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*Retirement Income Solutions
for
the "New Retirement"*

Presentation to:

**RIIA and the IIR's 3rd. Annual
Managing Retirement Income Conference**

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Discussion Outline

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- Retirement Redefined: Insights from the *2006 Merrill Lynch New Retirement Study: A Perspective From Individuals And Employers*
- Implications for retirement income solutions and the financial services industry



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Are You Developing Income Products for This Version of “Retirement”?





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The “New Retirement” Is Here!

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“Have you given much thought to what kind of job you want after you retire?”



Approximately three-quarters of boomers say their ideal retirement includes work.

Ideal Employment Status in Retirement



Two thirds want a new line of work.

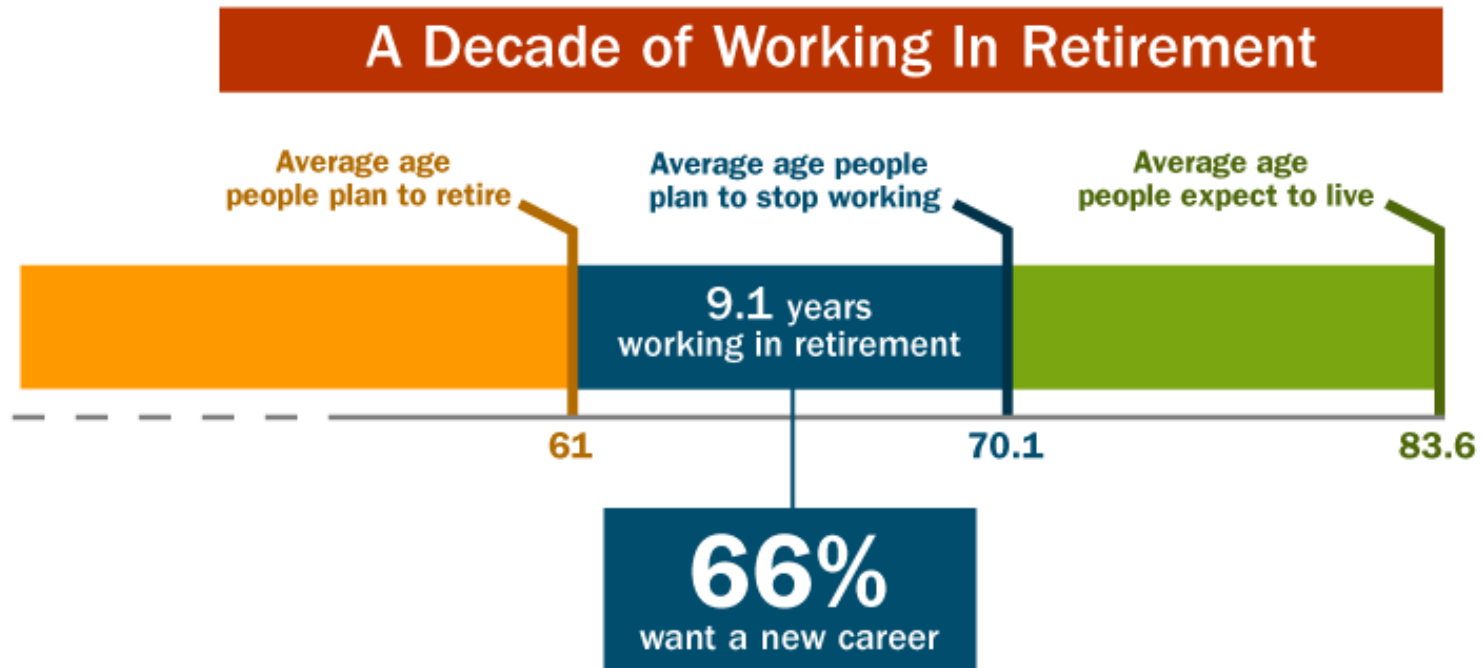


Q460 People have different ideas about how they will live in this phase of life that has traditionally been called "retirement." Please tell us which one of the following best represents your ideal plan for how you would like to live in this stage.
Base: Baby Boomers



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Individuals expect to spend a significant portion of their retirement working.



