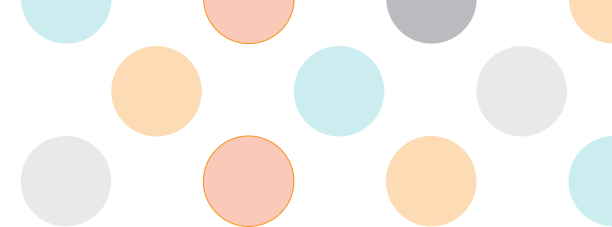




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Presents

How Annuities Can Fit into a Fiduciary's Planning Process

Featuring

CANNEX
Simply reliable data®



Today's Speakers – CANNEX & FIS LLC



Tamiko Toland

Director, Retirement Markets for Toronto -based CANNEX

Individual and institutional annuity market in the U.S. and Canada.

CANNEX has long been known as the leading provider of income annuity pricing and now serves the entire scope of annuity products, including the evaluation of annuities with income guarantees.

Thought leader with more than 15 years of experience tracking trends and key issues on retirement income .



Michelle Richter

Founder of Fiduciary Insurance Services, LLC

Twenty years of experience inventing, deploying, advocating for, and scaling innovative products

Creating a scalable intersection between the historically disparate worlds of Insurance and Financial Services.

Managed a \$27 million operating budget and team of 70 experts in product management, marketing, operations, compliance, wholesaling / distribution, and training at a Fortune 100 life insurer.



Today's Speakers - IncomeConductor



SHERYL O'CONNOR
CEO & Co-Founder

History of building
wealthtech software

25+ years leadership experience
in fintech

Co-founded & grew RIA to \$900M
AUM

Expert at building large
enterprise program teams
across global sectors



PHIL LUBINSKI, CFP®
Co-Founder

The father of
"segmentation buckets"

30+ years as advisor and
entrepreneur in fintech

Founded & grew OSJ to \$6M GDC

Expert in financial planning and
retirement income generation



TOM O'CONNOR
CMO Co-Founder

Bringing retirement
innovation to market

10+ years in financial services,
tech and digital marketing

Head of technology for a
\$900M AUM RIA

Expert in digital marketing,
investment data analysis



Agenda Slide

- 1 The current state of annuity product types
- 2 State of the market of DC annuities - from a regulatory and operational perspective
- 3 Products available and in development, Methods for evaluating annuities
- 4 Determining when to include annuities in plan
- 5 Placing in plan annuities in context of broader financial planning with Income Conductor
 - Incorporate annuities into holistic income planning
 - Retain the individual's plan assets
 - Consolidate additional household assets.
- 6 Predictions from the presenters on how the institutional annuity space may evolve

Q & A (10 min)



Retail Annuities: Savings / Flexible Income (Through Benefit)

Account value growth potential Protected income Risk of loss of principal

Fixed Annuities

Fixed Rate (SPDA, MYGA)



Fixed Indexed (FIA)

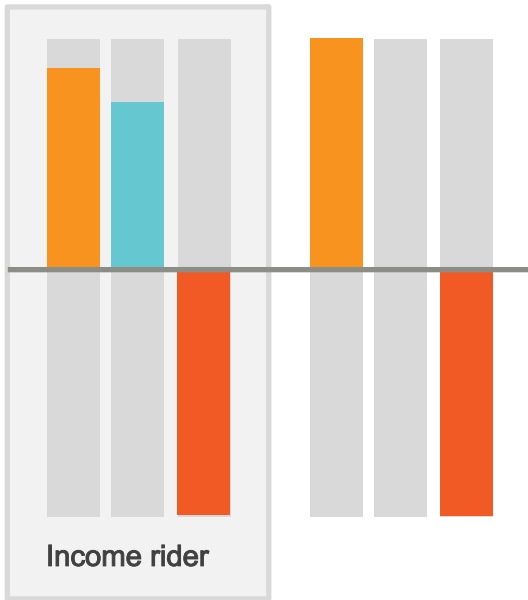


Variable (Registered) Annuities

Registered Index -Linked (RILA, VIA, Structured)

