



THE VIEW ACROSS THE SILOS

RETIREMENT INDUSTRY IDENTIFIES NEED FOR MORE INFORMATION ABOUT CLIENTS' INCOME ANNUITIES TO ACHIEVE BETTER HOLISTIC CLIENT SERVICE

New Study Highlights Need for Valuation of Income Annuity Cash Flow to Increase Adoption By Advisors and Consumers

Boston, MA (May 24, 2011) Financial advisors and their clients would benefit from receiving more precise information about their existing immediate income annuity contracts, according to a new [Retirement Income Industry Association](#) (RIIA) survey released today and sponsored by MetLife, New York Life Insurance Company, and CANNEX Financial Exchanges.

According to Gary Baker, President of CANNEX USA and the Chair of the RIIA Income Annuity Standards and Readiness Working Committee, one of the most pressing concerns is that when an income guarantee is purchased, information about the money that is annuitized literally disappears from any consolidated statements that either the client or advisor receives.

The RIIA Working Committee, which is charged with addressing business barriers to income annuity growth, surveyed a broad representation of the industry including financial advisory firms, product manufacturers, and service providers to understand the various uses and availability of income annuity information. The survey also evaluated the use of a market value to potentially improve the integration of income annuities within an actively managed retirement portfolio that would include a variety of investments and products.

The survey found that:

- Only 15% of distributors and manufacturers provide some information about the products on client statements.
- However, two out of three survey respondents felt that the visibility of income annuity data would be valuable to both clients and their advisors and would actually increase the availability of these products across the financial advisor community.

The survey also evaluated the utility of using various forms of valuation for planning processes, client statements, assets under management reporting as well as billing for fee-based advisors.

- Although advisory firms were split as to whether or not they would include a market value on a consolidated client statement next to investment values, virtually all parties were in agreement that such a value should be integrated into any asset under management reporting for a financial advisor.

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“Historically, financial advisors have struggled to maintain a cash flow plan for their clients in retirement,” said Baker. “Today, however, many advisors are discovering that allocating a portion of the portfolio to an income annuity not only helps alleviate the strain in the process for both parties, but also helps free up additional resources and time to address other retirement and estate needs.” Baker believes that by providing more information about clients’ income annuities, the industry can increase alignment with financial advisors’ business and service models.

Matt Grove, Vice President, New York Life, also a sponsor of the RIIA survey and a participant on the committee, commented: “Currently, when an immediate income annuity is purchased, neither the money invested, nor the lifetime income received, is communicated in the client’s financial statements nor the financial advisor’s reports. The survey reveals that clearly communicating this information will help remove barriers to the adoption of income annuities in Americans’ retirement plans.” In addition, Grove points out that advisors would understand the value of these products and would no longer feel penalized for offering guaranteed lifetime income products as part of a portfolio.

Bennett Kleinberg, Vice President and Senior Actuary from MetLife, believes that when advisors are tracking and evaluating their clients’ financial portfolio over time, they should be able to see a full accounting of their assets at work for them. “In the case of an income annuity, this could either be the amount of the premium they paid for the benefit or an assumed market value,” explained Kleinberg who is a member of the committee and a sponsor of the survey.

Based on key information and insight from the survey, the RIIA Working Committee’s next steps for addressing this income annuity communication and valuation issue will be to establish standards for sharing data between manufacturers and distributors, as well as the methodology to derive a present value of the income stream of an existing contract that is consistent across all products.

Currently, over 30 businesses representing manufacturers, distributors, and service providers from “Across the Silos” participate on this special working committee.

About Retirement Income Industry Association (www.riia-usa.org)

Founded in 2006 by leading companies, advisors and academics, RIIA and its members address the challenges facing the dramatically changing retirement income landscape. RIIA’s mission as a national not-for-profit organization is to bring the retirement income industry together with a “View Across Silos” to stimulate the development of the

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products, processes and advisory services Americans need to create a secure retirement. Because RIIA members span the entire industry, they create a forum for sharing the freshest outlooks, the most modern thinking, the latest research and the newest product development within the realm of retirement income.

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