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**Lifetime income:  
getting to  
implementation**

*Strategies from leading retirement plan advisors*

**next**

Issue no. 1

*advisor*

# LIFETIME INCOME: **Getting to implementation**

Evaluating different product offerings and talking to participants remain a challenge.



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*As plan sponsors continue to explore various guaranteed lifetime income options, retirement plan advisors find themselves going into more detail around plan design, product offerings and implementation, often without a lot of prior experience. We at **nextAdvisor** think there's a lot more to know if we pulled it together in one place. We asked four leading advisors how they're approaching the implementation conversation with clients. Here's what they had to say.*

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Special thanks to **Nicole Corning**, Managing Partner, Pathlight Advisors; **Jeff Cullen**, Chief Executive Officer, Strategic Retirement Partners; **Paula Hendrickson**, Senior Vice President, NFP Retirement Division and **Bruce Lanser**, Senior Retirement Plan Consultant, UBS, for sharing their perspectives with us.

### **nextAdvisor: Where are we with product evaluation?**

**Jeff:** Unfortunately, evaluating these products is at least 10 times harder than it is to evaluate a mutual fund or other investment. Getting the consultant community to do proper analysis will take time. If advisors and consultants aren't knowledgeable, then adoption will lag.

Advisors should ask clients to identify what their plan needs from a lifetime income product both in the accumulation and decumulation phases. Some products have value in decumulation but struggle in accumulation, and vice versa. In accumulation, you want to look at where it will be used to dampen volatility and provide alpha over a typical fixed income investment. Then, in decumulation, you need to look at annuitization rates and have a really good understanding of the insurance company's assumptions and their balance sheet."

**Nicole:** I work with tribal areas in Arizona, and I have seen some predatory practices. Smaller towns with people selling inappropriate insurance products, insensitive to fees, etc. As employers, when you are able to vet the solution and work with consultants to bring in the right fit for your employees, you're saving them from unsavory practices. If this is of interest, reach out to the consultant. This shouldn't be news to them. They should be able to get the resources to help educate themselves."

**Bruce:** Employees want to know they have a certain amount of income in retirement, but nobody breaks down the actuarial tables to explain all of the underlying calculations. We need to take the same approach with a DC [defined contribution] plan; have the underlying information available, but what matters is the income."

**Paula:** Education is a huge lift.

Employees need to understand how to turn their accumulated savings into income and what that means in retirement. Employees understand Social Security, and I think we need to simplify and explain these products to both plan sponsors and participants in those terms. There are some challenges though, as recordkeepers do not offer all the lifetime income solutions."

### **nextAdvisor: How are employers building lifetime income into the plan?**

**Bruce:** Companies have to default people into lifetime income. It is too important of a decision. We talk to individuals, and they are very happy with the solution we've integrated. It has become part of the culture with those clients, and union reps or other non-committee members tell their members to stay in the plan, and it is fantastic."

**Paula:** The evolution of the retirement plan has to shift from an emphasis on saving to focus on what happens at the point of retirement. We've done a better job of getting participants to save, but we need to talk about income streams and decumulation. What does the saved dollar amount mean when it comes to supplementing Social Security? How should you generate income from that big number?

Every study shows the benefit of a diverse and well-rounded organization, and it starts with financial literacy. People are entering the workforce, and there is a divide between those who have and those who have not. A lot of it is generational and educational, and we need to educate employees on their options. People need to understand how to turn their savings into income and what that means in retirement."

**Jeff:** We need to engage across the spectrum of employees to ensure that companies aren't just focusing on the C-suite. Companies with fewer than 500 employees almost always allow us to come in and be available to all employees. One-to-one education helps everyone feel confident that they are making the right decision. That allows us to educate, earn trust and get people to do the right thing to get them on that journey to financial knowledge. Larger firms, however, offer this benefit less. We need to focus on the firms that believe in education and financial literacy. Having autoenrollment features and human beings available for employees makes a very big impact, and more firms need to realize that personal benefit."