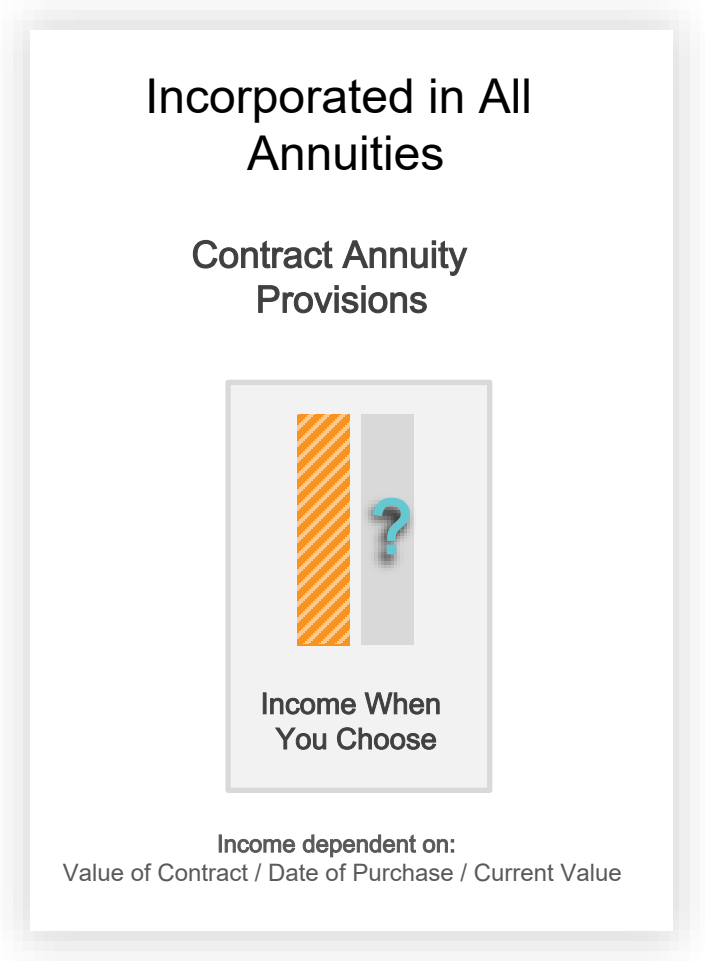


Variable (VA)



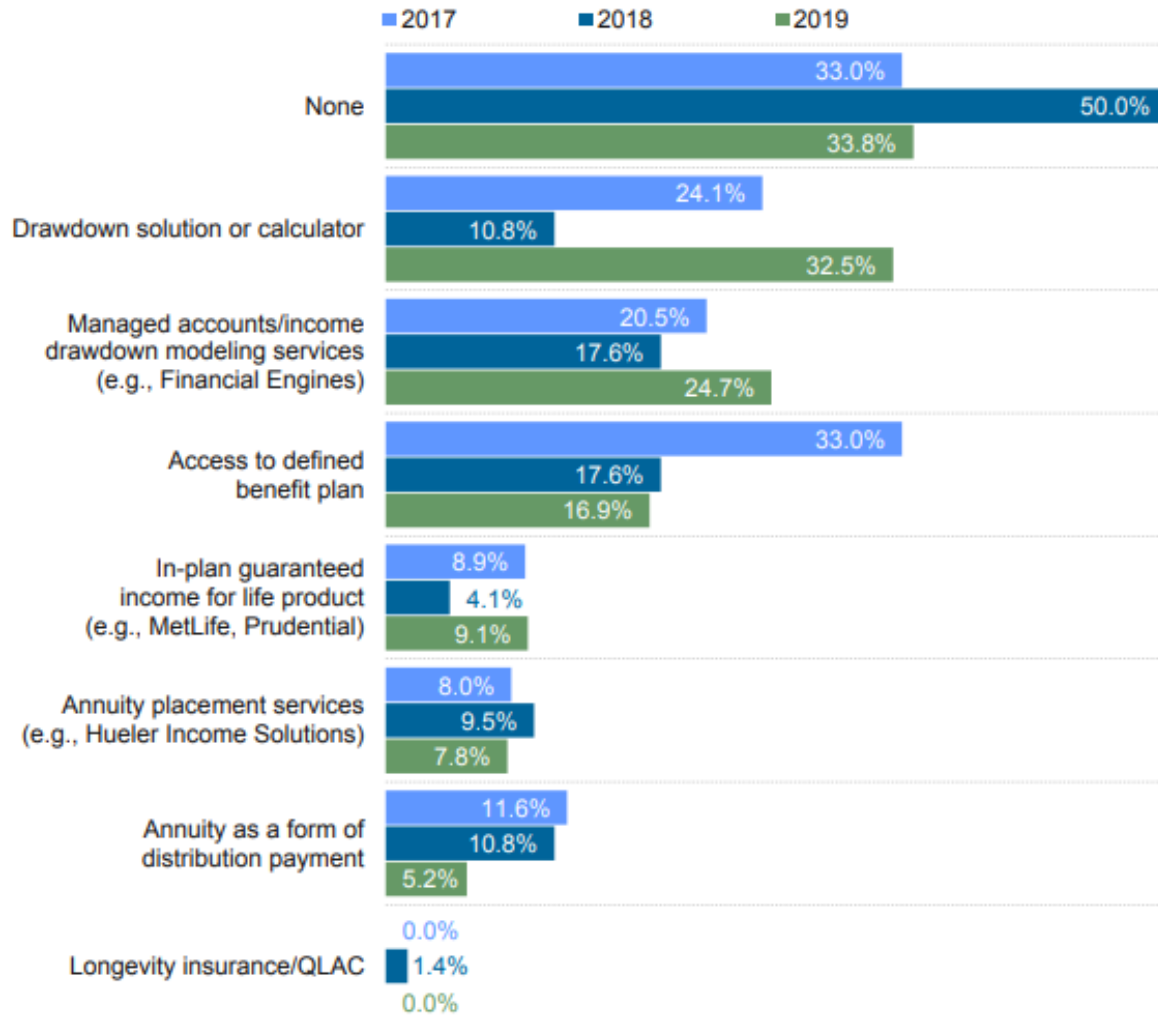
Retail Annuities: Income (Through Annuity)

