

## 2005-2015: RIIA®'s 10th Year Anniversary A Look-back at the 2006 Founding White Paper and its 2011 Update

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### The 2006 Founding White Paper

RIIA was founded in 2005. In February, 2006, we launched our association in the public view with the publication of a founding white paper titled: "Innovative Retirement Income and Old-Age Insurance Products: The Perspective of the Retirement Income Industry Association." The co-authors included David Macchia, Al Turco and Bob Del Col.

The white paper opened up with an illustration of our unique perspective, "RIIA's Opportunity Matrix," to demonstrate what was different, and still is, about our association: "The View Across the Silos"<sup>SM</sup>.

The white paper addressed five key questions:

- Is the market shift from asset accumulation to distribution for income generation real?
- Will the money-in-motion reach trillions of dollars?
- Do large market segments lack convenient access to the products, tools and processes that match their needs?
- Are existing asset accumulation products, tools and processes likely to be inadequate for providing income generation?

- Are early and traditional income-generation products, tools and processes likely to meet the entire volume of the money-in-motion?

Our answers were:

- The market shift from accumulation to distribution is real
- The money-in-motion will reach trillions of dollars
- Large market segments lack convenient access to the products, tools and processes that match their needs
- Existing asset accumulation products, tools and processes are likely to be inadequate for providing income generation
- Early income-generation products, tools and processes are not likely to meet the entire volume of money-in-motion

### The 2011 Update of the 2006 Founding White Paper

In 2011, capitalizing on the launch of the first issue of the *Retirement Management Journal*<sup>®</sup> (*RMJ*<sup>®</sup>), we wrote an update of the 2006 founding white paper. The co-authors included: Larry Cohen, Bob Del Col, Jerry Kenney, Karen Lanzetta, David Macchia and Al Turco. The update also recognized contributions from Ron Mastrogiovanni, Steve Mitchell, Robert

Powell, Sri Reddy and Elvin Turner.

In that update, we observed that the “View Across the Silos” had expanded beyond the original opportunity matrix of distributors, intermediaries and manufacturers. It had become worldwide and included individual members, advisers, lawyers, researchers, academics, specialized vendors and regulators.

The major departure from the past was that in five years we had moved from describing the impending client transition, quantifying its dollar magnitude for the industry and otherwise discussing “the problems,” to developing a Body of Knowledge anchored in the Retirement Management Professional’s job description, the Retirement Management Professional’s Toolbox and the use of RIIA’s Client Segmentation Matrix based on the measures of “fundedness.” You can see a reflection of this transition, on a year-by-year basis, by looking at the changing themes of our conferences:

- Summer Conference 2005, Spring Conference 2006 and Spring Conference 2007: *Innovative Strategies to Capture and Retain Retirement Income*
- Spring Conference 2008: *Generating Solutions for the Next Wave of Innovation in Retirement Income Distribution*
- Fall Conference 2008: *Powerful Insights at a Unique Meeting*
- Spring Conference 2009: *The New Normal as Seen from the View Across The Silos*
- Fall Conference 2009: *Traditional Retirement Planning Failed: How Will A New Approach Work?*
- Spring Conference 2010: *New Products, New Communications, New Technologies, New Processes*
- Fall Conference 2010: *Making Powerful Connections to Advance Retirement Income Security*
- Spring Conference 2011:

*The Future of Retirement Income Solutions and Delivery: The Retirement Puzzle in an Age of Uncertainty*

- Fall Conference 2011: *Are We Rome or Byzantium?*

During our 2007 Spring Conference, Ray Kurzweil, an American author, computer scientist, inventor, futurist and director of engineering at Google, pointed out that we will experience changes in the next 10 years that will be comparable to the changes we experienced in the last 50 years. This would be on account of the positive second derivative (i.e. acceleration) of our technology-driven evolution.

Keeping this in mind, and the likelihood that the changes we experience may be greater than the changes we expect, let alone perceive, we see the shift in focus from “The Markets” to “The Client” as the key measure of change for the retirement business, including RIIA’s:

- “Three Disruptions,” an expanded view of risk management at the client level with ripple effects for the industry business models and the promise of new academic developments
- “Measure of Fundedness,” showing the decline of “one-size-fits-all” solutions and the rise of client-specific solutions
- “Household Balance Sheet View<sup>SM</sup>,” illustrating the consideration of all assets and all liabilities in the client household
- “Retirement Allocations,” providing complete advice solutions that can be benchmarked and implemented using existing products
- “Products that Wrap the Price of Income,” ushering in a new category of retirement products
- “Procedural Prudence Map,” summarizing the field in a way that can be leveraged by robo-solutions
- “Retirement Management Professional Job Description,” showing that these changes are being addressed effectively by a new breed of financial advisers

## The 2015 – 10th Year Anniversary – Update of the Founding White Paper

RIIA's mission statement is to “discover, validate and teach the new realities of retirement.” Members explore, document and expand the frontiers of retirement research to elevate the practice of advisers, to open new doors and to help create better outcomes for all.