Q435 At what age [IF RETIRED: "did you retire?"] [IF NOT RETIRED: "do you think you will retire or move into this turning point, which has historically been a time for the beginning of retirement? If you never plan to retire please enter "999" as your response.]"

Q480 At what age, if any, do you expect to stop working completely? If you plan on never stopping work completely, please enter "999."

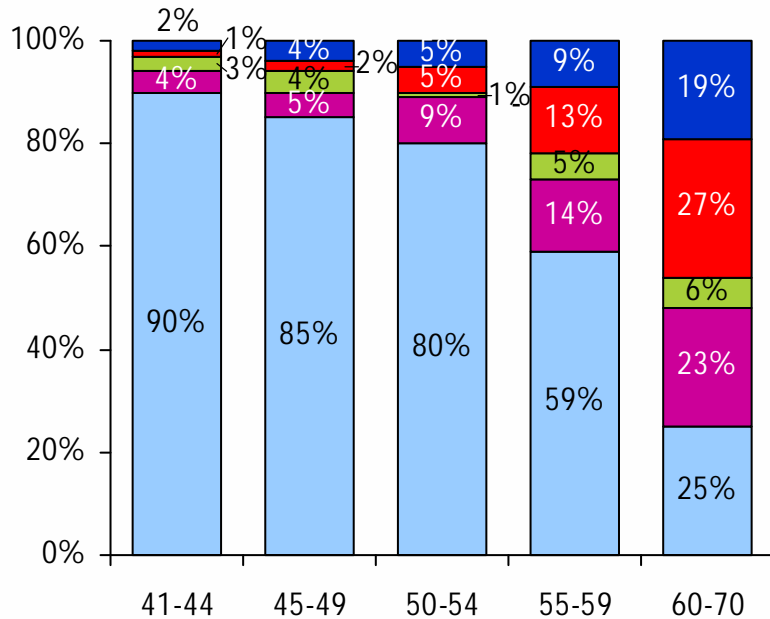
Base: All Adults 25-70 (n=5,111)



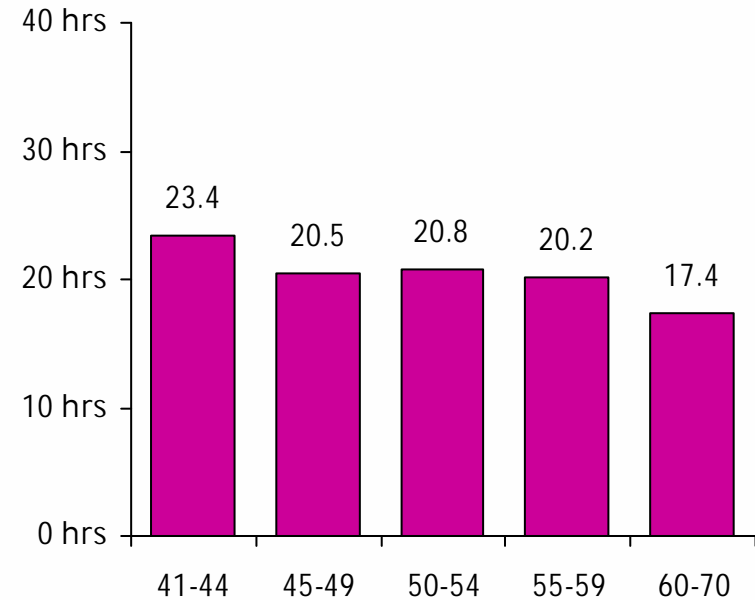
More than a third of retirees 51 to 70 are working for pay. Another 20% - 30% are likely to in the future.

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Retirement Status



Average number of hours retired and working per week



- Not retired
- Retired, working
- Retired, not working, but would work for pay again
- Retired, not working, and would not work for pay again
- Not sure

Q 415 Which of the following best describes you?

Base: All Adults 25-70 (n=5,111)

Q410 How many hours per week do you work, on average?