● Delay to Income Start ● Income Amount ● (Indicates Range)



Most DC plans do not currently include annuities

Retirement income solutions offered*



66.2%

Plans that offered a retirement income solution to employees.

Most common: Drawdown solution or managed account services.

Plan sponsors offering QLACs or longevity insurance remains low, despite 2014 Treasury Dept. ruling easing restrictions.



Plan Sponsor Concerns About Including Annuities

60%

have not yet adopted solutions but may do so in the future.

75%

believe they create administration complexities for sponsors and recordkeepers.

61%

think their fees are too high...

56%

...or not sufficiently transparent.

60%

feel current products are too complex or unproven.

58%

think that participants investing in them may face portability issues.

63%

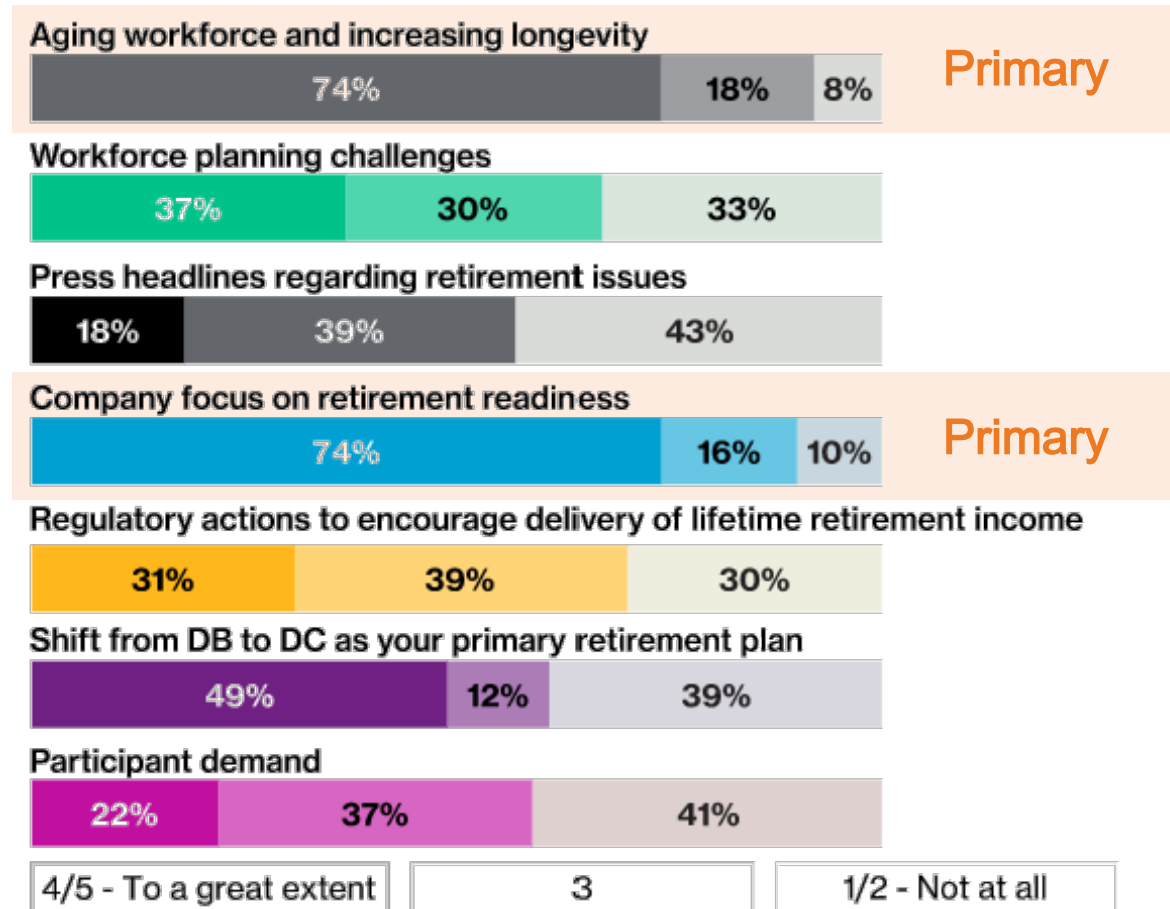
are actively monitoring future developments in guaranteed products.



