
Who Do You Love (in the Retirement Income Space)?

By Editor Test *Mon, Feb 4, 2013*

Cogent Research has just published its broad, bi-annual survey of financial planners, RIAs, and investment advisors. They were asked to choose their favorite income product providers.

For its just-published 2012 *Advisor In-Retirement Income*TM [report](#), Cogent Research of Cambridge, Mass., asked financial planners, RIAs and broker-dealer representatives to name the product manufacturers they consider to be retirement income thought-leaders.

The co-authors of the study, Cogent's Meredith Lloyd Rice, a senior project director, and Tony Ferreira, managing director, surveyed over 400 advisors who manage at least \$25 million and manage at least 25% of those assets for retirement income.

On last week's *RIJ* homepage, we published Cogent's list of 10 companies that the advisors named most frequently as income thought leaders. PIMCO and Jackson National were tied at the top of the list, with 54% of advisors naming them. Vanguard (53%) ran a very close third.

Six fund companies and four life insurers made the list. Besides Vanguard and PIMCO, the fund companies included American Funds, BlackRock, Franklin Templeton and Fidelity Investments. After Jackson National, the insurers were Prudential, MetLife and Lincoln Financial.

All of these are familiar brands in the advisor world, of course. Both Vanguard and PIMCO (passive and active bond fund specialists, respectively) enjoyed bumper positive fund flows in 2012, as rattled investors added a net \$266 billion to taxable bond funds. All four of the insurers are sales leaders in the individual variable annuity space.

Some advisors evidently think of bonds when they think about retirement income, while others think of annuities. Almost half of all advisors surveyed (48%) said insurance companies were "best suited to offer a retirement income product," followed distantly by brokerage firm (26%) and mutual fund company (19%).

"Despite some concern about product pricing increases and the exodus by several companies from the variable annuities market, they still do believe that insurance firms offer the best solutions. That comment was consistent throughout our research," Ferreira told *RIJ* last week.

Within the advisor community, sentiment is more nuanced. Registered investment advisors, whose clients have the highest average account balances, tend to identify mutual fund firms as retirement income thought leaders. Broker dealer representatives are more likely to identify an insurance company.

Individual investors, perhaps because they're more familiar with fund companies, tend to associate them with retirement income. Only 14% retirees and pre-retirees interviewed by Cogent Research in a survey last year named insurance companies as best suited in that respect; 34% chose mutual fund companies and chose 25% brokerage firms.

Advisors appear to believe that a household with an annual income of \$200,000 before retirement will need \$150,000 to maintain the same standard of living. “Generally, they’re trying to replace 75% of their clients’ pre-retirement income,” Rice said, adding that on average advisors rely on a dozen investment vehicles and seven different product providers to accomplish that.

The survey also revealed that advisors’ faith in Social Security has softened. “As always, they tend to look at retirement funding as a three-legged stool,” Ferreira said. “But they no longer think that Social Security, a pension and personal savings will each provide about one-third of retirement income.

“Now they see it as 20% from Social Security, about 36% from a employer sponsored plan and the rest from personal savings. They’re hedging their bets about Social Security’s long-term future. If the money is there, that’s great. But if not, they want to be prepared.”

Although many pre-retirees express a willingness to work longer if necessary, advisors tend to recommend postponing retirement only as a last resource, Rice told *RIJ*. “If their clients don’t have enough money to fund their desired retirement, advisors are more likely to recommend a change in lifestyle or a change in the size of the legacy,” she said.

Also, high net worth clients tend to worry less about running out of money in retirement than about experiencing income volatility, Rice added. Regarding the use of annuities, she noted that RIAs tend to be process-oriented while broker-dealer representatives are more open to purchasing products. RIAs also tend to be confident that their clients can afford to self-insure against longevity risk or rely on risk-management techniques other than insurance.