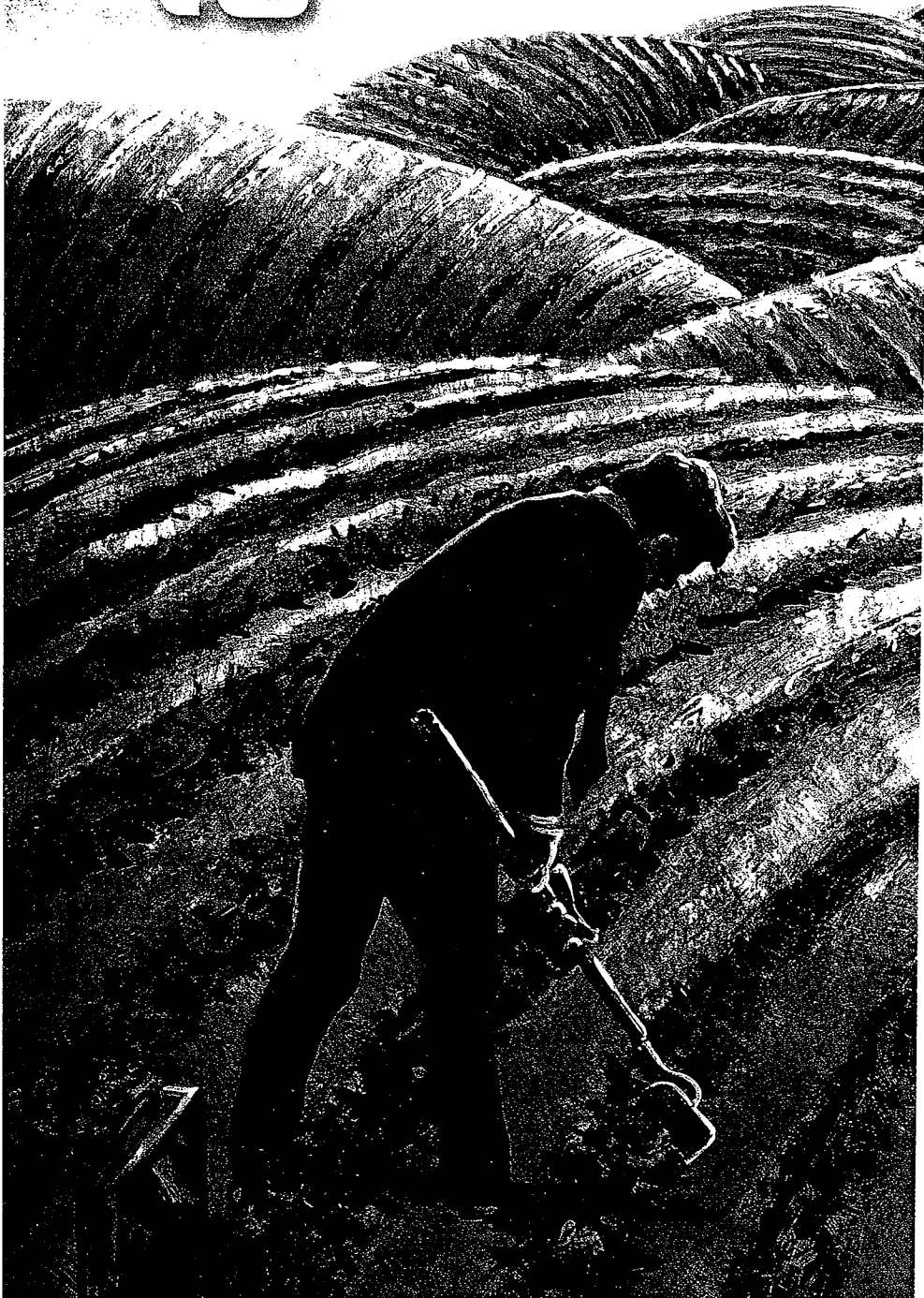


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Four ways to maximize your opportunities for capturing rollover assets

BY MATTHEW DRINKWATER

Approximately \$250 billion becomes available for rollover from retirement plans each year as people retire or terminate employment; total IRA rollovers — including assets that become available in prior years — are expected to grow to more than \$306 billion annually by 2013. At an average size of almost \$200,000 per retiree rollover, there is clear incentive for financial advisors to make this market a high priority.

