WHY KEEPING UP WITH TECH-SAVVY BABY BOOMERS IS A GOOD IDEA
Ways Your Client Relationship Could Benefit from the Advantages Technology Offers

If you had to guess which age group uses digital technology the least, you’d probably say baby boomers, and you’d be right. So it might surprise you to learn that millennials and boomers attach equal importance to digital apps and tools when it comes to managing their retirement savings. That’s not to say that boomers are turning to digital instead of turning to their advisor. You are still their first choice for financial guidance, but they do expect you to be up to speed on the latest technological developments. Research shows that 71% of boomers consider it important for a financial advisor to use modern tools for financial planning.

We spoke to social trend analyst Kim Lear of Inlay Insights, who frequently works with boomer focus groups, about the reasons behind this emerging digital shift. She explains that the growth in uptake of technology comes down to control and convenience.

“Boomers are using technology to connect because it’s more efficient for their busy schedules. Lots of Boomers are still actively involved in raising their families, while balancing a career. They’re still at work. Others have taken on the responsibility to care for their aging parents or they’re volunteering. They’re busy people and they value tools that make life easier.”

So how can you adapt your business to be more relevant to tech savvy boomers?

Research suggests that digitally enabled practices experience better revenue growth, but many financial digital tools are relatively new and adoption by advisors is still quite low. Most advisors in the

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HELP GUIDE CLIENTS TO AND THROUGH RETIREMENT

Every investor has three necessities on the journey to their financial goals: a map, a vehicle, and a compass. In other words: a plan, suitable investment strategies, and a benchmark. It’s that last one that is often overlooked by investors and their advisors, yet it is one of the keys to successfully arriving at the intended destination.

Meeting goals and expectations is especially important when investing for retirement, and the benchmark advisors use on that financial journey has a large role to play in an investor’s success. Therefore, understanding how to set, and use, an appropriate benchmark up front can be critical to getting, and keeping, clients on track.

An ideal benchmark is outcome-oriented and can gauge where a client stands today and whether they are on the right track toward their retirement goals. The first step for advisors is setting the right benchmark, followed by using that benchmark appropriately to monitor and manage their client’s retirement journey along the way - not just at the end of the process - to gauge success. The benchmark should allow advisors to engage in regular “check-ups” that can help guide adjustments all the way to and through retirement.

FOCUS ON THE END-GOAL: RETIREMENT INCOME VS. RETIREMENT SAVINGS

Traditionally, financial advisors and investors have focused on the total savings number as an appropriate retirement goal and measure of success. Aspiring to have a nest egg of a specific amount, such as $1 million, became the benchmark against which success was measured: If an investor had $1 million saved, they had “met their goal” and progress was measured against how close or far away they were from accumulating that amount. This seems like a pretty straightforward way of setting a benchmark and measuring progress.

“The income goal becomes the investor’s benchmark, and the income gap becomes a way of measuring how well they are doing towards meeting that goal.”

By: BLACKROCK
However, what that single number doesn’t do is tell the investor what they really care about: how much income will they be able to generate from their savings during retirement? And, just as important, how long will they be able to sustain that level of income? So, if the goal is truly about generating retirement income, is the nest egg really the appropriate benchmark?

If the end goal is reframed into one focused on retirement income instead of accumulated savings, advisors can have very different conversations with their clients about their retirement plans and provide a better way to measure progress. It all comes back to setting an appropriate benchmark upfront, one that is focused on the investor’s true financial goal - retirement income.

BlackRock has a sophisticated tool for financial advisors that helps reframe the retirement conversation around just such a benchmark. iRetire® can help advisors manage their clients’ retirement journey with a relatable conversation around where they stand today and actions to consider to help meet their retirement income goals for the future. Using the iRetire tool starts with three simple pieces of client information - their age, their current retirement savings, and their retirement income goal. The iRetire tool then estimates the investor’s annual income in retirement, and shows where they stand today compared to their retirement income goal – or in other words, their income gap.

Results can be eye-opening for clients – future retirees may be surprised and disappointed to realize that their current retirement savings may not generate the future income they want. In this way, iRetire can act as a “reality-check” for retirement savings and investing since investors have the opportunity to see where they stand in relation to their real goal of retirement income. And for advisors, the results are an opportunity to help ensure their clients are looking at retirement assets holistically, allowing advisors to potentially expand their relationship by helping consolidate assets they don’t currently advise.

