Key Findings:
- Advisory services extending from portfolio management to income planning will be an emerging differentiator and a central means for gaining rollover assets.
- The total of all IRA types (traditional and nontraditional) reached US$4.7 trillion in 2010, representing a 10% growth from the prior year.
- Cerulli estimates that there are approximately US$11.5 trillion in Retirement Income Opportunity (RIO) households.
- Most advisors (73%) expect practice revenue to increase as more clients seek income advice.
- When it comes to distributing retirement income products, most providers view advisors as the optimal channel. However, firms should take note that the direct channel is growing quicker than previously thought, and is also larger than previously thought.

Unique Data and Analysis:
- Rollover market sizing by age, net worth, and investable assets
- Size of IRA markets relative to DC market assets
- Destination of rollover assets by advised or unadvised product location
- When consumers are most likely to roll plan balances
- Demographics of advisors with significant rollover assets
- Retirement income market sizing by age segment
- Analysis of the demographics of pre-retirees and near retirees as it relates to investable asset location and product types
- Projections, incorporating the impact of legislation and increased Baby Boomer retirements

This report helps firms:
- Obtain accurate and granular sizing of the rollover and retirement income markets
- Examine addressability of each market
- Assess segmentation of the rollover opportunity by age, wealth tier, advice orientation
- Understand revenue and profitability measures
- Gauge advisor and investor sentiment toward rollover and retirement income

Report Details
- 175 pages
- 101 exhibits
- Table of contents follows

Sample Exhibit:

EXHIBIT 6.6: Distribution of Retirement Income Products by Channel, 2011

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail: through third-party advisorforce</td>
<td>60%</td>
</tr>
<tr>
<td>Institutional: qualified retirement plans</td>
<td>50%</td>
</tr>
<tr>
<td>Retail: direct to consumer</td>
<td>40%</td>
</tr>
<tr>
<td>Retail: through agency force</td>
<td>30%</td>
</tr>
<tr>
<td>Retail: platforms such as managed accounts</td>
<td>25%</td>
</tr>
</tbody>
</table>

Sources: Cerulli Associates, in partnership with IRI
The following are examples of how this report can be applied to business planning and strategic decision-making:

**Scenario 1:** A large asset manager is updating its rollover presentation for its annual board meeting. It needs reliable, updated market sizing and projections, including new perspective that will help their board understand how powerful this marketplace is. *The State of the Rollover and Retirement Income Markets: Sizing, Segmentation, and Addressability* provides answers to the following questions:

- How large are the IRA and rollover markets and what are Cerulli’s projections for growth?
- How are advisors positioning themselves for success in the rollover marketplace?
- How are DC providers retaining assets that are eligible for distribution?
- What is the breakdown for rollover assets by account type: advisor-sold or self-directed?

**Scenario 2:** An insurance firm is formulating its business plan for the coming year. It seeks reliable sizing for the DC, IRA, and rollover markets. *The State of the Rollover and Retirement Income Markets: Sizing, Segmentation, and Addressability* provides answers to the following questions:

- What are the components of traditional IRA asset growth and how have they changed over time?
- How do the IRA and 401(k) market share leaderboards differ?
- How large is the rollover market by age, investable assets, and advice orientation?
- What is Cerulli’s outlook for the size of the IRA and rollover markets?

**Scenario 3:** An asset management firm with a few fledgling retirement income products seeks the most current insight and analysis of the retirement income opportunity, including realistic views on the addressability of this market and which channels are poised for success. *The State of the Rollover and Retirement Income Markets: Sizing, Segmentation, and Addressability* provides answers to the following questions:

- What strategies are advisors using to address their clients’ retirement income needs?
- How prepared are U.S. households for retirement income?
- Which channel is best positioned for retirement income success?
- Which products have the most promising outlook in the retirement income market?
The State of the Rollover and Retirement Income Markets: Sizing, Segmentation, and Addressability

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The State of the Rollover and Retirement Income Markets:
Sizing, Segmentation, and Addressability
The IRA marketplace has eclipsed the private DC marketplace as the largest repository of retirement savings assets of consumers. However, assets in IRA accounts seem to receive the least amount of attention from media, associations, and legislation. This report covers the state of the IRA rollover marketplace, combined with a comprehensive update on retirement income markets and their growing fit as key rollover attraction and DC asset retention strategy.

We explore and design an asset manager’s field guide as it relates to consumer demographics, product fit, and life stages for retirement savings plans. The one-size-fits-all approach has been thoroughly dispelled as even close to an adequate idea for any retirement plan. There are too many unique variables that drive solutions for consumers needing income for their retirement from accumulated savings rather than defined pension plans from long-term tenure at an employer.

The key battlegrounds are forming on IRAs, rollover capture, and connecting retirement income solutions, especially for pre-retirees and the newly retired, to winning share of wallet in the marketplace. CA highlights the size of IRA markets relative to DC savings, the impact of rollovers on growth, and the destination of these assets in an advised or unadvised product location.