Although opportunities for advisors are plentiful, the rollover market is fiercely competitive. For example, the top 15 companies — including Edward Jones, Fidelity, Charles Schwab and Merrill Lynch — capture the majority of the

rollovers from retirement plans. LIMRA found that brokerage/planning firms are the leaders in capturing rollover dollars, with a rollover average of \$163,000. Mutual funds and insurance companies average \$128,000 and \$102,000 in rollover amounts, respectively. Banks capture the lowest average rollover amounts, at \$87,000.

Along with retail firms, plan provider firms are taking steps to gather rollover assets through increasingly sophisticated retention programs. Some of these providers attempt to retain money within the plan itself, while others rely on out-of-plan strategies in which the employee rolls the money over to an IRA offered by the provider firm. In both cases, providers stand a better chance of retaining assets when they nurture the existing relationship they have with the retiree through strong customer service and communication materials. Providers have had some success. For example, retirees are significantly more likely to keep their money with the plan provider firm if they talk with a customer service rep of the plan provider to help them decide what to do with their plan assets. Despite plan providers' efforts, LIMRA studies have found that rollover asset retention by plan providers remains modest; they retain only 18 percent of retirees' assets that are rolled into IRAs. For now, retail has the upper hand.

The majority of retirees with large plan balances and higher household income or greater financial assets will consult a financial planner or advisor when making their rollover decisions. Two-thirds of these retirees roll over to an IRA based on the advisor's recommendation. This is the question: How can individual advisors maximize opportunities to capture

rollover assets? LIMRA research points to several guidelines:

- 1** Build relationships before the rollover event. According to LIMRA's most recent rollover study, three out of five retirees had an existing relationship with a representative from the firm where they rolled over their money and more than 80 percent of retirees started talking about this decision before they retired. The implication is that advisors should maintain close contact with near-retirement clients in order to position themselves as the go-to source of advice and service when the rollover occurs. Moreover, younger clients are likely to change jobs multiple times over the course of their careers, and each former job may represent a potential rollover.

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- 2** Be able to act swiftly. Of the retirees who take action with the money in the plan, two-thirds will do so within two months. Within 12 months, 80 percent of all retiree assets are distributed from their plans. Advisors therefore have a fairly narrow window in which retirees will take action with their plan money.

- 3** Emphasize control of assets. When retirees who rolled their money over were asked why they switched from the plan provider firm to another firm, the main motivations cited involved control of assets as well as convenience and consolidation. For some clients, the particular lineup of investment funds within their former employers' 401(k) plans may not be the most suitable

means for meeting short- or long-term goals throughout retirement. The advantage of an IRA, with its much broader range of available investment choices and greater degree of control over asset allocation, should be made clear to such clients.

- 4** Offer guaranteed solutions. Traditional sources of guaranteed income are either replacing a shrinking proportion of preretirement income, as is the case with Social Security, or disappearing altogether, as is true for defined benefit pension plans. Thus, for a growing number of retirees, long-term retirement security will depend on how they deploy their defined contribution plan assets to meet retirement goals and manage risks. At least some portion of their plan assets will probably need to be converted to guaranteed lifetime income to meet basic living expenses; if income guarantees are unavailable from the plan itself, the alternative is to roll assets into an annuity. With a base income level established, the remaining assets can then be allocated to address discretionary expenses or to meet legacy goals.

The bottom line for financial advisors is that rollovers can make up a substantial portion of their assets under management. But in order to succeed, they need to be positioned to handle their clients' rollovers – and most of the preparation has to be done well in advance of those events. **INN**



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