More importantly, the iRetire tool gives advisors the ability to have meaningful conversations about ways to close a potential income gap – perhaps retiring a few years later, saving a bit more each year before retirement, factoring in other sources of income (e.g., Social Security and employer pensions) or taking a little more investment risk. Pulling these levers to instantly show the potential impact allows advisors to reveal their client’s preferences on how best to close the retirement income gap, and allows them to present their clients with a plan to help them achieve their goal.
RETIRED INCOME BENCHMARKING: IT DOESN’T STOP AT RETIREMENT

While a “one and done” conversation with their advisor can put clients on a path to potentially reaching their income goal, checking in periodically allows them to make sure they are staying on that path, and provides an opportunity to course correct if circumstances should change. The income goal becomes the investor’s benchmark, and the income gap becomes a way of measuring how well they are doing towards meeting that goal.

Investors who are successful in making the journey to retirement, and to their retirement income goals, should feel satisfaction in this accomplishment. However, there is still plenty of road ahead to navigate. Investors may have saved enough to generate a desired level of retirement income, but what can they do to help ensure that they can sustain it?

The iRetire tool can continue to play a crucial role in navigating this retirement journey. Up until the point of retirement, iRetire helps advisors show how much retirement income their savings could generate. After retirement, iRetire can help advisors show their client how to create a plan to help sustain that level of retirement income. But even in retirement, it is just as important not to fall prey to a “set it and forget it” mentality as circumstances can always change - performance against the benchmark must still be measured.

The simplicity and sophistication of iRetire enables periodic check-ins, even after retirement, that continue to allow advisors to provide actionable results aimed to keep investors aligned with their benchmark – sustainable retirement income. While the benchmark remains the same in retirement, the levers to manage against the investor’s benchmark change such that investors are now making decisions around short term spending, additional earned income, changing investment selections or even purchasing an annuity. In fact, carefully chosen, annuities can be an integral part of this plan as they can not only help ensure a secure level of lifetime income, they can also reduce the volatility around the benchmark. Reducing volatility around sustainable income, in turn, can help provide the investor with more confidence in staying on track towards their goal.

BENCHMARKING SHOULD BE AN ONGOING EXERCISE

Through the retirement journey, we believe using the right tools and benchmarks is crucial. In retirement, benchmarking should not be just about accumulated assets, but rather offer a means of translating an objective – e.g., $60,000 a year in retirement income – into an opportunity to make more meaningful decisions. It should play a role in each step of the retirement planning journey. Like the compass you place on your map, a benchmark helps you chart your course and stay on track.

And as markets and financial situations continue to shift, a tool like iRetire can help advisors monitor portfolios and retirement income goals over time, closing the gap between the journey their clients are currently on with the one they truly desire.
Help your clients live the retirement they imagine

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- Investment products
- Life insurance

Any guarantees are subject to the terms and conditions of the contract and the claims-paying ability of the insurer.

A Perfect Fit: The Insured Retirement Institute and You

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Contact myIRIonline.org for more information.
HOW TO GET A MILLENNIAL TO RETIRE

“While Millennials can envision retirement, most aren’t planning to realize that vision. Only one in four Millennials is very confident they will see meaningful income from a workplace retirement plan, and only one in ten are very confident in Social Security. ”

“By Frank O’Connor
Vice President, Research and Outreach
Insured Retirement Institute

They want to retire...someday. But Millennials are an interesting group when it comes to retirement planning. IRI’s Millennial research regarding their preparations for, and views on, retirement surfaces informative (and somewhat contradictory) findings. Most have firm notions about when they’ll retire, but fewer have a plan to get there, or even a firm grasp on the concept of retirement income. Despite their retirement vision, they lack confidence, in both the government and themselves, when it comes to income sources.

Two-thirds of Millennials believe they will have enough money to retire – 35 percent at the age they want, and 31 percent at some point. Fifty percent say retirement means the freedom to decide whether and how much to work during retirement, 19 percent want to leave careers but earn income from skills or hobbies, and 11 percent want to reduce their responsibilities and/or work hours. Thirty-seven percent of Millennials chose the word “freedom” to describe their retirement ideal, 27 percent feel that “peaceful” best defines retirement, and 23 percent desire a retirement that is “exciting.”

While Millennials can envision retirement, most aren’t planning to realize that vision. Only one in four Millennials is very confident they will see meaningful income from a workplace retirement plan, and only one in ten are very confident in Social Security. When asked to rank their confidence in expected sources of meaningful retirement income, Millennials put workplace retirement accounts, personal savings, employment, investment income, and pensions ahead of Social Security. Despite this, only 15 percent of Millennials contribute to retirement savings per a written plan, or even toward a savings goal. While their retirement awareness and preparedness may be coming up short, their openness to solutions and guidance may be their salvation.

