
Where the Income Puck is Going

By Kerry Pechter Thu, Nov 29, 2018

Producers selling indexed annuities with living benefits in the context of the semi-robo retirement income plans: This is emerging model for selling income products to Boomers. It's not ideal. But it's where the puck seems to be going.



Consider the challenge that faces advisors who want to do good for humankind and do well for themselves by specializing in the intriguing new niche called retirement income planning.

If those advisors want to serve near-retirees with \$500,000 to \$1 million in savings, they need a semi-scalable planning tool and they need financial contracts that sensible clients will sign at the end of a two-hour meeting (ideally).

That's not enough time to create a thorough plan, frankly. But efficiency is important for advisors serving clients with complex planning needs but not a ton of money. Efficiency offsets the cost of drilling a lot of dry holes as well as the relative slimness of this demographic's values.

This problem will mainly affect independent advisors who make their own decisions but who are still learning to be *ambidextrous*: able to solve tough income cases quickly with combinations of mutual funds, annuities and perhaps life insurance or long-term care reverse mortgages.

To win at the income game, arguably, you're going to need, along with the right licenses, a robust piece of retirement income planning software. You're probably also going to need to sell, or bring into your repertoire of products, fixed indexed annuities (FIAs) with guaranteed lifetime withdrawal benefits.

Stating the obvious

Excuse me for stating the obvious: FIAs are designed to sell. Their designers have systematically stripped them of objectionable qualities. They offer (within bounds) liquidity, downside protection, upside potential, and a choice of indexing and crediting options. Especially important for income specialists: Some of their riders now produce more lifetime income after a 10-year waiting period than deferred income annuities.

FIAs have survived years of controversy regarding aggressive sales practices, two attempts to regulate them at the federal level (by the SEC in 2007 and by the Obama Department of Labor in 2016) and a lot of bad press. They are now an acceptable product for old-school domestic life insurers (like Nationwide, AIG and Lincoln Financial) to manufacture and for many fee-based Certified Financial Planners (CFPs) to sell without blushing. No-commission versions are available to registered investment advisors (RIAs).

So the idea of selling an FIA after one or two meetings, to clients whom the advisor may have known for only a short time, becomes feasible—much more feasible than the sale of an irrevocable income annuity or even a variable annuity with an income rider.

Excuse me for stating another truism: Retirement income planning is more complex than investment planning, and retirement income planning software is still evolving. But a number of online tools for income planners have now emerged. And we're not talking about robo-advice platforms.

A decade or more ago, there were pioneers like **Income for Life Model** (IFLM) and **Advisor Software** (ASI). Then came adapted versions of investment tools like eMoney and MoneyGuidePro. Mass-market and boutique tools have included **Income Discovery**, **Financial Preserve**, **Savings2Income**, **RetireUpPro**, **JourneyGuide**, **IncomeConductor**, and one created by Nobel laureate Bill Sharpe.

The most advanced of these tools allow advisors to input new assumptions or preferences or “what-ifs” and generate different versions of plans on the fly, thereby eliminating the deadening turn-around time once required to make changes to a plan. The marketers of some of these new tools claim to make even a one-hour income plan possible.

Good better than perfect?

That may not be how you or I would want to be served. But many advisors are undoubtedly arriving at the discipline of retirement income planning from a sales-oriented past, and they won't be looking for perfect solutions. They want a great razor (the planning tool) that will help them sell blades (annuities, in addition to mutual funds, long-term care insurance, and perhaps even reverse mortgages).

At best, the financial advice industry is still in a transitional period from the accumulation mindset to ambidextrous thinking that leads to highly customized income plans. I wish it were farther along, but it's not. For now, many intermediaries will want and need processes and products that suit their old habits and comfort zones.

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