also found that 19% of Americans are worried about having to work longer to supplement retirement savings versus 12% in 2006.

Americans between the ages of 55 and 64 are considerably more worried (35%) about not being able to cover healthcare costs than those of lower age brackets but not as worried as those polled in 2006 (43%). Gender also influenced this sentiment, as 27% percent of women indicated that they were most concerned about healthcare costs, while only 19% of men consider this their greatest fear post retirement.

The study of 1,008 respondents, which was conducted by Opinion Research Corporation on behalf of Edward Jones, revealed that a large percentage of Americans also rank "having to work longer to supplement retirement savings" (19%) and "having to rely on others for support" (19%) as major concerns as they approach retirement. Respondents between the ages of 45 and 54 showed the most anxiety (26%) about having to work longer to supplement their retirement savings.

Americans in lower age brackets (24% of 18-24 year olds and 24% of 25-34 year olds) are most concerned about having to rely on others to support them during retirement. Additionally, within these age groups (18% in each age bracket respectively), respondents also indicated that they are more concerned about "not being able to make provisions for family" than those older than the age of 35.

Household income also had a considerable effect on respondents' retirement fears, as Americans with annual incomes between $75,000 and $100,000, indicated that they are most concerned about "having to work longer" (35%) and "having to cut back on a desired lifestyle" (21%). Respondents in lower income brackets are more concerned about "having to rely on others for support" and "not being able to provide for family" after they are gone.

Securian Introduces Lifetime Income Benefit for MultiOption Variable Annuity

Encore Lifetime Income, a guaranteed lifetime income benefit, can now be added to many of the Minnesota Life Insurance Company's MultiOption annuities for an additional cost. Minnesota Life is a subsidiary of Securian Financial Group, Inc.

After age 59½, annuity owners can withdraw a percentage of the benefit base, which is equal to the owner's initial contribution (or contract value, if the rider is added at an anniversary of the initial purchase).

The rider also can be purchased as a joint benefit. Provided the benefit's withdrawal limits are followed, the annual income is guaranteed never to fall and may rise annually without annuitization.

The Encore benefit offers three opportunities for income growth:

- **Ratchets.** On each contract anniversary, the benefit base is reset to the current contract value, if higher. This could also raise the amount that can be withdrawn each year. If the benefit's withdrawal limits aren't exceeded, the annuity owner never loses those gains to their annual withdrawal amount even if the contract value later declines. A reset could increase the cost of the benefit.

- **Roll-ups.** For each year (up to 10 years) the annuity owner postpones withdrawals, the benefit base rises 5%. This increases the amount of guaranteed income available in later years, but it does not add to the contract value. When applicable, the benefit base will be increased by either the reset, or the 5% enhancement, whichever is higher.

- **Age brackets.** The initial guaranteed annual income percentage is based on the age of the annuity owner when the benefit is added, with 4% being the lowest and 6% the highest. Depending on the owner's age, the percentage could rise annually.

Encore must remain in place seven years and requires use of an approved asset allocation strategy. Encore Lifetime Income is an option cost in MultiOption Advisor B Class, Legend and Extra based on state approval. The cost of Encore is 1.10% (Single), or 1.30% (Joint). The benefit charge may increase upon a reset but will not exceed a maximum of 1.75% (Single), 2.00% (Joint).

ING Expands Stable Value Business

ING’s U.S. Retirement Services division reports significant growth in its stable value business in 2010, with sales of $3.6 billion through the first three quarters—a three-fold increase over the same period in 2009.

The growth has been fueled by a focus on ING’s synthetic and separate account contracts, and by leveraging the fixed income expertise of its asset management operations, ING Investment Management, the Netherlands-based company said in a release.

ING’s U.S. Retirement Services has about $277 billion in combined assets under administration and management, and serves all sizes and segments of the defined contribution market.

The company’s stable value team has added staff this year as it grows the business through plan sponsors, consultants and intermediaries. New positions have been created in product management, sales and operations.