So where will Millennials get help? While this generation embraces technology in general, they want personal interactions with financial advisors when planning for retirement. IRI’s 2015 study on Millennials found that only 19 percent wanted to use a robo-advisor to plan for retirement, while 87 percent wanted an advisor to personally meet with them. This year’s study shows that only a third of Millennials have sought the help of an advisor, and only nine percent would prefer a do-it-yourself approach over consulting an advisor, illuminating a tremendous opportunity for financial professionals to help Millennials achieve the retirement reality they desire.

The top three financial areas Millennials want help with are 1) calculating a retirement savings goal (32%); 2) paying off debt (32%); and 3) creating a retirement plan or strategy (31%). But despite the importance of securing income in retirement, only 21 percent want
help calculating how much income their savings can produce in retirement. With their frames of reference rooted firmly in their current reality of receiving a regular paycheck, it may be that they simply aren’t able to envision the complexity and risks involved in creating their own “retirement paycheck.” Financial advisors can help them make that connection.

IRI’s full report on the retirement preparedness of the Millennial generation is available in the Research section of the IRI Members Only website at www.myirionline.org.
For the past 16 years IRI has published the Fact Book, a reliable, trusted source of information regarding the insured retirement industry. Readers will find practice management tips and information, the latest consumer and advisor research on retirement and retirement planning, current market data, and much more. Following are examples of the timely, in-depth information you can find in the Fact Book, and as a valued IRI member you can download your free PDF version at www.myirionline.org/research/research-publications.

**DEMOGRAPHIC RESEARCH**

- There are **over 76 million Baby Boomers in the United States**, the youngest of whom will turn 65 in just 12 years.
- A 65-year-old married couple has an 89 percent chance of one of them living until age 85, a 73 percent chance of one reaching age 90, and in **one of two couples one spouse will survive to age 95 or older**.
- Over 40 million Americans currently receive Social Security retirement benefits, and the number of Americans over age 65 will grow to 79 million by 2035.
- Only **54 percent of Baby Boomers have retirement savings**, and only 23 percent are confident their savings will last throughout retirement.
- Seven in 10 Baby Boomers believe they can “downsize to live on Social Security” if they exhaust their savings, but, among other miscalculations, more than eight in 10 Boomers underestimate the percentage of their retirement income that may be required to pay for health care expenses.
- More than four in 10 current retirees receive income from a pension, and one-third receive income from an annuity.
- Six in 10 current retirees filed for Social Security retirement benefits prior to age 65.
- More than four in 10 current retirees have experienced a major health related event, and seven in 10 of them incurred more than $5,000 in out-of-pocket costs.

**FINANCIAL ADVISOR AND CONSUMER ANNUITY USE & VIEWPOINTS**

- Overall use of annuities by consumers is relatively low, with about one in five households reporting ownership of fixed and/or variable annuity products.
- Annuity ownership rises as investable asset levels increase, for example twice as many consumers with assets of $2 million to $5 million own variable annuities than those with assets of $100,000 to $200,000.
- **Only about one in five investors believe they need an annuity**, highlighting the necessity for consumer education about retirement risks and the ability of annuities to address them.
- In 2016, more than eight in 10 advisors saw an increase in the number of retirement income clients they serve, and the retirement assets they manage.
- **Two-thirds of advisors use variable annuities with guaranteed income benefits** for their retirement income clients, with one in five making moderate or heavy use of such products.
ANNUITY ENCYCLOPEDIA

- Annuities are the only financial product that can provide retirement income for the lives of a person or a couple, no matter how long they might live – the IRI Fact Book explores in detail how annuities can help Americans plan for a secure retirement.
- Fixed, fixed indexed, variable, and income annuities are explained from the inside out, with complete review of structure, legal frameworks, features, costs, sales and distribution channel trends, and use cases.
- Lifetime income and tax deferral illustrations

CURRENT AND HISTORIC ANNUITY MARKET DATA

- More than $200 billion in annuities were sold in 2016, and at the end of the year annuities collectively held more than $2.7 trillion in Americans’ retirement savings.
- Variable annuities with guaranteed lifetime income benefits (GLIB) are the largest segment of the annuity market. Sales of VA with GLIB were approximately two-thirds of variable annuity sales in 2016, and one-third of total annuity sales.
- Fixed indexed annuities are the fastest growing segment of the annuity market, with sales up 10 percent in 2016. Fixed indexed annuity sales comprised 55 percent of the fixed annuity market, and 28 percent of the total annuity market, in 2016.
- Sales of fixed, fixed indexed, and income annuities were $109.3 billion in 2016, and variable annuity sales were $102.1 billion.
- At year-end 2016, assets under management in variable annuities were $1.9 trillion, while fixed annuities held over $850 billion.

