
The Bucket

By Editorial Staff *Wed, Nov 4, 2015*

Brief or late-breaking items from vWise Inc., BlackRock, MassMutual and LIMRA.



“SmartPlan” may increase participant engagement in DC plans

The developer of VMAX SmartPlan, vWise Inc. of Aliso Viejo, CA, has published survey results suggesting that its “digital participant engagement software” helps employees overcome inertia and engage more actively with their workplace retirement plans.

SmartPlan provides retirement education and plan information in “easily understood, bite-sized sequences that instill confidence and drive employees to take action in their plans,” according to a vWise release this week.

The vWise survey was measured the Retirement Readiness Confidence (RRC) scores of two groups of plan participants—“Experienced” and “Inexperienced” retirement investors—before and after they were introduced to SmartPlan. Each participant was asked a series of questions that produced a score from 0 to 25, with 25 showing the most confidence in “successfully planning for retirement.”

Before SmartPlan, Inexperienced investors’ RRC score was 15% lower than Experienced investors. After using SmartPlan, Inexperienced investors’ average RRC score increased by 18% (to 20.64 from 17.23) and was statistically the same as the Experienced investors’.

BlackRock’s new ‘iRetire’ tool measures retirement readiness

Echoing the new mantra that the goal of retirement savings should be expressed as income instead of accumulation, BlackRock has introduced “iRetire,” a tool to help advisors show clients how close they are to reaching their retirement income goals.

The new platform leverages the methodology that underlies BlackRock’s CoRI retirement

income indices, as well as its Aladdin risk analytics technology, to “show investors where they stand today and how they could potentially get where they want to be at retirement.”

In surveys, BabyBoomers ages 55 to 65 have told BlackRock that they want \$45,500 in annual retirement income—a long leap from the \$9,129 a year that the average Boomer could generate from their savings (the individual average is \$132,000), according to the CoRI Index 2025.

When using iRetire, advisors input the client’s age, current retirement savings and desired annual retirement income. Clients then see the gap between the desired income and the income that their current savings can generate. Advisors can then show clients how they might close the gap—by working longer, saving more, and perhaps re-allocating toward equities.

The iRetire tool can thus be used as a diagnostic tool, as a reason to bring clients or prospects into the advisor’s office for a regular “checkup,” as a segue into a new model portfolio, or as a stepping stone toward consolidating all of a client’s assets with a single advisor.

MassMutual declares dividend payout of \$1.7 billion for 2016

The board of directors of MassMutual has approved an estimated dividend payout of \$1.7 billion for 2016 to its eligible participating policyowners. The payout is nearly a \$100 million increase over 2015, and the fourth year in a row it has reached a new record.

The 2016 payout also reflects a competitive dividend interest rate of 7.10% for eligible participating life and annuity blocks of business - maintaining the same rate as both 2014

Contributors to MassMutual’s record dividend payout are its retirement services business, international insurance businesses, and asset management subsidiaries, including Babson Capital Management LLC, Baring Asset Management Limited, Cornerstone Real Estate Advisers LLC, and OppenheimerFunds, Inc.

The company’s total adjusted capital as of June 30, 2015, surpassed \$17 billion for the first time in the company’s history. Of the estimated \$1.7 billion dividend payout, an estimated \$1.65 billion will go to eligible participating policyowners who have purchased whole life insurance. MassMutual had its ninth consecutive record year of growth in whole

life policy sales in 2014 with \$418 million.

In addition to receiving the dividend payouts in cash, whole life insurance policy owners may receive the dividend payouts in cash or use to pay premiums, buy additional coverage, accumulate at interest, or repay policy loans and policy loan interest.

Robo-advice is more ally than competition for advisors: LIMRA

A consensus, accurate or not, seems to be accruing that “robo-advice” is more a tool than a channel—a tool that can help traditional financial services providers talk to and “on-board” Millennials and others who are reachable mainly by smartphone.

A release this week from LIMRA, the life insurance industry’s market research arm, reinforces that view. “While financial professionals might have initially seen robo-advisors as a threat, large investment firms are adopting the technology specifically to help advisors expand their markets” to include “consumers who want an omni-channel experience with financial services,” the release said.

At the same time, LIMRA reassured advisors that robo-advice is too superficial to supplant professional advisory services. “Currently, the robo-advisors available to consumers tend to handle straightforward investment decisions,” LIMRA said. “They are not used for more sophisticated transactions such as insurance, or retirement and estate planning. This presents an important opportunity for advisors.”

A new LIMRA survey shows that while 81% of consumers are unfamiliar with robo-advisors, they’re likely to grow. As evidence, LIMRA pointed to a statement by

Dan Egan, director of behavioral finance at Betterment, the large robo-advisor that recently announced a foray into the defined contribution space, that “... a blue ocean of consumers in front of us. People that have never had financial advice ever offered to them.” Egan spoke at last week’s LIMRA 2015 Annual Conference.

According to LIMRA’s survey of 1,000 retirement plan participants, early adopters of robo-advice tend to be younger and more comfortable with technology. But automated advice also is appealing to higher affluence investors (>\$500,000) who are “test driving” the robo-advisors with smaller sums.

This finding is consistent with an earlier study by the LIMRA Secure Retirement Institute that revealed nearly 40% of affluent investors prefer to make investment decisions without help from a professional.

Prior LIMRA research also found that about half of Generation Y members want “professional advice on life insurance,” and 80% want to learn about “savings options and strategies,” and 60% “will talk with a financial professional who is recommended by their parents.”

Because Gen Y is more comfortable with technology, financial professionals can use a robo-advisor to help acquire new and emerging affluent clients. Use of the platform by advisors also provides a reason to engage with the adult children of existing clients.

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