Since the publication of the first *RMJ* issue, which included the 2011 update of the 2006 founding white paper, our movement from talking about general retirement problems and opportunities to validating and teaching specific solutions has become even more visible. Again, you can see this transition, on a year-by-year basis, by looking at the changing themes of our conferences:

- Spring Conference 2012:  
*What Can Defined Contribution and Retail Distribution Learn from One Another after Five Years of Independent Product and Process Development?*
- Fall Conference 2012:  
*What Does It Take to be a Top Retirement Income Advisor?*
- Spring Conference 2013:  
*The Household Balance Sheet View*
- Fall Conference 2013:  
*Practical Solutions in an Uncertain World*
- Spring Conference 2014:  
*Retirement Opportunities are the Beginning of Great Enterprises*
- Fall Conference 2014:  
*The Art and Science of the Retirement Policy Statement*
- March 2015 and July 2015 Advisor Forum Weeks:  
*Beyond Optimization: From Abstract Portfolios to Concrete Household Balance Sheets*
- Fall 2015 Conference and 10th Year Anniversary Gala:  
*Mapping the New Realities of Retirement*

Today, on the anniversary of our 10th Year, RIIA's

Body of Knowledge includes many validated solutions and deliverables, including these journals and books available on Amazon:

- Eleven issues of the *RMJ* (including this 10th Anniversary issue)
- Ten Thought Leadership award-winning papers
- Two issues of *Between the Issues*
- The 2013, 5th Edition of the RMA® Curriculum Book
- The 2013, 1st Edition of the RMA® Practice Manual
- The 2014 RMA® Desktop Reference book (now retired from Amazon)
- The 2015 RMA® Desktop Reference book

As well as:

- A five-week distance learning program with Boston University (now retired)
- Two eight-week (RMA Level 1 and RMA Level 2) distance learning programs with Salem State University
- Week-long boot-camp class programs with Texas Tech, Nova Southeastern University and Salem State University
- A Virtual Learning Center producing two webinars per month and archives in the members-only library
- A full software implementation of the curriculum (R-MAP) by an RMA graduate, Mike Lonier
- An agent-based simulation model (Retirement Income Model) of the curriculum created by PwC
- A members-only library of research reports
- A members-only library of conference presentations

Our most comprehensive overview of validated solutions in the Body of Knowledge is the Procedural Prudence Map that integrates all levels in RIIA's curriculum framework in a single view, including:

- The four curriculum signposts
- The client hub and the five spokes process
- The seven curriculum chapters
- The Household Balance Sheet View

- The 10 retirement policy statement steps
- The top line items from more than 120 curriculum sections

This Procedural Prudence Map helps advisers checklist and document their own, as well as their competition's, level of service. It helps all RIIA members recapitulate, understand and anticipate the key questions of the next 10 years. The Procedural Prudence Map is shown in Figure 1 on pages 12 and 13; a PDF of the full map can be viewed here: [http://riia-usa.org/wp-content/uploads/2013/08/ToolboxChart\\_6\\_15\\_tab.pdf](http://riia-usa.org/wp-content/uploads/2013/08/ToolboxChart_6_15_tab.pdf)

### The Road Ahead

Members tell us that RIIA's differentiation comes from drawing distinctions that make a difference to them, including:

- Access to the broadest peer-reviewed thought-leadership
  - We are open to all and thus listen to the "small voices" as well as the "big voices"
    - How do you differentiate "wisdom" from "amplification"?
- Receive proprietary as well as private-label research and publications
  - Membership diversity provides objective evaluation of data and new concepts
    - How do you grow beyond your own "siloed" assumptions?
- Develop a holistic client view based on structural independence from silo bias
  - Cross-silo funding makes us independent of product or delivery mechanism
    - How do you optimize outcomes for the individual retiree?
- Learn from a validated client-facing designation that provides practical training
  - The RMA® curriculum is based on the broadest academic thought-leadership and the most diverse practitioner validation
    - How do you ensure that you work with the complete picture?

