Middle Market Retirement Security Relies on Access to Advice

State of the Market:
According to Secure Retirement Institute® (SRI®) research, there are 104 million households with less than $250,000 in investable assets, representing 80% of all U.S. households. Forty-three million households ages 55+ have less than $250,000 in investable assets.

Today, 23% of households with less than $250,000 in assets – 24 million U.S. households – work with a financial professional (20 million of these households are age 40-75).

Losing Access to Advice:
- In 2017, Secure Retirement Institute surveyed advisors about the impact of the 2016 DOL fiduciary rule. Over half – 54% – said they would likely drop their less affluent clients as a result of the regulation.
- In a separate 2018 study, LIMRA and McKinsey found that more than half of advisors (54%) of advisors would drop their less affluent clients as a result of the 2016 DOL Fiduciary rule because of increased compliance and profit margin compression.

Should this occur, there is a potential of nearly <u>13 million households</u> losing access to an advisor.

Impact to Retirement Preparedness:
SRI research reveals working with an advisor has a significant impact on retirement planning activity across all market segments. In almost all cases, working with advisor improves the likelihood that the consumer has completed some retirement planning activity (see below).

This suggests losing access to advice could be detrimental to retirement preparedness.

	All	Men	Women	Millennial (20-39)	Gen X (40-55)	Baby Boom (56-74)	White Non-Hispanic	Black American	Asian/Other	Hispanic/Latino
Planning activities completed:										
Calculated the amount of assets and investments I will have available to spend in retirement.										
Works with a FP	53%	52%	54%	34%	52%	60%	56%	48%	57%	45%
Does not Works with a FP	34%	40%	27%	30%	27%	40%	37%	19%	42%	26%
Determined what my income will be in retirement.										
Works with a FP	53%	53%	52%	39%	45%	60%	56%	45%	57%	41%
Does not work with a FP	42%	47%	34%	36%	31%	49%	41%	44%	43%	42%
Determined what my expenses will be in retirement.										
Works with a FP	47%	43%	52%	22%	46%	56%	53%	43%	41%	31%
Does not work with a FP	35%	39%	31%	49%	25%	41%	35%	35%	35%	39%
Estimated how many years my assets and investments will last in retirement.										
Works with a FP	50%	50%	50%	39%	41%	58%	55%	36%	54%	35%
Does not work with a FP	27%	32%	20%	25%	23%	29%	28%	19%	27%	27%
Developed a specific plan or strategy for generating income from my retirement savings.										
Works with a FP	43%	44%	41%	47%	41%	43%	43%	36%	61%	40%
Does not work with a FP	19%	24%	13%	33%	17%	20%	19%	15%	22%	23%
Determined what my Social Security benefits would be at different retirement ages.										
Works with a FP	61%	60%	63%	34%	52%	74%	66%	45%	57%	54%
Does not work with a FP	50%	52%	47%	18%	38%	61%	52%	49%	41%	46%
Determined health care coverage (including Medicare options and/or private insurance) in retirement.										
Works with a FP	43%	45%	41%	35%	36%	49%	42%	43%	46%	45%
Does not work with a FP	26%	27%	25%	18%	18%	32%	26%	24%	22%	29%

Working with an advisor improves confidence in retirement preparedness:
SRI data shows consumers who work with an advisor are nearly twice as likely as those who don't work with an advisor to feel "very prepared" for retirement (45.9% versus 25.1%).

	Works with an Advisor	Does not work with an advisor
Total	45.9%	25.1%
Men	52.2%	29.1%
Women	37.3%	29.9%
Millennials	34.8%	22.5%
Gen X	43.1%	25.6%
Baby Boomers	50.9%	25.6%
White	47.3%	26.3%
Black	29.2%	14.3%
Hispanic	46.7%	23.4%

Broker-Dealers' perspective on DOL rule's impact on consumers:

- Nearly two-thirds of B-Ds (64%) expect the compliance costs associated with the DOL rule to be passed on to clients.
- More than half of B-Ds (54%) think some advisors will 1) retire or leave the business rather than sell under the new rules, and 2) discontinue advising small IRA accounts.
- Eight in 10 expect advisors to move to away from commission-based compensation to fee-based or fee-only compensation in order to lower their liability risk. This will limit consumer choice – especially for middle market clients – who may not be able to afford a fee-based model of service.

Source: https://www.limra.com/siteassets/research/research-abstracts/2016/the-dol-fiduciary-rule-broker-dealer-perspective--2016-dol-viewpoints---full-report/full-report

Consumers believe their advisors already work in their best interest:

- Nine in 10 consumers believe their advisors always:
  - Recommend products that are suitable;
  - Gather sufficient detailed information about finances before offering advice; and
  - Provide excellent value for the costs associated with services.
- Eighty-nine percent of consumers believe their advisors do a good job of explaining and recommending products so they understand.

The way advisors are paid doesn't change clients' perceptions of their advisor:

My advisor puts my interests first:

- 89% of investors who pay flat fee
- 93% of investors who pay fees based on percentage of assets managed
- 92% of investors who pay compensation based on commissions for products bought

My advisor recommends suitable products:

- 89% of investors who pay flat fee
- 91% of investors who pay fees based on percentage of assets managed
- 95% of investors who pay compensation based on commissions for products bought

Source: https://www.limra.com/siteassets/research/research-abstracts/2016/consumers-believe-advisors-put-their-best-interests-first-2016-dol-viewpoints/consumers-believe-advisors-put-their-best-interests-first.pdf