5 questions for John Anderson, Managing Director of SEI Advisor Network's Practice Management Solutions

By **Jenny Ivy** | June 07, 2011 at 03:43 PM | Originally published on **Benefitspro.Com**

It's time to get real about retirement. John Anderson, managing director of SEI Advisor Network's Practice Management Solutions, says retirement dreams are becoming cash-flow realities for millions of investors and their advisors.

With 75 million potential baby boomer clients, and $2.7 trillion in assets rolling out of 401(k) plans over the next 20 years, you would think the retirement market is a hotbed for advisor business. It's not. In fact, 90 percent of advisors say 20 percent of their client work is retirement-related, and only one in 25 advisors has fully shifted focus to this market.

Anderson spoke with BenefitsPro on where the client/advisor relationship is headed, why advisors are lukewarm on the retirement market, and what the new retirement reality will look like.

BenefitsPro: A lot of attention has been paid to the "getting to" retirement – whether that involves strategies like working longer, saving more, revisiting asset allocation, etc. What should the conversation be focused on when it involves discussing post-retirement plans?

John Anderson: Cash flow and how inflation is going to eat at your savings. Nothing really new here but investors have become increasingly more conservative and focused on "safer" investments. In many cases a newly retired person will live 30 years or more in retirement, they need to make sure that their spending power is still intact. Having a serious discussion with the investor on the longer-term effects will be challenging but necessary. Focusing the client on a goals-based approach, which will have the client place their retirement assets in pools thus allowing for current cash flow in the early years, moderate growth and some cash flow in the middle years and assets that will keep up with inflation in the later years. This approach will balance the clients' behavior bias of short-term thinking with long term results. It can help cut through the noise of the financial markets and keep them on track.

BP: Recent surveys have shown investor confidence is still reeling from market volatility. Investors appear to be taking more of a protective or conservative approach with an interest in guaranteed income solutions, and there have been suggestions these should be included or offered within workplace retirement plans. What's your opinion on that?

JA: We recently conducted a retirement webinar that had over 700 advisors sign up. During the presentation, we had over 200 respond to various quick polls. One quick poll showed that 74 percent of advisors had clients that changed their retirement plan allocation during the crisis (either with or against the advisor's advice). To me, this hints at investors trying to "time the market."

As you know, investors typically have always miss-timed the market (see Dalbar's studies). If the investor moves out of the market and into the income fund, it is usually too late and they never get in back in time to capture the upside. When people are still earning an income, I think the "guaranteed income solutions" would limit the growth that the investor would need in his/her account, *exactly* when they need it most.

BP: You touched on the subject in your retirement webinar, but can you help explain why only a fraction of advisors (an estimated 5,500) are dedicated to the retirement market, even though there seems to be tremendous potential there?

JA: A few reasons, in my opinion…

1) the rollover market is typically not an immediate sale unless you find someone, without an advisor, who is just about to retire. Taking on a new client with smaller non-qualified assets would result in a "delayed sale" for the larger qualified assets.

2) In mass, the average account size of the typical rollover is small, however the older the client the more potential the account is larger. It's hard for the advisor to build any scale for lots of clients with lots of small accounts.

3) the "1-800" fund families do a great job of telling investors in their plans that you can roll over to them when you retire. If an advisor sold a qualified plan to a company, his biggest competition in capturing the assets of the retiring client, is that 401(k) platform itself. It is a great business for those fund families and the competition is great for the advisor without a focus in that market.

BP: What do you consider the new retiree client/advisor relationship? What needs to be changed from the old guidelines that can help establish a more realistic possibility for pre-retirees, and how will this be different for various generations?

JA: I think it changes from "retirement dreams" and "what do you want to do in your next stage" to a more realistic, frank discussion of how decisions will affect the retiree's cash flow (note, not investment returns, we think it really comes down to cash flow). Advisors have to build portfolios that will take into consideration investor behavior and communicate how they work for the client. We need to help them invest like they think, not how institutions invest. In my opinion, the days of the one-size-fits-all, 60/40 asset allocation portfolio should be over. Realistic discussions about spending and lower returns should be happening right now.

BP: Addressing the needs of workers who participate in workplace retirement plans, where do you believe is the best places or resources for these investors in order to become more educated or better informed of retirement issues, if they believe they don't have the means to consult a financial advisor directly?

JA: You have to want to, but in most cases, unfortunately, most people do not try to educate themselves on retirement issues. I've heard it said often, we spend lots of time planning vacations and little time planning for retirement. The materials from the plan sponsor's investment options are great places to start and there are probably thousands of places that offer "financial advice" online and there are many websites from fund families. Most importantly, I think that many participants that don't believe they have the means to consult a financial advisor directly are wrong. There are a lot of great advisors that will assist or at least refer to someone that can help. It may take a one-time fee or an hourly rate, but that type of one-on-one education is invaluable.

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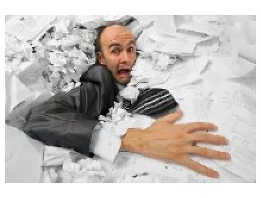

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