Base: Retired and working

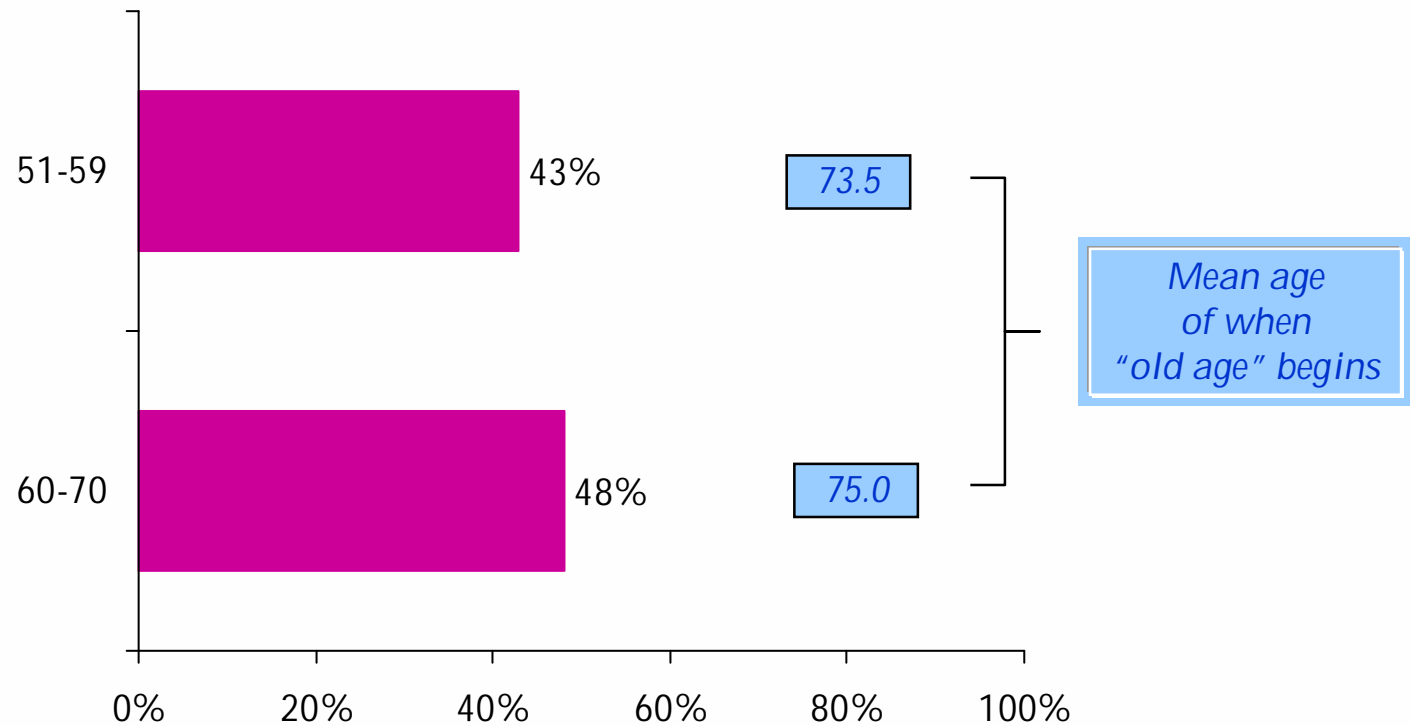
Q 430 Do you think you will ever work for pay again?

Base: Retired and not working



Overall, almost one third of the survey's participants claim that they "never expect to stop working completely."

% of those who want to work who plan to never stopping work completely



Q480 At what age, if any, do you expect to stop working completely? If you plan on never stopping work completely, please enter "999."

