

Embracing a New Retirement & Communications Framework

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[A Whitepaper for Independent Financial Advisors](#)

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Executive Summary

This is a time for leadership in the retirement income industry. An inflection point has been reached that is sure to have far-reaching consequences for investors, financial advisors, product manufacturers and broker-dealers. Conventional approaches to income-generation have proven inadequate or incomplete, and investor confidence has been rattled.

Financial advisors who in the past may have relied too heavily upon popular income-generation strategies such as managed payout funds, systematic withdrawal plans and GLWB riders have in many cases lost faith in their traditional beliefs about investing for retirement income. More and more, financial advisors are realizing that they need to expand their thinking and embrace a more strategic, outcome-oriented investing strategy.

Nothing happens without context. The economic downturn occurred at a time when society at large is adopting new habits for evaluating all manner of products and services. To millions of Americans—including many investors who have become disillusioned with their retirement investing strategies—the internet is a central resource for evaluation and decision-making. According to Jonathan Carlson, President of Neilson Online, *“The Internet is no longer a niche technology — it is mass media and an utterly integral part of modern life. Almost no aspect of life remains untouched by online media. As our lives become more fractured and cluttered, it isn’t surprising that consumers turn to the unrivaled convenience of the Internet when it comes to researching and buying products.”*

Who can doubt that financial advisors will be impacted by consumers’ habits and preferences when it comes to the internet? There is no question that advisors’ best prospects are active users of the Web. According to the Pew Internet & American Life Project, in households where annual income exceeds \$75,000, 62% of people search the Web every day. It’s also revealing that

popular social networking sites are increasingly being favored by classic prospects for retirement income planning. The fastest growing segment of Facebook users is women age 55 and over.

Yet, financial advisors are ill-equipped to meet their advisor-client communications challenges, especially in terms of their ability to engage clients and capture Rollover IRA and retirement income business. Wealth2k’s experience indicates that most advisors lack the time, financial resources and technical expertise to develop websites that feature the sophisticated interfaces, interactivity and multimedia presentations that convey the “high-end experience” consumers have become accustomed to online. Advisors should be mindful that it is not the financial services industry that sets consumers’ expectations when it comes to website experience; it is consumers who set consumers’ expectations.

So, it is not surprising that FPA President, Nicholas Nicolette, stated, *“The resources financial planners value most- in light of the increased retirement business- are the ones that enable and facilitate their communications and conversations with clients.”*

While improving advisor-client communications is vital, financial advisors are in equal need of a new strategic approach for retirement income investing. Wealth2k believes that this new framework must be both sensitive to the multiple risks facing retirees and durable throughout the investor’s retirement years.

An enhanced strategy for income-generation may be described as the “New Retirement Framework”, or, “NRF”. The NRF must be transparent, monitorable and elastic enough to meet the needs of any investor seeking retirement income. It must offer not only economic benefits but also psychological and behavioral advantages that are reflected in the investor’s ability to remain consistent with the strategy through periods of turbulent markets.

Moreover the NRF must be able to easily conform to advisors' (and broker-dealers') firm-specific preferences regarding investing philosophy, communications priorities, compliance rules, business requirements, disclosure mandates and branding needs.

Three pillars comprise the value proposition created by the NRF:

1. Enabling advisors to easily construct, convey and monitor outcome-oriented investing strategies
2. Improving advisor-client communications through the use of leading-edge communications tools delivered over the Web
3. Creating superior context for advisors' selection of investment products

Does the NRF currently exist? If it does exist, does it have a proven history of helping financial advisors better serve their clients' retirement income needs? Has it proven able to help advisors galvanize their clients' interest and understanding? Has its supporting marketing technology enabled advisors to engage and capture greater numbers of clients and AUM?

The answer to each question is yes. By combining its intellectual property, business strategies and proprietary, web-based applications- The Income for Life Model® v.3.0 and its supporting assets, Traject® and Retirement Time™- Wealth2k has formed the next-generation retirement platform.

It is currently helping advisors across the U.S. maximize their success in the Rollover IRA and retirement income markets.

These advisors are acquiring more retirement income clients and capturing larger amounts of IRA assets. They are communicating with prospects and clients more effectively and projecting a leading-edge web presence.

Wealth2k believes that an advisor seeking to be more successful in the retirement markets must recognize that tomorrow's investing, communications and business-development challenges won't be met with yesterday's strategies and toolset. It will take a new business-building framework, one which Wealth2k will help support with innovative and cost-effective solutions.

