

Retiree Insights Program Proposal for 2016 Program

Greenwald & Associates, Inc.
The Diversified Services Group, Inc.

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Goal and Overview of 2016 Program

Goal

- This will be a pivotal year for the retirement income market as the Department of Labor Fiduciary Standards regulations are expected to be implemented, the investment climate continues to experience high volatility and low interest rates and new technology will permit more effective provision of investment advice. The Retiree Insights program offers a comprehensive low cost vehicle for companies to obtain deep insight into the impact of these changes. This is the fourth year of the comprehensive Retiree Insights program, which will allow us to build on the major body of insights we have already developed on retirement income planning approaches of financial advisors and investment product and advice preferences of pre-retirees and retirees.

Methodology

- A multi-phased research program conducted by two leading market research and consulting firms in the retirement area, culminating in a sponsors meeting that allows sponsoring companies to be briefed on findings and interpretations and discuss key issues.

Target of Research

- Retirees and pre-retirees ages 60-75 with investable assets of \$200,000 and over with an additional sample of people ages 60-75 with investable assets of \$100,000 to \$199,999.
- Financial advisors in all channels who earn at least \$100,000 per year, with at least three years of experience, who receive at least 40% of their earnings from clients ages 60 and over.



Key Learning Objectives for This Year's Program

1. Preferred advice models, including the cost of advice and the disclosure of cost.

- If the Department of Labor Fiduciary Standards regulations are implemented this research will focus on advisor understanding of the impact of the regulations and how the regulations will alter, if at all, their practice models, the financial products they recommend, how they discuss cost and disclosure with their clients, what they need and expect from their broker dealer and product manufacturers and a number of related issues. Additionally, the research will address the issue of automated advice and how advisors feel about integrating this technology into their practices.

2. Identifying barriers to more effective guidance to pre-retirees and retirees.

- Previous Retiree Insights research identified a number of mis-matches between common industry practices and the values, needs and behaviors of pre-retirees and retirees. For example:
 - Assumptions behind most often used recommendations for asset level target for retirement and prudent withdrawal levels versus retiree goals, values and behavior
 - Limited and generally ineffective use of strategy as a framing device. Pre-retirees and retirees strongly value being informed of key strategy options and getting a recommendation for the strategy that would fit them best
 - Industry tools for assessing retiree investment risk tolerance versus effective approaches to assess behavioral risk and risk preferences and mapping to most effective solutions
 - Recommendations for asset allocations versus optimal methods of meeting retiree needs
- This research will investigate any barriers to more effective methods of meeting real pre-retiree and retiree needs in each of the above areas



Key Learning Objectives for This Year's Program

3. **Preferred strategies for dealing with investment risk in a low interest rate environment, including interest in downside protection products and “bounded outcome” strategies.**
 - Bond laddering, which was highly effective for over three decades as interest rates declined, does not work nearly as well now when interest rates are both very low and likely to rise gradually. There is clearly a need for other methods for pre-retirees and retirees to protect themselves from excessive investment risk. The Retiree Insights program has focused on this issue in the past three years and will continue to study how consumers evaluate different types of investment portfolios and products. This will include the use of indexed annuities, guaranteed lifetime income products, hedging and other alternative strategies.

4. **Identifying opportunity points and pain points through journey mapping.**
 - The time immediately before and after retirement creates enormous opportunities to gather and consolidate assets from investors who 1) are no longer compelled to keep assets in their defined contribution plan and 2) have a strong need to revise their investment portfolio due to having to adjust to no longer having income through work. **Customer Journey Mapping** is an effective technique for understanding how to gain clients and retain their business. The Retiree Insights program will conduct retirement journey mapping with a focus on evaluating the effectiveness of key “touch points” between financial services firms and advisors and recent retirees and those expecting to retire soon. The research, conducted over a seven month period, will identify key “pain points” in which people did not get the information or advice they wanted and key “opportunity points” when there was receptivity for information, advice or other interventions. This information will enable companies to enhance the way they attract and serve clients.



Key Learning Objectives for This Year's Program

5. A deeper understanding of the consumer.

- Successful marketing requires deep insight into the target market. In 2015, the Retiree Insights program measured eleven key personality traits of pre-retirees and retirees and found which traits have an impact on preferences for advisors, investment risk and downside protection products. We developed new insights into a segment of consumers who are both loss averse and willing to take investment risk. In 2016, we will extend our research on personality traits and conduct a personality trait segmentation. The result will be to provide our clients with the ability to formulate messages and marketing materials that resonate with the target market and develop products and communications efforts that best meet their needs.



A Seven Phase Program: Phases One and Two

Phase One: Four Consumer Focus Groups

- Two focus groups with pre-retirees and two groups with retirees within 3 years before and after retirement. Participants in two of the groups will have investable assets of \$150,000 to \$300,000 and two of the groups will have participants with investable assets of \$500,000 to \$1 million. Key goals include:
 - Draw retirement journey maps, focused on key touch points, pain points and opportunity points in their financial transition retirement.
 - Discuss different advice models and obtain reaction to each one.
 - Discuss level of concern with investment risk and get reaction to strategies for minimizing investment risk, including bounded outcome solutions.

Phase Two: Two Advisor Focus Groups

- Focus groups with financial advisors from diverse channels with at least 40% of their income from individuals ages 60 and over, income of at least \$100,000 per year and three years of experience. Key goals include:
 - Discuss the expected impact of the Department of Labor Fiduciary Standards regulation on their practice and how they plan to adapt to this regulation.
 - Draw the most common client journey map in their financial transition to retirement , with identification of key touch points, pain points and opportunity points.
 - Discuss different strategies and products for dealing with investment risk, their sense of the most effective methods of dealing with investment risk and their perception of client interest in “bounded outcome” solutions.