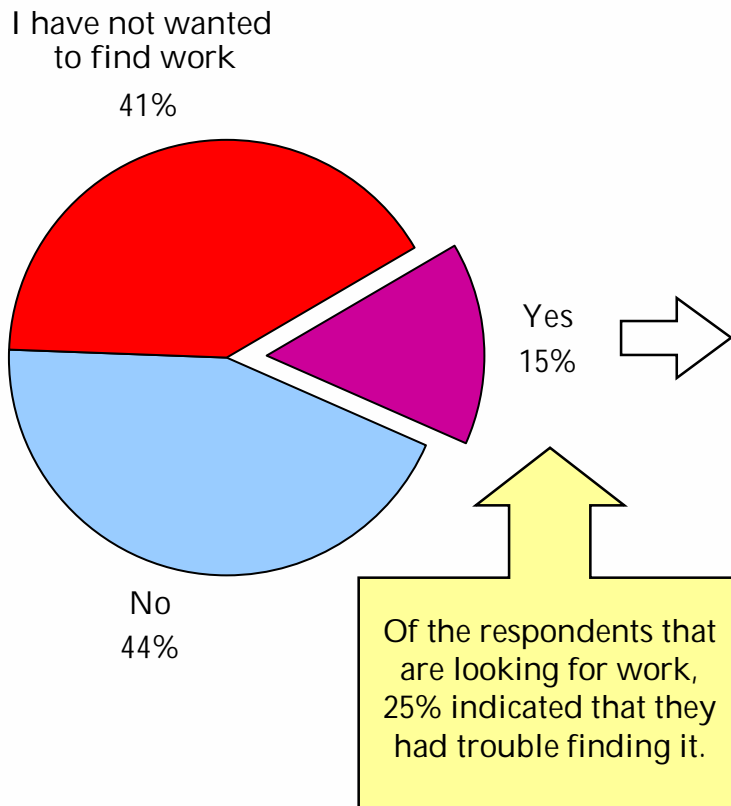
Base: Adults 25-70 who want to work (n=3789)

Q500 At what age do you feel that "old" age begins?



Of those who wanted to work after 60, 75% report not having difficulty finding work they wanted.

Difficulty Finding Work After 60



Reasons for Difficulty



Q505: Have you ever had difficulty finding work that you wanted since you turned 60?

Base: Those 60+ (N=1835)

Q510 Why did you have difficulty finding work that you wanted since you turned 60? Select all that apply.

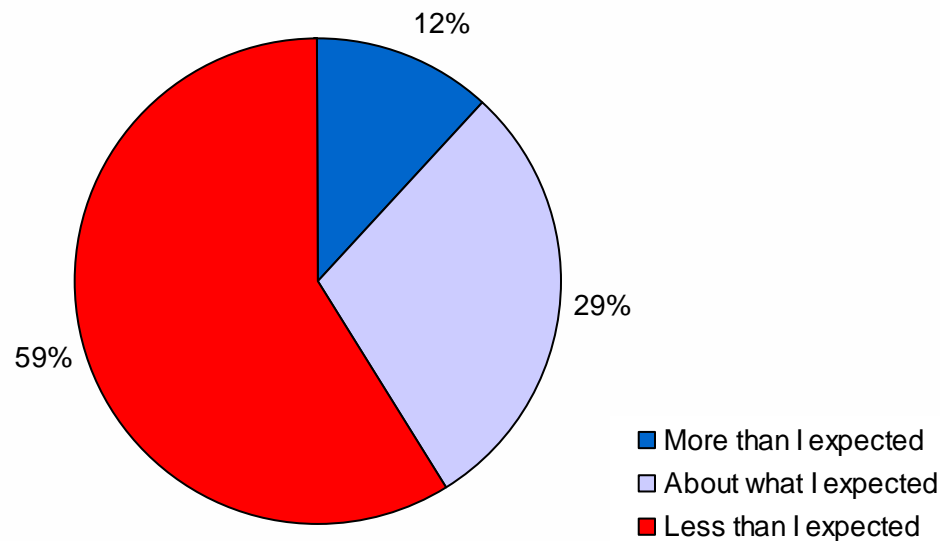
Base: Difficulty finding work (N=257)



