The Bucket

By Editorial Staff *Fri, Jul 26, 2013*

Brief or late-breaking items from Nationwide, Spain, New York Life, Transamerica and T. Rowe Price.

Fear of markets exceeds fear of death: Nationwide

Americans are more afraid of investing in equities than of losing their jobs, public speaking or dying. Many would rather use a website for financial planning than meet with an investment professional, according to a new Nationwide Financial/Harris Interactive survey.

According to the “Fear of Financial Planning” survey, of the 783 potential investors over the age of 18 who had at least $100,000 in investable assets, 62% are scared of investing in the stock market, while 58% fear death, 57% fear public speaking and 37% fear losing their jobs.

More than one in two millennials and nearly half of generation X (58% and 48%) turn to websites before financial advisors for help with financial planning. However, 78% of retirees and 61% of high-net-worth investors (those with $250,000 or more in investable assets) use a financial advisor as their top resource for financial planning needs.

The survey also found 83% of respondents are afraid of another financial crisis, while 72% are concerned about unmanageable health care costs and 71% worry they won’t be able to pay for their children’s education.

Nearly four in five of Millennials and generation Xers (77% and 78%, respectively) fear not enjoying the lifestyle they want in retirement, and two-thirds (66% of millennials and 65% of generation X) fear not retiring at all.

Harris Interactive conducted the survey online in the U.S. on behalf of Nationwide Financial from March 26 – April 3, 2013. Participants included 783 Americans ages 18 and older with a minimum of $100,000 in investable assets.

Spain uses social security reserves for extra summer pensions

The Spanish government has tapped into the Social Security Reserve Fund for the third time to pay extra summer pension payments, and is expected to do so again later this year, according to a report by IPE.com.

Angel Martínez-Aldama, director of the country’s investment and pension fund association (INVERCO), said that prime minister Mariano Rajoy’s government took €3.5 billion from the reserve fund in June to pay extra summer pensions. According to the Labour Ministry, the reserve fund is now worth €59.3bn, equivalent to 5.65% of gross domestic product.

Although the Spanish social security system faces severe shortfalls due to high unemployment, Martínez-Aldama said this use of the reserve fund is in line with its initial goal. “There is nothing abnormal about tapping into the fund,” he said. “That is precisely the reason why the fund was launched in the first place, back in 2000.”

But Martínez-Aldama conceded that tapping into the reserve fund for extraordinary payments could lead to “some problems” in the future if the country’s economy does not improve. “However, the economy seems to be improving slightly,” he said.

The government, led by José María Aznar, launched the reserve fund to offset future shortfalls at Spanish pension plans.

Martínez-Aldama said that the reserve fund was supposed to make 14 payments in total this year to pay pensions. While one payment is made each month to finance Spanish pension incomes, two additional payments are expected to be made twice this year to cover extra needs.

New York Life Retirement Plan Services adds two plans

Retirement programs for AMC Entertainment, Inc. (AMC) of the Kansas City metro area, and Dead River Company of South Portland, Maine, have appointed New York Life Retirement Services as their plan provider.

The defined contribution and defined benefit plans of energy provider Dead River Company – totaling $52 million in assets – transitioned to the New York Life platform in mid-April. AMC, a movie cinema operator, is expected to convert its defined contribution and non-qualified plans in August, with a defined benefit plan to transition shortly thereafter.

Both AMC and Dead River Company will be supported by New York Life’s Manufacturing, Materials, & Retail industry practice service team.

New York Life administers $47 billion in assets in 408 mid- to large-plans with more than 1.2 million participants, as of June 30, 2013.

Is your retirement outlook sunny or cloudy? New mobile app from Transamerica will do the forecast

Transamerica Retirement Solutions’ new free mobile app, the Retirement Outlook Estimator, allows users to enter specific criteria and then estimates the probability that they will reach their retirement savings goals, the company said in a release.

Four weather forecast icons are used to indicate the retirement outlook: sunny, partly sunny, cloudy, or rainy. The app also provides alternative saving rate scenarios that could produce better outcomes.

The app calculates outlooks based on retirement account balances, contribution rates, investment style, and other retirement income sources. It also incorporates a Social Security income estimate. Information entered on the mobile device is saved, allowing users to edit their goals and savings whenever they would like and provides for a continuously updated retirement outlook. Facebook users can share the app.

For plan sponsor clients and their participants, Transamerica offers an online tool called Retire OnTrack. Along with the Retirement Outlook Estimator, Retire OnTrack offers customized strategies and outcomes, personalized progress reports, and communications intended to keep employees focused on retirement savings.

T. Rowe Price Group reports 2Q 2013 results

T. Rowe Price Group, Inc., had net revenues of $854.3 million, net income of $247.8 million, and diluted earnings per common share of $.92 in the second quarter of 2013, the Baltimore-based financial services firm said in a release.

In the second quarter of 2012, net revenues were $736.8 million, net income was $206.8 million, and diluted earnings per common share was $.79 in the second quarter of 2012.

Investment advisory revenues for the second quarter of 2013 were up $109.7 million to $739.7 million from the comparable 2012 period, as average assets under management increased $86.8 billion, or 16%.

Assets under management decreased by $3.4 billion since March 31, 2013, to $614.0 billion at June 30, 2013, including $379.5 billion in T. Rowe Price mutual funds distributed in the United States, and $234.5 billion in other managed investment portfolios.

Results for the first half of 2013 include net revenues of nearly $1.7 billion, net income of $489.7 million, and diluted earnings per share of $1.83, up $.29 per share from the comparable 2012 period. Assets under management have increased $37.2 billion from the end of 2012 as market appreciation and income of $41.9 billion was slightly offset by net cash outflows of $4.7 billion.

T. Rowe Price said it remains debt-free with cash and sponsored portfolio investment holdings of nearly $2.7 billion. The firm currently expects total capital expenditures for property and equipment for 2013 to be approximately $125 million, which will be funded from operating resources.

Market appreciation and income of $4.6 billion was more than offset by net cash outflows of $8.0 billion during the second quarter of 2013. The majority of the net cash outflows were concentrated among a small number of large institutional and intermediary clients that changed their investment objectives or repositioned their strategy allocations.

From an investment performance standpoint, 78% of the T. Rowe Price mutual funds across their share classes outperformed their comparable Lipper averages on a total return basis for the three-year period ended June 30, 2013, 83% outperformed for the five-year period, 81% outperformed for the 10-year period, and 62% outperformed for the one-year period.

In addition, T. Rowe Price stock, bond and blended asset funds that ended the quarter with an overall rating of four or five stars from Morningstar account for 79% of the firm’s rated funds’ assets under management. The firm’s target-date retirement funds continue to deliver very attractive long-term performance, with 100% of these funds outperforming their comparable Lipper averages on a total return basis for the three- and five-year periods ended June 30, 2013.