A Seven Phase Program: Phase Three

Phase Three: Survey of Pre-Retirees and Retirees

- Online survey of 1,200 pre-retirees and retirees ages 60-75, including 1,000 with investable assets of at least \$200,000 and an additional sample of 200 with investable assets of \$100,000 to \$199,999. None will have or expect guaranteed lifetime income derived from a defined benefit pension plan. Key goals include:
 - Evaluation of several advice models.
 - Full battery of measures of key personality traits.
 - Several measures of investment risk tolerance, investment risk preference, and perceived disaster point.
 - Importance of maximizing gain and value of protection against investment loss.
 - Assessment of impact of key “touch points” in transitioning to retirement.
 - Reaction to several portfolios and characteristics of investments designed to protect against excessive investment loss.
 - Repetition of key questions from former surveys to provide a measure of attitude change since 2013.
- Conduct a segmentation analysis centered on personality traits.
- Information will be collected on key touch points respondents have had with advisors in the past month. In conjunction with an assessment of how far they are either “to” or “from” retirement. We will slice the data to get further information to support journey mapping.



A Seven Phase Program: Phases Four and Five

Phase Four: Survey of Financial Advisors

- Survey of 300 financial advisors with at least three years of experience, at least \$100,000 of annual income and derive at least 40% of their income from clients ages 60 and over. Key topics include:
 - Impact or expected impact of Department of Labor Fiduciary Standards regulation on provision of advice, use of different financial products and discussion of cost and disclosure.
 - Use of technology and social media in communicating with pre-retirees and retirees.
 - Preferred strategies for dealing with investment risk and reaction to downside protection products, guaranteed lifetime income products, alternative investments, managed accounts and other approaches

Phase Five: Retirement Journey Mapping Through Three Surveys and an Online Bulletin Board

- Journey mapping is an effective technique for understanding how to better serve clients. Most journey mapping is focused on the interactions a client has with a single company. However, when people make decisions managing money at the start of retirement they often seek input from several sources, including retirement plan providers, in-person financial advisors and their online sources of information. The Retiree Insights program will produce journey maps through a four step process.
 - Step One: Survey of 200 people with investable assets of at least \$200,000 who plan to retire within six months or who retired within six months.
 - The survey will gather information about key “touch points” concerning advice about investing for retirement and actual changes in investments. The focus will be on “pain points” (interactions that did not go well) and “opportunity points” (information or advice that would have been helpful).



A Seven Phase Program: Phase Five (continued)

- Step Two: A diary filled out by 150 people two months after Step One, who were all surveyed in Step One, to collect information on touch points since the Step One survey and evaluations of each touch point.
- Step Three: A diary of 100 people two months after Step Two, who were all surveyed in Steps One and Two, to collect information on touch points since the Step Two survey and evaluations of each new touch point. This third survey will provide us with a four month record of touch points in the crucial period within six months of retirement.
- Step Four: An electronic bulletin board with 15 people who participated in each of the three surveys to gain insight and perspectives on the advice and information they as they prepared to adjust or adjusted financially to the movement from work to retirement. The bulletin board will be conducted over a three day period, with key questions posted each day and each participant answering questions, seeing how others answered the same questions and given a chance to comment on the experiences and evaluations of the others.



A Seven Phase Program: Phases Six and Seven

Phase Six: Sponsors Meeting

- We will conclude the Year Four program with a full day sponsors meeting.
- The program will consist of four parts:
 - A presentation of key findings
 - A presentation of interpretations and recommendations of the researchers
 - An open interchange of ideas
 - An opportunity for sponsors to provide input into the agenda for the next year's program

Phase Seven: Customized Presentation at Each Sponsors' Offices

- If desired, each sponsor can receive a 60-120 minute customized presentation at their offices.
 - The length of the presentation is decided by each sponsor: last year most sponsors scheduled a 90 minute presentation.
- The presentation, delivered by Matt Greenwald and Borden Ayers, is comprised of findings of most direct interest to each client and the researchers' interpretations and recommendations, customized for each sponsoring company.



Background on Our Firms and Cost and Timing Information

- Greenwald & Associates, Inc. (Greenwald) and Diversified Services Group, Inc. (DSG) introduced the Retiree Insights Program in 2012 because of rapid and continuing change in the retirement market and our belief that a greater understanding of pre-retiree and retiree concerns, needs, attitudes and financial management practices could help financial services companies achieve greater success in this market.
- Each of our firms has focused on the retirement market for over 20 years and the massive amount of focus groups, surveys and consulting assignments we have conducted has given us, we believe, a great depth and breadth of knowledge and insights that can help us implement research and interpret results at the highest level. Our firms have worked together on a number of projects and found a synergy in our partnership that provides extra value to our clients.

Cost and Timing Information

- The Sponsorship fee for the 2016 Retiree Insights Program, as described above, is \$20,000. This fee is payable in two installments: \$12,000 at program launch and \$8,000 upon completion of Phase Five, prior to the sponsor forum. This fee provides input into all phases of the program, reports on each phase of research, transcripts of the focus groups, a data file on the surveys and attendance for at least three members of your company at the sponsor forum. Proprietary add-on research tailored to a company's client base and financial advisor relationships is also available, with the fee to be determined and agreed upon in advance, based upon the scope of the proprietary work.

For more information on this program contact either:

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