Plan Sponsor Interest in Plan Income is Increasing

How do the following factors influence your org's view of offering lifetime income solutions to plan participants?

Note: Based on respondents who have already adopted or are planning/considering lifetime income solutions.



Determining Whether to Include an Annuity in Plan

Plan Sponsor asks - Will retirement income education and solutions...
Help manage HR? / Save money? / Be a priority for the firm?



Yes

Fiduciary determines what type of retirement income solution to add to plan.

Considerations: Cost / Fiduciary risk tolerance
Sophistication of workforce / Recordkeeper capabilities
Existing DB / Human capital of workforce / Other factors



In-Plan

or



Out-of-Plan



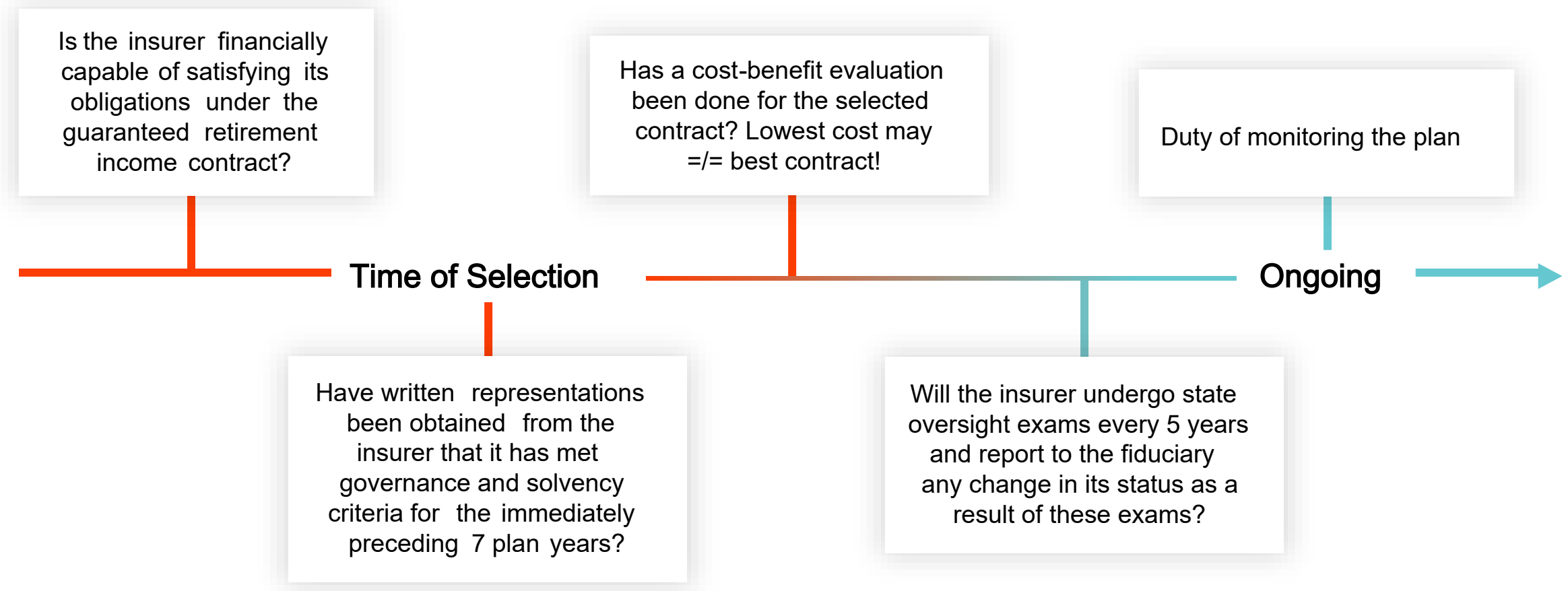
No

Do not add a retirement income solution to DC plan.

At retirement, participants roll assets over to solution of their choice without assistance from employer to generate retirement income.

SECURE 1.0 Key Annuity Provisions

The SECURE Act creates a fiduciary safe harbor for selection of an insurer, but not for selection of the contract.



Lifetime Income Disclosures Mandated by SECURE

Effective September 2021

- DC plans must annually (or more often) provide lifetime income disclosures of participant account balances
- Disclosures must illustrate a lifetime annuity equivalent based on then -current account balance (not accounting for potential future contributions)
- Must be shown as both qualified joint & survivor annuity (assuming same -aged spouse) and single -life annuity

Will this clear information, combined with SECURE's other provisions...



Inspire a flood of demand
for annuities in plan?



or will low in plan annuity
uptake continue?



Many providers of Solutions - Which to Choose and How?



Employer -Sponsored Income Guarantee Designs

Participant Education | Participant Experience

Glidepath, Custom Path, or Discrete Election Decision?

Before Retirement

	Within multi-asset class solution	Annuity as standalone
QDIA	✓	
Optional	✓	✓
TDF / CIT	✓	
Managed Account	✓	✓

