
What Retirement Advisors Most Want to Know

By Editor Test *Sat, Aug 11, 2012*

In a recent webinar, RIIA asked attendees, including many advisors, for input on creating survey questions for an upcoming advisor poll. The responses reflected some of the most pressing concerns about decumulation. A few important areas seemed to be overlooked.

Most advisors are well schooled in managing the pre-retirement, accumulation stage of the human life cycle. But when it comes to the post-retirement *decumulation* stage, advisors tend to have more questions than answers.

What are their most common questions about decumulation, and what are the answers? That's what the Retirement Income Industry Association (RIIA) is in the process of finding out. The Boston-based organization intends to survey large numbers of advisors on their methods for handling decumulation. The survey answers, whatever they might be, will help RIIA put together what RIIA's Steve Mitchell called "a collection of knowledge" that would reflect existing methodologies and perhaps yield a treasury of best practices.

At a recent webinar hosted by RIIA and attended by some 70 to 80 people—of whom about 40% were advisors—Mitchell asked attendees to suggest questions that RIIA might include in that large-scale survey of advisors. Here are 17 of the questions I jotted down while tuned in to the webinar:

Q. What kinds of planning software do you use for decumulation?

Q. Do you establish a minimal acceptable return for the client's entire portfolio when making allocations between investments and insurance products?

Q. How do you "address human capital leading up to retirement"?

Q. How do you deal with the impact of taxes in retirement planning?

Q. Do you use a different kind of compensation system for clients who are in retirement?

Q. What kinds of support do you expect from insurance product wholesalers and the firms they represent?

Q. What models or strategies do you use? Systematic withdrawal? Bucket methods? A combination of products, some of which create "floor income" and some of which generate "upside"?

Q. Do decumulation strategies create more or less work for you?

Q. What functions do you outsource, either to specialists or to software solutions?

Q. How do you protect clients from the impact of inflation when using annuities?

Q. How do you draw income from bonds or equities during down markets?

Q. Do you use the Social Security Administration's calculators to help clients choose the best time to claim their benefits?

Q. Do you have alternatives for the phrase, "retirement income"?

Q. Do you provide advice about Medicare and health care planning in general?

Q. Which money managers do you use or recommend?

Q. If the expression, "Build a floor, and then seek upside" doesn't resonate with clients or seem self-evident, what other kinds of analogies or explanations do you use to convey the same principle?

Q. Other than earn a retirement-specific professional designation, how do you differentiate yourself from accumulation-oriented advisors?

None of the webinar attendees, I noticed, suggested questions related to longevity risk. I would have expected a question like, 'Do you assume average longevity for planning purposes?' Or, 'How do you handle the topic of death when advising retirees?' Likewise, there was no mention of widowhood or widower-hood, even though every retired couple will need to prepare for it.

No questions were asked about the use of home equity in retirement planning either, even though reverse mortgages or lines of credit can be useful even to affluent households. And there was no mention of legacy planning, even though a retiree's desire to make a bequest often sets the boundaries for other parts of the income planning process.

I suppose that only goes to show how many "unknown unknowns" are associated with decumulation planning. Retirement itself entails too many different kinds of risks, and lifetime income strategies have too many moving parts, to bring to light in a single one-hour brainstorming session.

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