



THE “NEW” RIA

Welcome the Retirement Income Advisor,
the Antidote to a Bear Market

By Stephen Gresham

Hidden behind the March 2020 bear market is a new golden age of financial advice, ‘The Retirement Income Age.’ The client demographic that created the modern investment industry is moving en masse from accumulation to distribution - just as pundits have been forecasting for thirty years. It’s been a safe bet. Years ago, the birth rate in the United States soared to 10,000 per day - an unprecedented level. The birth boom began in 1946, one year after the end of World War II and long before there was a Schwab or Vanguard (Fidelity was founded in 1946).

While many advisors have helped their clients invest and plan for retirement during The Retirement Savings Age (1982-2018), many more will need to refine their skills or face competition from new service models, new products and new entrants focused

solely on retirement. We knew this day would come - the 2020 bear market is just the trigger.

The financial advice industry has seen this movie before. Following the stock market crash of October 1987, many clients questioned both the effectiveness and cost of buying stock tips with their broker. Top firms including EF Hutton and Merrill Lynch introduced new investment programs providing high net-worth investors with access to institutional investment managers following a tailored investment policy with regular reporting of performance and review of objectives.

Not unexpectedly, the new programs and the advisors who embraced managed account consulting became respected top producers at their firms. Many “stockbrokers” suffered

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by comparison and many left the industry. And now commissions are free.

Financial advice is not the only affected industry - maturing Baby Boomers have been a rolling thunder their entire lives. As babies, the cohort created the pediatrician and a boom in elementary schools. Now there is untold demand for geriatricians, outnumbered 9-1 by pediatricians. Elementary schools are closing - two that I attended are now assisted living condos. Big Detroit-built sedans were replaced by "foreign" mini-vans and SUVs, and many of those cars are being replaced by sportier models for empty-nesters. The Boomers built fast food, the mall and the competition for college admission.

So now there's a new advisory sheriff in town. The Retirement Income Advisor (RIA) is not a new idea or a new business - what makes this role the lead actor in The Retirement Income Age (2018-?) is the growing importance of the need. Of course, many top advisors have successfully straddled investment and financial advisor jobs and held on to help

clients through their retirement. You're the leaders. But all of us will have to deal with the looming domination of "retired" clients that have different objectives and potentially greater complexity of needs depending on how well they saved, how well they planned and how well they age.

Service needs for the advisory practice will skyrocket. What clients can do for themselves will change. Self-directed clients may opt for more advice as they age, but will they be willing to pay? Loyal advice clients may be happy to pay, but will gradually lose their ability or die, transferring assets to heirs who may have no relationship with the advisor. Every trend we spot today will only accelerate.

But 'great moments are born of great opportunity,' Coach Herb Brooks told his gold medal winning hockey team in 1980, and the rise of the Retirement Income Advisor has been created by the need for exceptional humans with these qualities:



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ENVIRONMENTAL REALIST

The current medical and political turmoil are loud reminders of how our most careful plans can be yanked out of our control. The RIA is a master of the moment - understanding the impact of anxiety creating conditions. Client experience plays a huge role in determining the job at hand. At the start of The Retirement Savings Age, 1982, the Dow Jones average was just 875. I pick that year because both stock and bond markets began their historic run after Fed Chairman Volcker slayed hyper inflation.

The oldest Boomer was 36, the median age was 26, money market funds were disintermediating bank deposits, IRAs and 401ks were becoming mainstream. So if you were "in it", you were a winner. The first Boomers made money in everything (except some wildly hyped tax shelters). And they enjoyed another boost at 65 (2011) when 10 year Treasury yields were 3x today's rate and the bull market in equities ran up 3x as well. Today's new retirees have limited options, different perspectives - and fresh memories of 2000-01 and 2008.

EMOTIONAL PRAGMATIST

Empathy is the most valuable capability of a human advisor but there is wide variation in its practice. Using empathy well takes work. More than any prior generation of advisors, the New RIA will be managing lofty client expectations and delivering unwelcome reality checks. Empathy can help package the message but the message has to be delivered with confidence.

Imparting bad news requires the RIA to have a thoughtful path forward for your client, not to hold hands and wish it were better news. Think of the oncologist who must report the facts and, most importantly, describe the next steps. Many clients will be disappointed.

But just as managed account consultants grew out of the frustrations and losses of buying stocks from stockbrokers, I'm confident a new profession is now growing out of 2020's market correction and collapse of interest rates. And I'm guessing it won't try to force a Modern Portfolio Theory lecture on every client.

CREATIVE ARTIST

Advisors who grew up with Legos and the Rubik's cube have an advantage in The Retirement Income Age. Their ability to manage investment options and product features will be essential to stretch limited client assets. True wealth management is maximizing assets net of liabilities and income net of expenses. The RIA lives on both sides of the balance sheet and income statement. Reducing risk and cost are valuable skills on a par with any investment gains.

I expect more new product and planning innovations on the liability/cost front as demand becomes clear and the leverage of liability products becomes easier to acquire. A great historical reference point is that as managed account consultants began to thrive, the best of Smith Barney's players were called "Alchemists" as testimony to their complex client solutions. Like magic, no?

LONGEVITY SPECIALIST

Most clients seeking advisors are looking for someone who "knows" them - who works with people just like them. Peer referral remains the #1 source of advisory clients. Word travels fast when you start solving tough challenges for clients - and longevity is a robust factory of issues. Empathy plays a role here but the real advantage is insight. You know the road ahead and have made the trip with other clients - returning wiser and better prepared to help the next traveler.

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Four key life transitions presage any further planning and provide the foundation for daily living - where to live, how to pay for health care, how to get around and how to make good financial decisions. All of these issues are dynamic, and that is another strength of the RIA - vigilance to watch clients age and change and help them stay ahead of the risks.

The RIA also knows aging is always a journey right to the end, not a decline. Older clients don't want to be constantly warned about "risk", they want to know what they can enjoy. They aren't as interested in "safety" as they are in "independence". The RIA is their champion.

FAMILY THERAPIST

This last trait may be the one that trips up even the most purposeful RIA-wannabe. The most fabulous clients can have crazy, annoying and harmful family members. Longevity has blessed the New RIA with the potential for client families of three or four generations - all of which may have different objectives and conflicts of interest. The good news is the older generations provide a learning opportunity to younger family members. The Baby Boomers are being schooled about longevity by their parents, other relatives and older friends.

This is how I selected the beginning date of The Retirement Income Age - 2018 is the year when the Boomer median matched the average retirement age in the US - 62 - and their parents' generation turned a median 82, a very common age among retirees but one at which many need help with those key life transitions. There is no more rewarding, difficult, exhausting and appreciated role for the RIA than helping the family cope with longevity and to help facilitate the success of younger family members. This is the highest calling.

With most clients having scattered their assets across the advice industry during the bull market and now facing together the inevitable challenges of age, there is already great demand for a role not well advertised or authentically delivered. The advisor who specializes in the needs of "retired" clients and their families will soon be as common and as popular as that sporty SUV that didn't exist when their parents retired. And the advisors who stay the course of "invest-and-plan" for the future will need to find newer, younger clients. And start all over again.

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