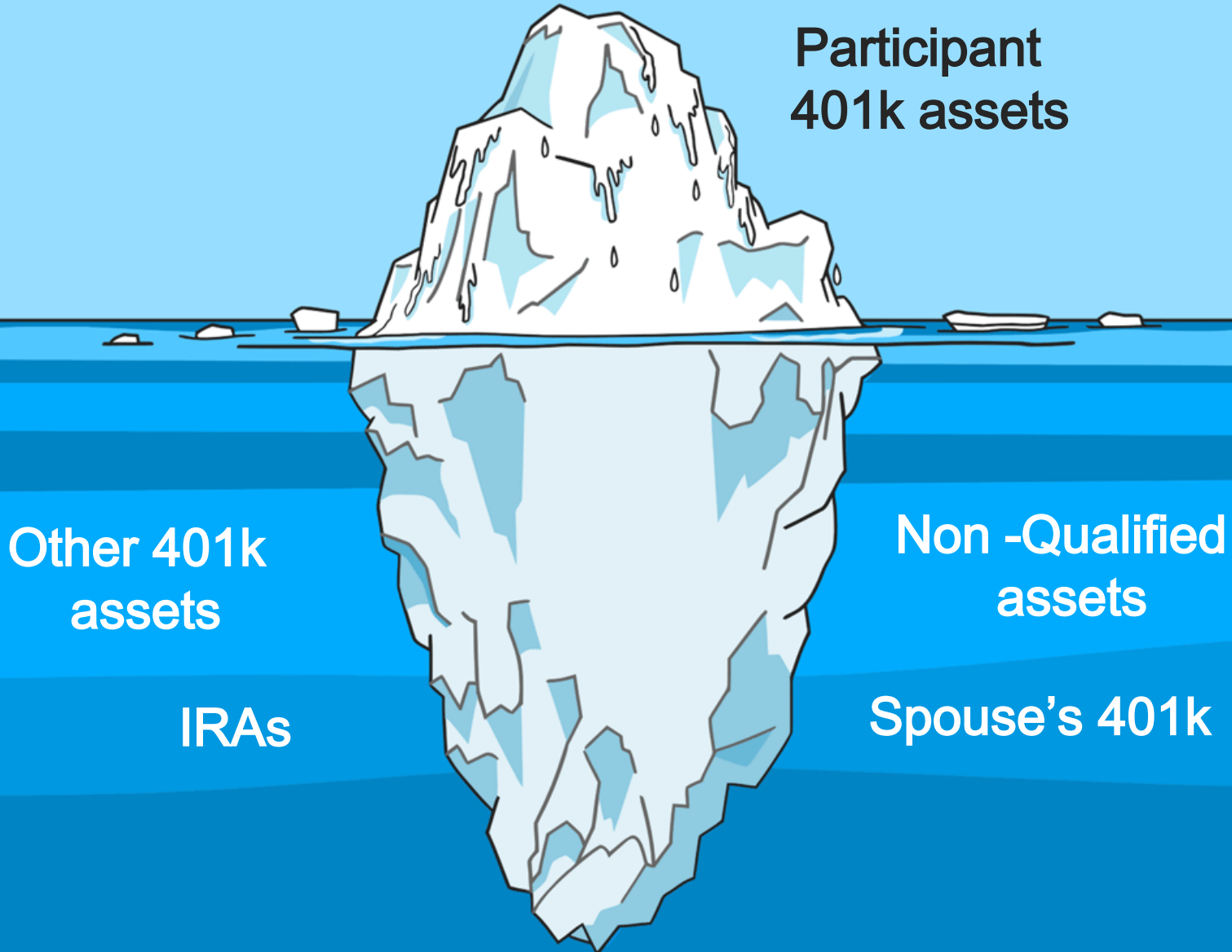
At Retirement

Annuity Options

- ✓ Income Bridge
- ✓ Income Now
- ✓ Income Later
- ✓ Income Much Later



Looking at the bigger picture



Retirees want a plan that is...



A mix of guaranteed
income and growth
opportunity



Clearly
illustrated



Customized to their unique
goals and objectives



Liquid



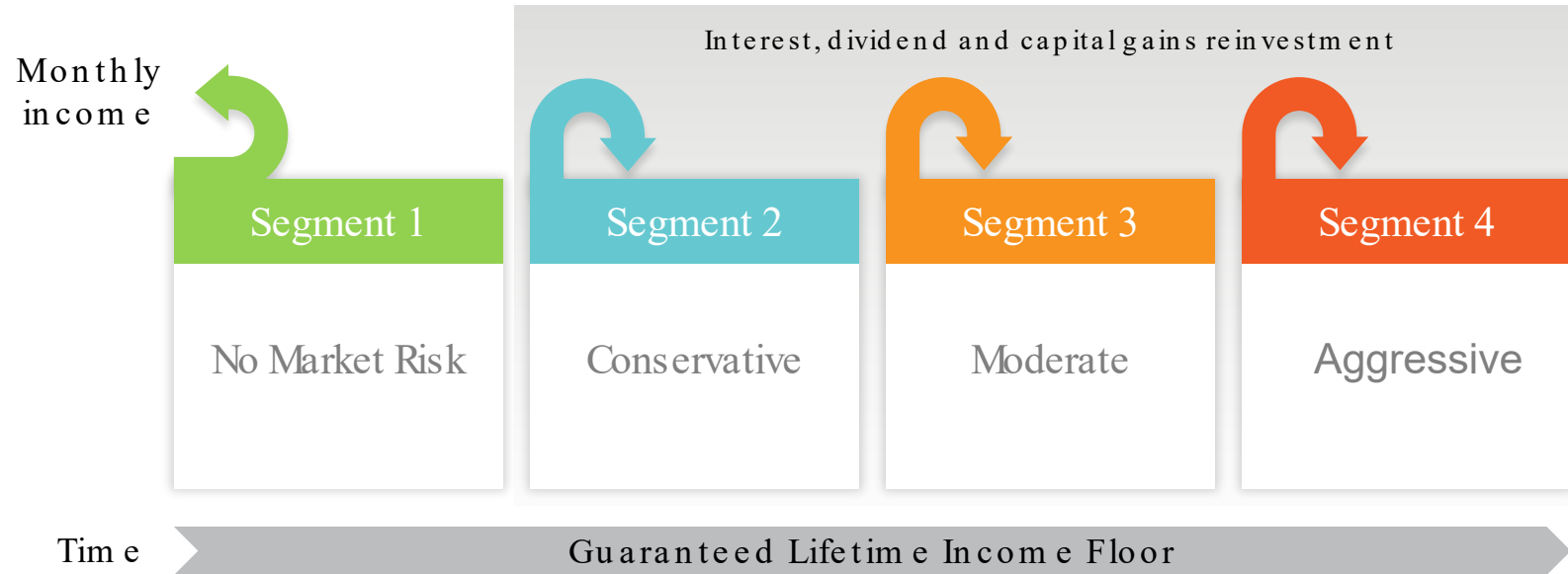
Easily modified
along the way



Monitored by
an advisor



Time Segmentation



- Segments of asset allocation portfolios spread over time
- Each segment employing a different investment strategy
- Each strategy guided by a rate of return
- Retirement income flows from segment 1
- Remaining segments reinvest for potential growth
- **Asset Allocation Ladder**