Consumers and their attitudes and behavior are an important element in the design and delivery of products and services. While firms are getting better at consumer-centric approaches, it remains an uphill climb for many. This report explores the attitudes and associated reasons that consumers place their retirement savings at the critical junctures in one’s life when what to do with savings are decided. Additionally, we size the rollover opportunity by age, net worth, and investable asset ranges. These views provide a comprehensive and segmented understanding of the location of assets in accounts and the associated traits of consumers.

Advisors are an important force to consider in a rollover capture strategy. Rollover is one of the main drivers of growth in assets under management for their businesses. Additionally, advisors are in the midst of a sea change in the planning process that must prioritize income creation over asset growth for older clients. CA explores demographics of advisors with a
priority of IRA rollover assets. Also, the report highlights a growing control of DC assets by specialists who have yet to fully tap the potential of rollover assets now potentially in their control as well.

The report takes a deep dive into the retirement income marketplace. There are many products and process that have been hurriedly created in the past few years to address the growing issues of income adequacy from personally saved assets. The report sizes the opportunities that 55-70 year olds represent in terms of sales aimed at retirement income solutions. We break down the specific demographic of pre-retirees and near retirees as it connects to investable asset location in product types.

Finally, CA presents its outlook on IRA, rollovers, and the retirement income marketplaces by highlighting our asset projections in these markets and how we derived our projections. We prognosticate the impact of current and pending legislation that will affect these markets. Also, we look out over the horizon and place some predications on the products and process that will truly transform these industries in the years to come.
METHODOLOGY

CA analysts combined a multitude of survey results and in-depth interviews to create a comprehensive picture of IRA rollover and retirement income marketplace. Additionally, several custom models used third-party and proprietary inputs that support the sizing and projections of CA’s rollover and retirement income market estimates.

A significant number of interviews were conducted with top executives at firms that maintain leadership positions as IRA providers and recordkeepers for DC retirement plans. These confidential in-depth interviews were conducted in a one-to-one format with additional follow-up where needed to provide clarity and accuracy.

CA conducted proprietary surveys independently of one another to provide baseline, trend, and actionable data for the report. In Q2 and Q3 of 2011, surveys collected inputs from DC recordkeepers, IRA administrators. In Q3 2011, retirement income product and services providers were surveyed using an instrument dedicated to retirement income markets. Also, in June and July, several hundred advisors were surveyed with focused and dedicated questions about retirement income, rollovers, and retirement plan specialists within the overall advisor landscape.

Additionally, numerous third-party research studies helped complete our knowledge of these marketplaces. Specifically, CA maintains a data partnership with Phoenix Marketing International, which provided the primary basis for investor specific data on behaviors, attitudes, and investable asset product location in net worth levels, age groupings, or investable asset tiers. Overall, this data immensely enhances our abilities to link consumer data with financial firm data for the most complete and relevant observations on nearly all aspects of these markets.
SAMPLE SECTION
from

THE CERULLI REPORT:
THE STATE OF THE ROLLOVER AND RETIREMENT INCOME MARKETS: SIZING, SEGMENTATION, AND ADDRESSABILITY
CA asked providers to assess timeframes in which they chase identified rollover opportunities on their platforms. Many (55%) pursue a rollover to IRA strategy within a certain amount of months following an event making a participant eligible for distribution. CA notes that no firms chose the option in the survey of rollover to IRA immediately. While this would be extremely forward of most firms, it seems there’s room to get more aggressive on the participants in status of termination with a plan.

Slightly over a quarter of firms launch into a stay-in-plan effort immediately following a termination by a participants. Some firms told CA that they reach out immediately with messages of better pricing, fiduciary support, and access to funds not available on the retail side. One insurer with a large DC platform indicated they were having great success with participant capture by keeping their stable value rates high. This has been a magnet to worried investors seeking principal-preserving returns of 4%-5%. There are few investment alternatives paying this interest and they let terminating participants know this.
Distribution

Most providers (60%) state that the distribution of retirement income products is mainly through unaffiliated retail advisors. Advisors and their methods for retirement income were highlighted in chapter 4 of this report. CA notes that as more clients seek income over growth planning, advisors are need to broaden their scope and adjust the product shelf to include more income-oriented solutions.

The next method of distribution cited by 50% of responders was DC plans. This has clear advantages for recordkeepers and asset manager partners, where captive audiences of retirement savers are increasingly seeking income solutions from their DC plans. However, recordkeepers have been vexed by turning interest from sponsors into actual implementation.

EXHIBIT 88: DISTRIBUTION OF RETIREMENT INCOME PRODUCTS BY CHANNEL, 2011
As a significant amount of distribution of retirement products is done through a third-party advisorforce, it behooves asset managers to make products capable of assimilating into an advisor’s plan.

Sources: Cerulli Associates in partnership with IRI