



## The RIIA Household Balance Sheet Views Overview

The RIIA Household Balance Sheet Views is an extension of the familiar net-worth statement, but with important differences:

1. Focuses on assets to be used for providing retirement income, including assigning a value to income sources such as Social Security and pensions;
2. Separately records values for all financial products held by households, including all retail and tax-advantaged securities, mutual funds, annuities and cash value life insurance; *and* all of households outstanding debts; and all of households in-place protection including life, health, and property/casualty insurance;
3. Shows household spending on both non-discretionary and discretionary expenses;
4. Projects a future state by modeling behavioral economic principals and leveraging a ‘continuous learning’ platform; and
5. Enables drilling down into different RIIA age and asset segments

One of the most powerful benefits of this tool is its conceptual simplicity. Assets either equal or exceed liabilities or there’s a shortfall. The household is overfunded, underfunded, or constrained.

For a consumer, the Household Balance Sheet provides the opportunity to immediately see their income relative to expenses, their expenses classified into discretionary and non-discretionary categories, their consumption relative to assets, and their situation compared to peers. It sets out simple principles for money management in retirement.

For an adviser, the Balance Sheet allows them to begin a client meeting with quality introductory material without extensive pre-meeting work. The adviser will walk in with confidence and the ability to provide a high level "people like you have this (in household assets) and face these (household income needs). From there, the discussion naturally flows into client household resources (financial, human & social capital), their protection (health, legal, legacy, taxes), client responsibilities (parents, children, charitable) and retirement goals (preferences, trade-offs, values). It can also be used as a benchmark for a client “annual check-up”.

For a product manufacturer, the Balance Sheet will show where their product/silo fits within the context of the whole client and where they are within the context of the whole industry. From this, the manufacturer can : Test strategies to improve persistency and retention of account balances, design products that better address the needs of the policyholder as conditions change, train the distribution channels on how to address their client needs under a variety of circumstances, allow executives to have a better chance of achieving their strategic goals under various scenarios, enable risk officers to identify emerging risks due to the complex interactions of numerous factors.

The Balance Sheet is designed to support RIIA’s mission of providing a “view across the silos” delivering adviser best practices as well as supplementing institutional research of market segmentation.