Retirement Income
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The Bucket

By Editorial Staff *Thu, Apr 30, 2015*

Brief or late-breaking items from Hearts & Wallets LLC, TIAA-CREF, Allianz Life, and American Financial Group.

“Stable two-timing” on the rise among affluent Americans

If you’re one of the big financial services firms, your best customers are probably two-timing you. Or maybe three-timing you. And unless two-thirds of your customers consider you their *primary* provider, you’re lagging the benchmark.

So says a new survey of Americans with household wealth between $100,000 and $5 million by Hearts & Wallets LLC. Fifty-five percent of those households worked with three or more financial services firms in 2014, up from 49% the year before.

Once investors pick their favorite two or three firms to work with, they tend to stick with those firms. Hearts & Wallets calls this phenomenon “stable two-timing.” Typically, investors work with at least one self-service firm and one full-service firm, searching for different advice perspectives, according to the study, “*Market Measures: Reach, Share & Other ‘Store’ Success Measures*.” The study measured usage of financial services firms by investors with between $100,000 and $5 million in investable assets.

For most firms in the study, 70% to 80% of their investors use at least one other financial services provider, and often several others. In the battle to converting all of their customer relationships to primary relationships, full-service firms perform better than employer, self-service, or banks.

“A best-practice benchmark is for two out of every three customers to consider a firm as their primary,” said Chris J. Brown, Hearts & Wallets partner and co-founder in a statement. “This ratio is only reached by small shops without national brand names.

“Among branded national stores, only Fidelity and Wells Fargo Advisors come close, with 60% of customers, or 1.8 of every three customers. The Wells Fargo enterprise is unusually successful as a one-stop shop and at developing primary relationships.”

Fidelity has the highest share of the assets of U.S. households with $100,000 to $5 million, at 10.9%. That figure is nearly double the percentage managed by the next closest firm. Bank of American is second with 6.3%, followed by Charles Schwab with 6.2%. Vanguard and Wells Fargo round out the top five with 4.9% and 4.2%, respectively.

TIAA-CREF buys global real estate firm

TIAA-CREF has acquired TIAA Henderson Real Estate, giving the firm full ownership of the $82 billion global real estate fund management platform.

TIAA-CREF bought Henderson's 40% stake in the company for $122.5 million, less than two years after announcing it would launch a fund management joint venture with Henderson Global Investors. TH Real Estate will operate as a stand-alone subsidiary within TIAA-CREF's asset management platform and TH Real Estate will have independent executive leadership and investment teams.

TIAA-CREF had yet to expand its third-party real estate fund management business into Europe and Asia, and this acquisition effectively brought together Henderson's European and Asian real estate fund management business with TIAA-CREF's existing investment activity and in-house capital.

Fidelity debuts investment app for Apple Watch

Fidelity has teamed with Apple to create an app specifically designed for the new Apple Watch, which became available this month. The app allows users to access real-time quotes and market data, instant notifications for all Fidelity orders and price triggers, and integration with an iPhone.

The app, available in the iTunes store, can be downloaded by anyone with an Apple Watch. A demo video can be viewed at www.fidelity.com/applewatch.

This app "is an unobtrusive portal to a wealth of information that we believe helps investors make strong, informed decisions," said Velia Carboni, senior vice president of mobile channels at Fidelity.

Competition weighs on earnings of fixed indexed annuity issuer

American Financial Group (AFG) this week reported 2015 first quarter net earnings of just $19 million ($0.21 per share) compared to $103 million ($1.13 per share) for year-ago quarter.

AFG attributed the declines to competition from aggressive new entrants in the annuity industry—a possible reference to private equity firms that have bought fixed indexed annuity issuers—and to the lower overall interest rate environment, according to the firm.

“Based on the results through the first three months of 2015, assuming no significant change in interest rates or the stock market, we continue to expect full year 2015 core pretax annuity operating earnings will be flat compared to the $328 million reported for the full year of 2014,” S. Craig Lindner, co-CEO of AFG said in a statement.

AFG’s competition includes Security Benefit, the Guggenheim Partners-backed firm specializing in fixed indexed annuities that went from just $1 billion in sales in 2010 to $7 billion in 2013. Security Benefit now has a market share of about 12% in the FIA space.

For AFG’s annuity segment, the firm reported statutory premiums of $813 million in the first quarter of 2015, compared to $967 million in the first quarter of 2014, a decrease of 16%.

“Significant changes in market interest rates and/or the stock market could lead to significant positive or negative impacts on the Annuity segment’s results. Based on information currently available, we now expect that premiums for the full year of 2015 will be approximately 5% to 10% lower than the $3.7 billion achieved for the full year in 2014,” an AFG report said.