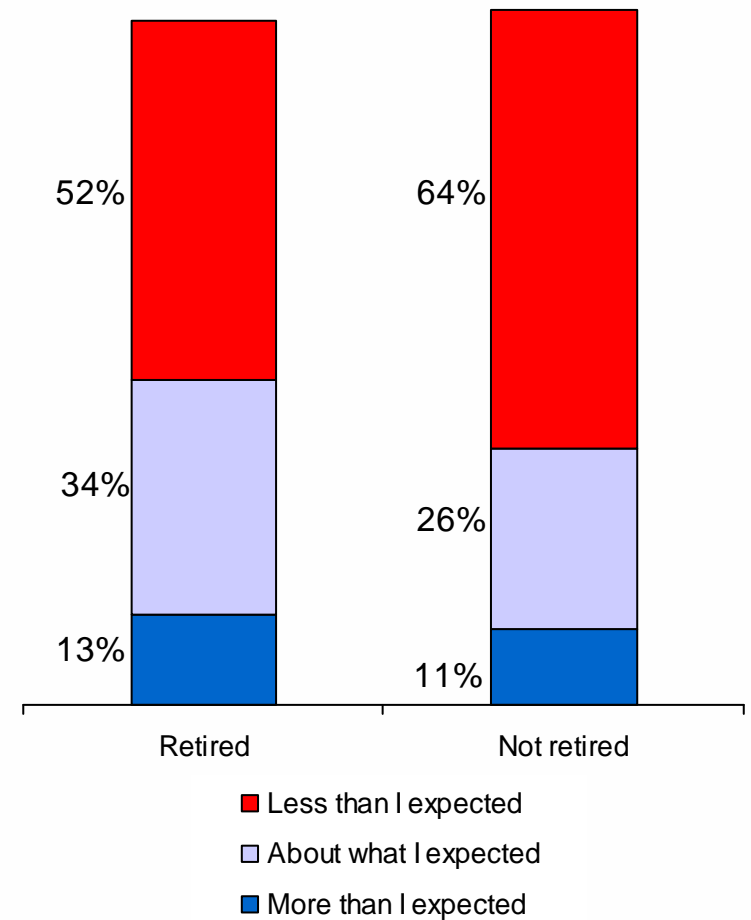
Most Of Those Approaching 60 Have Not Saved As Much As They Thought They Would

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Now that you are close to turning 60, have you saved as much for your retirement as you thought you would have at this age?



As non-retirees get closer to retiring they are more likely to say that they have saved at least about what they expected (61% who are retiring in less than 5 years vs. 22% who are retiring in 5 years or more).



Q1015 Base: Adults aged 55-59 (n=1337)

– Implications and Opportunities –





Implications & Opportunities

Fact: No retirement income product can make up for insufficient savings.
(Even reverse mortgages require that there be equity in the home.)



Implications & Opportunities

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Key Considerations:

- Who are we targeting and at what stage of retirement?
- The role of planning vs. product solutions
- What pattern of income should one plan for and how can income be structured to match that pattern, e.g. Fixed level of income throughout retirement in nominal dollars, inflation adjusted income (level in real dollars), different levels of income for different phases of retirement?
- Development of a standardized model or set of guidelines to help advisors and clients evaluate the role that annuities (or other structured products) should play in ensuring that clients don't outlive their assets, i.e.:
 - ▶ How much of one's portfolio should be allocated to annuities?
 - ▶ What factors should be considered, e.g. health, family history of longevity, portion of retirement income already protected for life, legacy objectives, risk aversion, etc.?
 - ▶ When is the ideal time to purchase / invest in an annuity?
 - ▶ How do we simulate in Monte Carlo based planning tools?



Implications & Opportunities

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- Increasingly, investments will be controlled by individuals, not plans and institutions and advice will be critical
- “New Retirement” demands new financial models and advice
 - ▶ Old models no longer relevant
 - ▶ Planning and advice needs to reflect new “retirement”
- The majority of Boomers will continue to be in accumulation mode, not distribution mode and still need to reduce debt
- However, significant opportunities exist for flexible innovative products to protect principal and provide retirement income
- Will the retirement income products your firm develops fit the “new” or the “old” retirement?



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1696, EQ 1676. Unless otherwise noted, all statistics are from *The 2006 Merrill Lynch New Retirement Study: A Perspective From Individuals and Employers*.



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