### **nextAdvisor: How can advisors best serve their clients?**

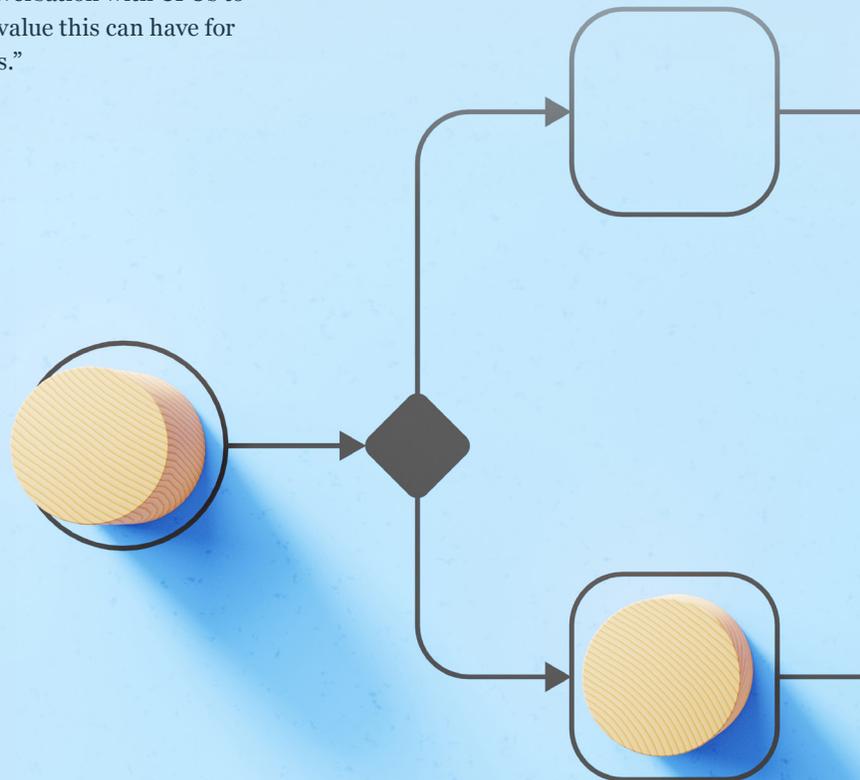
**Jeff:** We have to get advisors and consultants comfortable with these solutions before they are going to stick their neck out. We also have to talk to the whole spectrum of employees. A lot of our competitors don't spend enough time considering the needs of those at the lower end of the salary range, and a lot of people in larger organizations don't spend enough time there either. These stakeholders need to understand that financial planning as a benefit would have a huge impact on generational wealth and substance."

**Bruce:** Advisors are going to have to know about this stuff. It is the same as when target dates came on the scene. It is going to become table stakes to have a lifetime income solution, but advisors are not feeling prepared and need

more confidence. We have to strike a balance between information overload and keeping it simple. Personally, I would err on the side of keeping it simple; not hiding information, but participants want to know their 'X' amount of income in retirement, and we can present that without overcomplicating the issue."

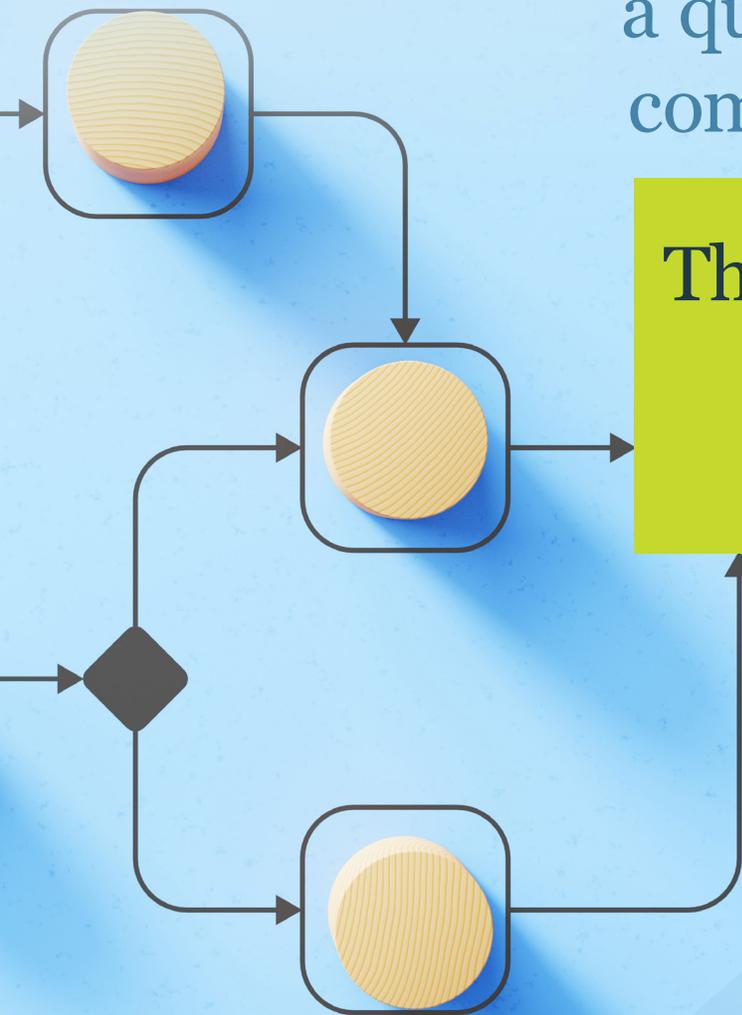
**Nicole:** We need to help CFOs see the value of these solutions. The number one fear of employees in just about every survey in every industry is running out of money in retirement. Employees working longer than they need to create a quantifiable drag on a company's bottom line. That can be alleviated with a lifetime income option, and we as advisors need to be having that conversation with CFOs to show them the value this can have for their companies."