Helping Advisors Maximize their Retirement Income Success

Financial advisors are navigating through a transformational period with far-reaching consequences for both their future business success and their clients' retirement security. To both limit the potential for financial liability and maximize revenue, advisors' conventional approaches to retirement income investing must change. Some advisors have relied too heavily upon income-generation strategies that have proven inadequate including systematic withdrawal plans, target date funds, GLWB riders and managed payout funds. While these popular retirement income solutions remain important, they should be supplemented and strengthened by a more nuanced, strategic and outcome-oriented framework for retirement income investing that creates better context for product selection.

If advisors' customary strategies for income-generation are inadequate, then what takes their place? What strategic, retirement investing roadmap is available for advisors to follow? Is there a way to synergistically combine investment products in order to produce better overall results for retirees? And if there is such an option, does it represent too much of a departure from traditional investing strategies for it to be widely adopted?

Wealth2k believes that its proprietary applications *Traject*®, *Retirement Time*™ and *The Income for Life Model*® provide the ideal building blocks of a next-generation retirement investing framework. The reasons for this assertion are many and include:

- An outcome-orientation that aligns with investors' needs

- A structure that provides vital context for the selection of investment products
- Technology that is transparent and flexible enough to handle advisor-specific investing style preferences, branding requirements and disclosure requirements
- An innovative illustration engine that allows easy creation of customized investing strategies
- Leading-edge communications tools including interactive Flex applications and Flash movies
- Web-based delivery to reach more prospects and clients
- Personalized, high-end advisor websites
- Successful experience in multiple broker-dealers (e.g. visit www.wealth2k.com to download "One B-D Steps UP" article by David Drucker

Defining a New Retirement Framework

"The resources financial planners value most- in light of the increased retirement income business- are the ones that enable and facilitate their communication and conversations with clients."

Nicholas A. Nicolette, CFP®

President, FPA

A New Retirement Framework (NRF) has to be web-based in order to be scalable and provide convenient access to large numbers of prospects and clients. It must also be enduring and flexible enough to meet the needs of any investor seeking retirement income. The NRF must recognize and better manage the multiple risks facing retirees. It must also feature a relevant assessment of

an investor's need for guaranteed lifetime income as well as the capacity to integrate lifetime income in a proportion suitable to the investor's income risk tolerance profile.

Asset allocation and professional investment management remain essential components of the NRF. Similarly, investment products will continue to play a central role in funding the framework.

But while products will be plugged-in and pulled-out over time by advisors responding to product development innovations, the framework itself endures. It is understandable, transparent, monitorable and elastic. Understandability is enhanced by cutting-edge communications technology similar to that which is used to educate and motivate customers in other large industries.

It is essential that the NRF is not seen as- and, in the context of IFLM, it is not viewed as- a radical departure from advisors' skills and experience. Rather, it is positioned as a tactical innovation that capitalizes on advisors' competencies.

Key Attributes of the NRF

- Web-based delivery
- Flexible enough to meet any investor's needs
- Outcome-oriented
- Optional lifetime income "floor"
- Not viewed by advisors as drifting too far from their comfort zones
- Easy for advisors to convey
- Cutting-edge marketing and educational tools
- Able to conform to the strategic priorities of various wirehouses and independent broker-dealers
- Flexible branding
- Transparent and manageable by compliance officers

Benefits to Financial Advisors

Financial advisors utilizing the NRF will seize upon an exceptional business opportunity and gain competitive advantage in the retirement income marketplace. Incorporating the NRF into the advisor's practice will:

- Create deeper and more strategic client relationships
- Improve long-term client satisfaction
- Provide the advisor a much-needed "process" approach to retirement income investing that is customizable, consistent and compliant
- Expand the advisor's capacity to market effectively to retirement income and Rollover IRA prospects

IFLM's industry-leading communications tools help advisors properly educate investors. This creates confidence among investors and helps advisors capture assets that average \$620,000 per case.

RIAs, hybrid RIAs, IARs and brokerage reps can work with the NRF in the manner that best suits their business priorities and their clients' needs.

Financial Advisors Will Benefit From a Process-Driven, Product-Agnostic Retirement Income Solution

The NRF provides the advantages of being open-architecture, compliant and process-driven. It provides a roadmap for advisors to follow in implementing outcome-oriented retirement investing strategies that is consistent and time-tested.

The NRF takes over where typical retirement planning software stops; just short of implementation.