LEGAL AND REGULATORY

- Basic information and 2016 developments regarding the DOL fiduciary rule.
- State insurance regulation: basics and significant developments.
- NAIC developments
- Regulation under Federal securities laws
- SEC and FINRA rule basics and updates during the prior year
- Other relevant and significant legal and regulatory developments, for example Dodd-Frank, SEC and FINRA examination priorities, senior protection, and cybersecurity
- Tax deferral and taxation of annuities in general

DATA SECTION

- 10+ years of Fixed and Variable Annuity sales and asset data
- Sales by company (variable), product type, state (variable), and distribution channel
- Variable annuity asset category breakdown
- Number of contract owners and average account sizes

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MEET YOUR CLIENTS
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U.S continue to rely on traditional, face-to-face meetings.6
Here are some ways your client relationships could benefit from the advantages technology offers.

1. USE A TABLET FOR YOUR CLIENT MEETINGS
At a basic level a tablet keeps you connected to emails and gives you instant access to product information and research, but that’s just a fraction of its potential. You could replace traditional paper processes with an ‘esignature’ solution. Having a secure electronic signature is the future of agile financial advising,7 allowing you to do everything from opening accounts to finalizing transactions, all from your mobile device.

Your Boomer clients can benefit from your use of tablet computers in meetings for a few good, and practical, reasons. For example, touchscreen technology is simple and intuitive to use, and the text size can be quickly and easily increased. These are just some of the reasons why gadgets like smart phones and tablets are fast becoming essential daily accessories for Boomers, with use of some form of digital technology approaching 90% among wealthier and better educated individuals.8

2. MEET YOUR CLIENTS WHenever, WHEREVER
You and your clients are both very busy, so being able to talk whenever you need to and from wherever you are is becoming more and more essential. Many of your clients will already be ‘always on,’ with the majority of boomers using social networking sites (Facebook is number one)9 and nearly two-thirds owning a smartphone.10

There are a range of options available, all of which are standard on most desktop and mobile devices these days. Consider video conferencing, instant messaging, co-browsing (accessing the same webpages at the same time) and chat software, or even texting. You should also look at the potential of social media networks like LinkedIn, Twitter and Facebook as increasingly accepted and expected ways of building client relationships. Research shows that 80% of advisors who use social media for business say it has gained them new clients.11

3. UNDERSTAND HOW YOUR CLIENTS RESEARCH FINANCIAL INFORMATION
The internet is the first choice source of information for boomers,12 who spend more time online outside of work than millennials. More than 30% of boomers spend 15 hours or more online a week.13

Original research by Brighthouse Financial found that when it comes to financial products like annuities and life insurance, boomers will usually only carry out online searches when prompted to do so first, for example, by news coverage, changes in the market, a recommendation from a friend, or, most commonly, a conversation with a financial advisor.14 After meeting with a client, consider sending them links to reputable and credible sources of information. This will not only increase their knowledge of the product categories but will also guide them toward sources that are credible. For example, Brighthousefinancial.com offers category level information for your clients on both life insurance and annuities.

A final point to consider is that the day is fast approaching when just about everyone will be tech-savvy. The leading edge of the generation which gave rise to the digital revolution - those born between the early 1960s and early 1980s - is fast approaching retirement age. There’s no better time to futureproof your business than now.

1 Pew Research, “Older Adults and Technology Use” April 2014
2 Willis Tower Watson, “Boomers Value Importance of Technology to Manage Retirement” August 2016
3 Brighthouse Financial Pre-Purchase Journey 2016
5 Accenture, “Listening to the Voice of the Advisor” 2015
7 InvestmentNews, Strong signs e-signatures set for takeoff
8 Ibid, Pew Research - April 2014
9 Pew Internet Social Media Update 2016
10 Emarketer ‘Majority of Baby Boomers Now Own Smartphones’ 2016
11 Putnam Investments, “Advisors are Social: The Putnam Social Advisor Survey 2016”
12 Pew Research, Technology Adoption by Baby Boomers, March 2016
13 Limelight ‘The State of the User Experience’ 2016
14 Brighthouse Financial Pre-Purchase Journey 2017
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