**Paula:** Advisors need to come together as an advisory group and make the decision to push transparency, reasonable fees and portability. Annuities are in the same place as target date funds were 15-20 years ago where they were too proprietary. We need to find the right solution that is in the participants' best interest and not ours."



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That can be alleviated with a lifetime income option.



# About the advisors



**Managing Partner,**  
Pathlight Advisors

**20+** YRS EXP.

- Member: NAPA (National Association of Plan Advisors) Governmental Affairs Committee and Retirement Advisor Council. Named one of the Top Women Advisors by NAPA between 2018 and 2021 and among the top 401(k) Retirement Advisors by the Financial Times in 2020.
- Featured in Financial Planning Magazine, 401(k) Specialist Magazine, NAPANet Magazine, and Plan Consultant Magazine; named inaugural chairwoman of the American Retirement Association Council for Women in 2020

## Nicole Corning

**Managing Partner &  
Managing Director**  
Strategic Retirement  
Partners (SRP)

**16+** YRS EXP.

- Company named in Best Places to Work in Money Management four years running and in Best Places to Work for Financial Advisors two years running
- Focused on helping workers sift through the complexities of their financial lives to achieve financial freedom; helps plan sponsors and employers attract, retain and reward human capital while insulating them from fiduciary risk
- Leader of SRP which supports 1,000+ retirement plans with a collective \$16+ billion in AUM across a quarter-million workers

## Jeff Cullen



“Every study shows the benefit of a diverse and well-rounded organization, and it starts with financial literacy.”

– Paula Hendrickson



**Senior Vice President,**  
NFP Retirement Division

**25+** YRS EXP.

- Specializes in helping retirement plan committees achieve success by developing plan designs to meet unique corporate objectives and driving successful outcomes
- Nationally recognized expert named as a Top 100 Advisor by 401(k) Wire, in Top Retirement Team by Plan Sponsor Magazine, as Top Female Advisor for multiple years by NAPA and in Outstanding Women in Business by the Denver Business Journal.

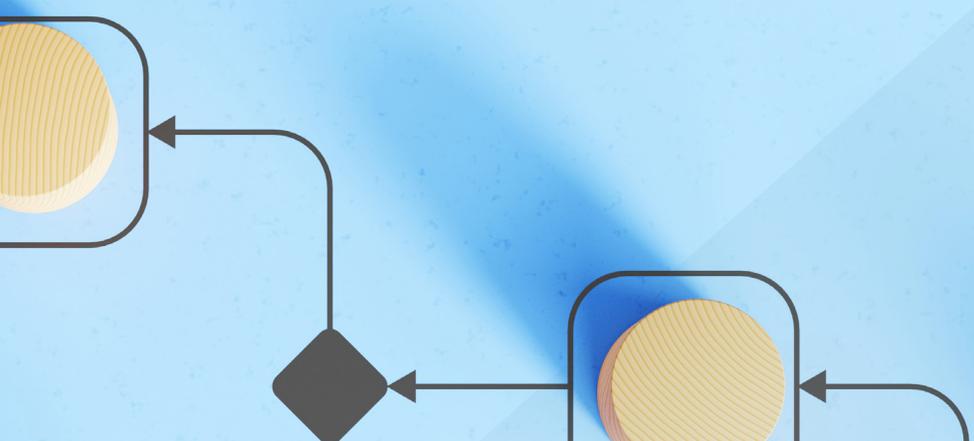
**Paula Hendrickson**

**First Vice President–  
Wealth Management,**  
UBS

**30+** YRS EXP.

- Focused on strengthening employee retirement plans by delivering insights and results in three key areas within corporate retirement planning: sponsor and participant success, investment consulting and fiduciary guidance
- Serves as Chairman of the Investments Committee of Junior Achievement of Wisconsin

**Bruce Lanser**



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#### Endnotes

1 AARP, May 2019.

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