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Through its innovative illustration technology the NRF enables advisors to quickly illustrate customized retirement investing strategies. The illustration engine will combine multiple income-generation approaches including time-segmentation, systematic withdrawals and optional lifetime income floor into an implementable, hybrid investing strategy that conforms to investors' specific objectives.

The illustration system will also illustrate a pre-retirement accumulation period in order to facilitate advisors' conversations with clients about planning for

and funding a target level of capital at a desired retirement age.

Currently, IFLM is providing much of the implementation-focused illustration capability that will be featured in the NRF:

- IFLM bridges the gap that currently exists between popular retirement income planning software programs and advisors' needs for a practical implementation tool. It provides the deployable and monitorable income-generation framework that is largely missing in today's marketplace.
- IFLM is supported by a variety of FINRA-reviewed communications tools including cutting-edge FLEX interactive applications and FLASH videos. IFLM's industry-leading communications tools help advisors engage and properly educate investors. This creates confidence among investors and helps advisors capture assets that average \$620,000 per case.

"I am working closely with Fidelity and their Retirement Planning tool. Both of the programs (Wealth2k's and Fidelity's) are excellent in what they do and complement each other. The Fidelity program is the best I have ever seen in creating the need and organizing assets, but it does not offer a solution at the time of distribution like yours does."

Dan Kinney, AIF®
*Financial advisor with LPL Financial
West Des Moines, IA*

Advisors Seek Help in Marketing into the Retirement Income Opportunity

In many cases advisors' marketing effectiveness was sub-optimal even before the 2008 market disaster. Wealth2k finds that among all of the complaints advisors express, there is perhaps none more

consistently articulated than the need for assistance with marketing and new client acquisition.

The need for advisors to generally improve their marketing outreach is clear. But it is in the retirement income market where the need for improved marketing and communications tools is most urgent. In recent years Wealth2k has invested heavily to develop proprietary, web-based technology designed to improve advisors' ability to generate new prospects and clients.

Our Traject® application is able to strengthen the marketing and communications activities of advisors through the creation of "virtual advisors" – personalized, sophisticated and highly-focused websites that deliver needs-based education utilizing state-of-the-art digital communications tools.

To enhance personalization and make it easier for advisors' high-end websites to be found in search engines, advisors may register personal URLs (PURLS) in the same manner that Facebook and MySpace make PURLS available to their users.

Since its introduction in 2004, Wealth2k has consistently added to and upgraded IFLM's marketing applications in concert with advancements in communications technologies. IFLM was the first retirement income distribution program to introduce web-based communications tools including personalized advisor micro sites and streaming video. It was the first to offer FLEX interactive applications, and the first to provide an interactive, audio-guided application for measuring an investor's sensitivity for guaranteed retirement income.

IFLM is the only program to offer Wealth2k's proprietary Seminar-for-One™ technology which delivers rich,

engaging educational seminars to investors' web browsers.

Time-Segmented Retirement Income Solutions Are Gaining in Popularity with Advisors

In response to the economic downturn numerous distribution organizations have become concerned about advisors' ad hoc approaches to retirement income. While it's uncertain how successful their initiatives will turn out, a number of these companies have formed working groups that are evaluating income-generation strategies. Currently, several prominent companies are focused on "strategic product allocation" and "bucketed" investing strategies. This is a positive development. Simply stated, the "bucket" methodology combines products strategically and produces good results in practice.

The "bucket" approach or *time-segmented asset allocation* ("*time-segmentation*") offers investors psychological as well as economic advantages that are hard to match. Wealth2k's experience has demonstrated that investors are better able to stay invested in risky assets through turbulent markets when they have chosen time-segmentation as their principal income-generation strategy.

In terms of managing clients' anxieties and concerns following the 2008 market crash, advisors who had implemented IFLM have had an easier time over the past year compared to some advisors who recommended target date funds, managed payout funds and systematic withdrawal plans.

Since 2004, Wealth2k has observed that retail investors "get it" when it comes to time-segmentation. The strategy is understandable, a fact that helps to create confidence in it. Advisors using IFLM have attracted an average investment of \$620,000 from investors who appreciate the combination of predictable retirement

income and long-term equity participation. You can imagine how deeply advisors appreciate this framework. Visit www.wealth2k.com to download, "*In*

Their Own Words," a compilation of advisors' comments praising IFLM.

Wealth2k is the industry leader in time-segmented income strategies, and IFLM is the only segmented strategy with a 25-year track record.