- Tune in on the most connected place for keeping up with the pulse of everything retirement
  - Our 10 years of industry presence, influence and experience come from the largest and continuously growing cross-silo network
    - How do you discover, validate and learn the new realities of retirement?

Our shared practice of retirement planning – embodied in RIIA's Body of Knowledge, in general, and the RMA Curriculum, in particular – provides us with a differentiated perspective to relate to the problems faced by retirement clients: The Path of the Client. Expressed from the point of view of the industry, we also call it: The View Across the Silos.

This View gives us uniquely actionable commitments to solve the problems that can be solved. Over the last 10 years, RIIA has declared that a new domain of learning has become available. Retirement planning, retirement management, Wealth and Consumption Planning<sup>SM</sup>, as well as Wealth and Consumption Management<sup>SM</sup> bring forth a new structure where change is allowed to happen and new learning can take place. We are a community of learners seeking to transform retirement-planning knowledge into action: better outcomes for our clients.

We are not only teachers but also clients of the industry and clients of RMA graduates. We now travel the Path of the Client in the company of former students. They are fast becoming the masters and we, their students. Our path is no longer a lonely path but a rich and growing path of affiliations with other clients, teachers, peers, students and colleagues. RIIA is developing a lineage of retirement-planning competencies. Join us. ■

**Sources:**

- October 2006: Innovative Retirement Income and Old-Age Insurance Products: The Perspective of the Retirement Income Industry Association, François Gadenne and David Macchia, Al Turco, Bob Del Col
- October 2007: The Future of Life-cycle Saving and Investing, CFAI edited by Zvi Bodie, Dennis McLeavey CFA® and Laurence B. Siegel
- Spring 2011: 2006-2001: An Update of RIIA's 2006 "Founding White Paper", François Gadenne, CFA®, RMA®

## Stay on the cutting edge of the Retirement-Income Industry's latest thinking, research & innovation...

### ...with membership comes resources

- RIIA's Virtual Learning Center delivers twice-monthly webinars from industry experts on practical implementations of the RMA curriculum and more
- Join the LinkedIn group and be part of the active dialog
- Access useful concepts, documents and tools



### Curriculum Signposts



#### THE CLIENT DIAGNOSTIC KIT

- Measures of Fundedness
- Household Client Segmentation Matrix
- Fundamental Planning Strategies
- Household Balance Sheet Analysis

#### THE RETIREMENT ALLOCATIONS

- Risk Retention/Upside Portfolio
- Risk Management/Floor Portfolio
- Risk Pooling/Longevity Portfolio
- Risk Avoidance/Reserves Portfolio

#### THE RMA TOOLBOX

- Implementation Process Approaches
- Account Location
- Product Selection

#### RMA PRACTICE MANAGEMENT

- Ethics
- Implementation
- Monitoring

Visit the website: [www.riia-usa.org](http://www.riia-usa.org) for more information.

# RIIA®'S RMA® PROCEDURAL PRUDENCE MAP: A Summary of Wealth and Consumption Planning<sup>SM</sup> Levels of Service

**CH. 1  
RPS #1**

## CLIENT DIAGNOSTIC KIT ADVISOR-PROVIDED DATA

- Capital market expectations
- Household Balance Sheet (HHBS) Benchmarks<sup>SM</sup>

**CH. 1  
RPS #2**

## CLIENT DIAGNOSTIC KIT CLIENT-PROVIDED DATA

- Funded ratio analysis with the measures of fundedness (overfunded, constrained, underfunded)
- Collection of Budget/Income & Expense Statement data
- Collection of the Household Balance Sheet data (human, social, financial, and physical capital, as well as liabilities)
- Mapping of systematic, portfolio view risk exposures (Sequence of Return Risk Profile)
- Mapping of unsystematic, client view risk exposures (Sequence of Consumption Risk Profile)

**CH'S 2 & 3  
RPS #3, 4.a**

## CLIENT DIAGNOSTIC KIT KEY POLICY DECISIONS

- Budget/Income & Expense Statement projections over the retirement lifecycle horizon
- Household Balance Sheet projections over the retirement lifecycle horizon

- Based on Measures of Fundedness: Based on the Budget/Income & Expense Statement:**
- Fundamental planning decision
  - Investment-based planning
  - Aspirational-based planning
  - (Existential Attitudes/Learning Identities/HC Abilities/Client Typologies)
  - Goals-based planning
  - Product-based planning
- Data-gathering approach**
- Incremental vs. Comprehensive
- Based on the Household Balance Sheet:**
- Capital management style
  - Conservative vs. Dissipative
  - Portfolio implementation style
  - One vs. Multiple
  - Flooring determination methodology
  - Formula/HHBS/Qualitative

