
Use of bond ETFs for retirement income expected to rise: Cerulli

By Editorial Staff Tue, Oct 5, 2021

A new Cerulli report also explores sales of annuities to fee-only advisors; '84% of independent registered investment advisors (RIAs) sold no annuities in the last 12 months... despite significant work in the last decade by variable annuity (VA) carriers to offer no-commission I-share annuities,' the report said.

Fixed-income ETFs are poised to become a more common source of retirement income, according to the latest issue of *The Cerulli Edge - US Monthly Product Trends*.

A Cerulli survey showed that nearly all US ETF issuers believe that increased use of fixed-income ETFs will either be a “major” driver (71%) of ETF asset growth or “somewhat” of a driver (26%) going forward. “The emergence of niche ETF strategies will allow income-seeking investors a variety of new ways to access reliable income,” a Cerulli release said.

The number of ETFs on the market increased 4.7% in 2020, leading Cerulli to believe that sector- and thematic-specific ETFs may become a key portfolio addition. “New solutions are coming to market to meet perceived demand, largely backed up by increased fixed-income ETF flows,” the release said.

Mutual fund assets grew 1.9% during August and pushed closer to the \$21 trillion asset threshold, while ETF assets gained nearly 3.0% to end the month above \$6.8 trillion. Net flows were positive for both vehicles; ETFs added \$50 billion and mutual funds collected \$27 billion.

Cerulli’s report, which analyzes mutual fund and exchange-traded fund (ETF) product trends as of August 2021, also explores how marketplaces are selling annuities to fee-only advisors. “Eighty-four percent of independent registered investment advisors (RIAs) sold no annuities in the last 12 months... despite significant work in the last decade by variable annuity (VA) carriers to offer no-commission I-share annuities,” the release said.

Fee-only financial advisors have expressed interest in outsourced third-party annuity marketplaces, where they can access VA products from top carriers without the operational and compliance burden of getting an insurance license. “While marketplaces are an important access point for carriers to work with fee-only advisors, carriers must do additional work to educate advisors around fees and how their products fit in with a broader retirement income portfolio,” the release said.

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