Created by an advisor for advisors, the time-segmented methodology was developed in 1984 by Philip G. Lubinski, CFP®. Beginning in 2003 Wealth2k began to apply its packaging and technology development expertise to the concept with the result that no segmented strategy in use offers the level of sophisticated technology, flexibility, high-quality investor education tools and scalability found in IFLM.

Several years ago Wealth2k moved IFLM beyond sole reliance upon time-segmentation. Wealth2k believes that hybrid investing strategies which combine two or more income-generation approaches provide advisors the greatest degree of flexibility when serving the retirement income needs of retail investors.

In order to address the requirements of various market segments, the packaging of IFLM can be customized for various audiences with the complexity easily ratcheted-up or backed-down. For example, Wealth2k envisions that financial advisors may choose to offer multiple versions of IFLM including a simple, three-segment model for investors with relatively low account balances.

It is both interesting and an indication of the increasingly wide acceptance of time-segmentation that the non-profit *National Endowment for Financial Education* (NEFA) has recently introduced a retirement-focused website for consumers called www.Decumulation.org that recommends just such a "three-bucket" strategy (see

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<http://decumulation.org/RetirementPlans/InvestingDuringRetirement/tabid/83/Default.aspx>).

However, while NEFA's recommend strategy is a good one, the organization offers no mechanism to either illustrate or monitor it. This confirms a marketplace opportunity that IFLM could help financial advisors exploit: there are many worthwhile retirement software packages in use. However, these programs invariably stop just short of developing a plan of implementation. IFLM effectively bridges this gap and addresses a critical marketplace need.

For example, retirement planning software packages from Fidelity and NaviPlan are highly regarded but arguable incomplete in this way; they fail to address the implementation need. Consequently, advisors are both relieved of frustration and excited when they discover IFLM.

Flexibility to Construct Complex Investing Strategies

For financial advisors wishing to have unlimited flexibility in designing truly customized/complex income-generation plans, IFLM newest version (IFLM 3.0) will offer the sophisticated functionality to:

- Illustrate a user-defined number of "buckets" (2-9 segments)
- Define specific durations of "buckets"
- Define targeted income need by "bucket"
- Define Rate Of Return assumption by "bucket"

- Define inflation assumption by "bucket"
- Assess the investor's need for guaranteed income
- Add lifetime income floor via SPIA (Single Premium Income Annuity) or GLWB (Guaranteed Lifetime Withdrawal Benefit) with optional inflation increase
- Project forward and sell" the concept via movies and engaging interactive tools

Protected by registered trademark, "The Income for Life Model" is an outstanding name that can become the frontline offering in the advisor's public-facing retirement income marketing. IFLM has excellent attributes in web

search including the first result returned by both Google and Bing when searching the term "income for life."

Making a Substantial Impact on Investors who Need Improved Retirement Income solutions

Over the past year millions of U.S. investors have learned painful lessons as they have watched their retirement security slip away. The advisors who counseled these investors have also learned painful lessons. The need for a new approach to retirement income investing is both obvious and urgent. Financial advisors' who use the new retirement framework will benefit from an outcome-oriented approach to income-generation that provides both behavioral and economic advantages to clients.

Beating-Back New Competitive Threats

Through products like The Income

Financial Advisors will increase new business and develop closer, more strategic relationships with their clients by solving problems and bridging the gaps that exist in yesterday's approaches to retirement income investing.

Advisors will also be able to acquire more clients and retirement assets by becoming better communicators. This means not only improving the quality of their communications but also using the internet to better convey their value to a large and fluid marketplace of customers.

The Income for Life Model is the first result returned by Google and Bing when searching the popular term, "income for life".

for Life Model[®], Traject[®] and Retirement Time[™], Wealth2k is uniquely positioned to help financial advisors access the tools required to improve communications with clients and increase their Rollover IRA and retirement income business. Wealth2k's innovative products also allow financial advisors to work with the strategic, outcome-oriented investing tools they need to successfully serve their clients' retirement security needs.

Wealth2k is committed to ongoing development and low cost delivery of the technology tools and strategies advisors need to beat back competition and remain successful.

The size, high profile and strategic importance of the Rollover IRA and retirement income markets are stimulating increasingly intense competition from large national brands as well as internet-based alternatives to traditional investment advice services.

While we cannot know how successful these new players will become, the national brands may over time adversely impact advisors' ability to retain clients and assets. Advisors who fail to grasp the competitive threat from non-traditional sources of competition do so at their peril.

What is certain is that for decades one fact has been consistently true, and it has always helped advisors fend off competition: the better they are at communicating, the more confidence they build and the more assets they attract.