
What Advisors Say About Wholesalers, Etc.

By Editor Test Sun, Apr 10, 2011

"Keep the golf balls, umbrellas, coffee mugs, etc., and provide as much info, training and current ideas as possible." That's one advisor's anonymous comment about annuity wholesalers in the recent survey by Howard Schneider (left) and Dennis Gallant.

Financial advisors will make many of the decisions that determine how Boomer retirees and pre-retirees invest hundreds of billions of dollars in savings. So they've always been a critical market for fund companies and variable annuity manufacturers. But what does this market want?

Well, listen for yourself.

Besides collecting survey data on advisor sentiment every year (see this week's cover story), Howard Schneider of GDC Research and Dennis Gallant of Practical Perspectives have also gleaned candid, anonymous comments from hundreds of advisors—comments that annuity wholesalers might find useful.

"Advisors don't think about retirement income in the same way that the retirement industry does," Schneider told *RJJ*. "For advisors, retirement isn't only about generating income. Clients come into the office and say they want to retire and play golf or visit the grandchildren. The advisor asks, 'And what will you do with the other 10 months?' Or the client comes in and asks, 'Do I have enough money?' 'To do what,' says the advisor? It's like being asked, is there enough gas in my car? To do what? Drive to the 7-11? Yes. Drive to Florida? No. An advisor has to touch on all of these issues."

With regard to the economy, advisors "are very concerned about interest rates," Schneider said. "Their big challenge in building portfolios is deal with risk. They're looking over their shoulders and wondering when the other economic shoe will drop. They're saying, There still seems to be a lot of risk. How do I manage that, especially when fixed income investments have nowhere to go but down in value and don't provide enough income to live on. That's why variable annuities with income riders are something they say they'll use more of."

Schneider continued, "Advisors say one of their biggest problems is managing expectations. One manager created a portfolio that could deliver an income of \$4,000 a month, but the client said he needed \$6,000. The manager said, but your money will probably only last 15 years that way. The client said, 'You'll figure something out.' Advisors say that one of the differences between first-stage Boomers and the Silent Generation is that the Silent Generation was willing to live more conservatively in retirement. Boomers don't want to make any sacrifices."

Below are some of the direct comments from advisors that Schneider and Gallant compiled during their most recent survey, *Trends in Retirement Income Delivery: Advisor Portfolio Construction, Product Usage and Sales Support*:

- "Annuity dealers are not always right in suggesting an annuity for every account or occasion—it seems they forget the annuities are only as good as the worth of the company behind them as we saw

with AIG—they seem to be the only ones really looking and asking for retirement business.”

- *“Income from short term liquid assets is very challenging. CD and money market rates are horrible.”*
- *“Wholesalers should keep the golf balls, umbrellas, coffee mugs, etc., and provide as much info, training and current ideas as possible. The wholesalers who get Moshe Milevsky and Nick Murray in front of me will get a large part of my attention and the attention of my clients.”*
- *“Our broker back-office doesn’t understand annuities and they are making it impossible to do business. They don’t know how to handle annuities and the annuity companies are being bullied by them into handling annuities in ways good for firm but not for client!!!! Very scary.”*
- *“Nothing is guaranteed, therefore [I] can never use that word with clients.”*
- *“I am more interested in receiving information and training than in getting meaningless designations.”*
- *“Challenging at best, client expectations are far too high; [we] need to do away with 401(k)s and go back to a form of pensions.”*
- *“Crucial topic. Very underserved.”*
- *“Most of my clients are already retired and I provide risk management and manage the portfolios to provide low volatility and a better than average gain by active management techniques.”*
- *“Less concern of suppliers on competitive edge and MORE consistency in support of the available products.”*
- *“We have to continue to re-evaluate.”*
- *“I view retirement income as simply one very important component of the overall financial planning process.”*
- *“Conservative or risk-mitigating retirement income related investment products continue to lag in innovation and flexibility and higher yield possibilities, overall.”*
- *“A comprehensive web site that compares all annuity companies and products would be helpful.”*