“ING has been providing stable value solutions to plan sponsors and their employees for over three decades, building up leadership and expertise in this space,” said Rick Mason, President of Corporate Markets for ING U.S. Retirement Services. “While many wrap providers have reduced their appetite or left the business in the past two years, we’ve strategically positioned ourselves to grow in response to market demand.”

Stable value investment options, which are available exclusively to defined contribution savings plans, are designed to preserve capital and provide steady returns for participants. Stable value was one of the only asset classes to avoid losses and even deliver positive returns for participants throughout the 2008-2009 financial crisis, ING said.

With Savings, Does Quantity Trump Quality?

What matters more: How much a person saves or how they save it?

A new study from Charles Schwab, a major 401(k) plan provider, suggests that for most plan participants the answer is: How much.

Passive forms of guidance such as automatic enrollment and automatic savings escalations and the employer matching contribution have at least as large an impact on participants’ lifetime accumulations as the investment guidance they receive, according to a new survey of 1,005 of the 755,000 participants in 911 plans served by Schwab Retirement Plan Services, Inc.

After 30 years, the study asserted, a hypothetical 35-year-old participant earning $50,000 (with 2% annual wage increases) who started with a 3% deferral and gradually increased it to 8% would have $321,000 at retirement, assuming a 5% average annual growth rate. If the same person stayed at 3%, the accumulation would be only $128,000.

“Asset allocation is important, but people really need to save their way to retirement,” said Steve Anderson, head of Schwab Retirement Plan Services.

The study found:

- 69% of respondents rated the employer match as the biggest driver of participation. One in four said they chose not to enroll because their employer did not offer a match. Almost three in four of sponsors of Schwab plans offer a match.

- Firms with automatic enrollment averaged 88% participation in 2009, compared to 73% participation in firms without automatic enrollment. Plans that introduced auto-enrollment in 2005 saw an average 15% increase in enrollment on average by 2009, compared to an average one percent decline in enrollment among plans not offering auto-enrollment.

- In all Schwab-serviced plans, participation averaged 76% in firms offering an employer match and 70% in firms without a match.

- 83% of participants enrolled in an automatic savings program remained at the increased contribution rate a year after enrollment.

- Up to 25% of participants save at the employer match ceiling. Participants would save more if an employer matched 50% up to a 6% payroll deduction than if the employer matched 100% up to 3%.

An earlier Schwab study showed:

- 70% of participants who receive 401(k) advice increase their deferral rates and those savings rates nearly double as a result, from 5% to 10% of pay.

- Participants who receive advice have a minimum of eight asset classes in their 401(k) portfolio compared to fewer than four for those choosing their own investments.

- 92% of advice users stayed the course in their 401(k) portfolios from July 2008 through February 2009.

Name Game: ING DIRECT Helps Small Plan Sponsors Pick the Right Plan

ING DIRECT's ShareBuilder 401k, a provider of retirement plans for small businesses, has revamped its product names and services to help business owners compare different 401(k) plan types and select the one appropriate for their firm.

The new product names include *Individual 401k* (for owner-only companies), *Simplified 401k* (designed to help employee-based businesses maximize contributions and automatically satisfy government tests), *Customized 401k* (for flexible matching and vesting options), and *Tiered Profit Sharing 401k* (enabling businesses to reward employees by group, tenure or age).

ShareBuilder 401k plans are comprised of exchange-traded funds (ETFs) from iShares, SPDR and PowerShares, rather than mutual funds. A registered investment advisor, ShareBuilder shares in the investment fiduciary role with its clients. The ShareBuilder Investment Committee manages the evaluation and selection of the fund line-up and model portfolios automatically for employers and their participants.

All ShareBuilder 401k products offer auto-enrollment, auto-rebalancing, Roth, signature-ready 5500s and much more. Each plan provies access to 401(k) consultants, customer success managers, implementation specialists and customer care for each participant.