- Based on the Risk Exposure Map:**
- Probability-based/Safety-first/Guarantees
  - Risk-monitoring thresholds
  - Levels of impairment

**CH'S 2 & 3  
RPS #4.b, 5**

## CLIENT DIAGNOSTIC KIT SHARED EXPECTATIONS

### ASSETS

#### PV of Human Capital (HC):

- Employer Contributions
- W2/1099 Income

#### PV of Social Capital (SC):

- Social Security analysis
- Pension decision analysis
- Income from trust analysis
- Expected inheritance analysis

#### PV of Financial Capital (FC):

- Tax-advantaged accounts
- Tax-free accounts
- Taxable accounts

#### Value of Other Assets:

- Primary home
- Other real estate
- Business ownership
- Vehicles (planes, boats, autos, etc.)
- Tangible property

#### LIABILITIES

#### PV of Expected Consumption in Retirement:

- Fixed/Non-discretionary/Essential
- Rising/Non-discretionary/Essential
- Healthcare/Medicare decision analysis
- Variable/Discretionary/Non-essential

#### Debt:

- Primary mortgage
- Primary home equity loan(s)
- Reverse mortgage
- Other real-estate loans
- Education loans
- Vehicle loans (planes, boats, autos, etc.)
- Credit card debt
- Other debt

#### Household Net-Worth (Risk Capacity Analysis)

#### Special Circumstances Checklist:

- Last Will & Testament and/or Revocable Trust
- Living Will
- Estate executor
- Durable Power of Attorney
- Married/Cohabit/LGBT
- Single/Divorced/Widowed
- Dependent children
- Dependent adults
- Special needs children/adults
- Other special circumstances

MONITORING

RIIA RMA MANAGEMENT

MONITORING

RIIA RMA MANAGEMENT

**Strategic Choices of Risk-Management Techniques Allocations:**

- Retention/Diversification/Risky Assets - Upside Portfolio (%)
- Pooling/Insure vs. Budget/Insurance - Longevity Portfolio (%)
- Management/Prevention/Hedges - Floor Portfolio (%)
- Avoidance/Cushion/Cash - Reserves Portfolio (%)

**PROCESS APPROACH(ES) IMPLEMENTATION**

**Tactical Selection of Implementation Process Approaches:**

- Engineering process approaches
- Total return portfolios
- Systematic withdrawal plans
- Decision rules/ market view/ fixed
- Actuarial/client view/ variable
- Floating floors
- Time segmentation
- Ladders
- Rolling Floors
- Guarantees
- Economic process approaches
- Smoothing (Kotlikoff)
- MRT (Branning)
- Floor/Upside (Zwecher)
- Safety-First (Bodie)
- Barbellling (Taleb)

**PORTFOLIO CONSTRUCTION**

- Account location choices (tax-free, tax-deferred, taxable)
- Product selection
  - Products that “wrap” the market
  - Products that “wrap” ladders
  - Products that “wrap” mortality
    - Long./life insurance
    - Short/annuities
  - Products that “wrap” an actuarial bond
  - Products that “wrap” structures across risk-management techniques
  - Products that “wrap” options
  - Products that “wrap” the HHBS
  - Products that “wrap” the price of income
  - Products that “wrap” debt
  - Products that “wrap” inflation
  - Products that “wrap” taxes
  - Products that “wrap” liquidity

**EXECUTION**

**Written Retirement Policy Statement:**

- Summary of Client Diagnostic Kit/ Retirement Allocations/RMA Toolbox choices
- Retirement Policy Statement process checklist
- Planned implementation steps

**Account Consolidation**

- Bank Accounts
- Brokerage Accounts
- Asset Management Accounts
- Retirement Accounts

**Buy/Sell list:**

- Custom solutions
- Turnkey solutions
- R-MAP (Lonier)
- Asset Dedication (Burns)
- Income-4-life (Maccchia)

**PERFORMANCE MEASUREMENT**

Note: Chapter #s refer to the chapters in the 2013 RMA Curriculum Book (5th Edition).

Note: RPS #s refer to the RMA's Retirement Policy Statement steps identified in the 2014 RMA Update Bulletin #1, as well as a defined term in the Glossary.