Case Study

Shirley (current participant) and her husband Jack

Age: 60 (Retiring at 65)

Goal: \$7,000 Net/mo. PV

- Currently saving \$25,000/yr. in their 401ks
- Total assets: \$1,325,000
 - *Shirley's 401k: \$345,000*
 - *Shirley's IRA: \$125,000*
 - *Jack's 401k: \$750,000*
 - *Joint: \$105,000*
- Almost 75% of their assets are outside of Shirley's 401k
- Shirley's considering a lifetime income guarantee in her 401k
- Shirley's SS @ 67 \$2,200/mo.
- Jack's SS @ 67 \$2,900/mo.





Live Case Study



Q & A



Resources

- <https://dciia.org/page/RetirementTier>
- <https://iricouncil.org/wp-content/uploads/2018/03/Evaluation-Scorecard-for-Retirement-Income-Products.pdf>
- <https://iricouncil.org/wp-content/uploads/2019/09/plan-sponsor-guide-to-retirement-income-decision-beleifs-ii.pdf>
- <https://iricouncil.org/evaluation-tools/#1520343622078-7c3a5514-60bf>
- https://iricouncil.org/wp-content/uploads/2018/03/Debunking_Portability_Myths.pdf
- https://iricouncil.org/wp-content/uploads/2018/03/Types_of_Institutional_Retirement_Income_Products_Aug.2011.pdf
- <https://iricouncil.org/wp-content/uploads/2018/04/RAC-Retirement-Income-Pres-PRoposal-from-IRIC-income-products.pdf>
- https://www.cannex.com/wp-content/uploads/2018/02/CANNEX_Byline-LA-Specialist-Dec-2017.pdf
- <https://www.cannex.com/index.php/thought-leadership/white-papers-research/>



CHECKLIST ON IN-PLAN VS. OUT-OF-PLAN INCOME SOLUTION

Sponsor believes a retirement income solution can help provide income certainty to its participants and is a priority for the organization

Scale from 1 to 5

1—strongly disagree with statement; 2 —disagree;
3—neither agree nor disagree; 4 —agree; 5 —strongly agree

Belief Statement	Score (1 to 5)
I believe the plan can attain scale by keeping assets in-plan.	
I believe the benefits of a retirement income solution outweighs the additional oversight and fiduciary costs.	
I believe the plan sponsor has the power to push the recordkeeper to support an in-plan solution.	
I would be willing to consider changing recordkeepers to get a specific in-plan solution or solutions not offered by the current recordkeeper.	
I believe communication to the participant from the plan is more effective at increasing adoption than access to customized communication from a financial advisor.	
I believe usage of a retirement income solution is significantly lower if participants are given the choice between taking their lump sum to roll over and leaving it in the plan.	
I am not concerned with increased fiduciary responsibility, provided the retirement income option meets qualified default investment alternative (QDIA) terms.	

Average **1.0 to 2.0** = It is strongly indicated that an out-of-plan solution would be best for the goals of the organization.
Average **2.0 to 2.5** = It is likely that an out-of-plan solution is best.

Average **3.5 to 4.0** = An in-plan solution may meet most of the needs/beliefs of the employer.
Average **4.0 to 5.0** = It is strongly indicated that an in-plan solution would be best for the goals of the organization.

CHECKLIST ON AUTOMATIC OR AFFIRMATIVE ELECTION

Sponsor believes a retirement income solution can help provide income certainty to its participants and is a priority for the organization

Scale from 1 to 5

1—strongly disagree with statement; 2 —disagree;
3—neither agree nor disagree; 4 —agree; 5 —strongly agree

Belief Statement	Score (1 to 5)
I am a proponent of automatic features, including auto-enroll, auto-escalate and auto-invest.	
I believe the plan committee, along with the plan advisor/consultant, can effectively work with the provider to integrate the solution into the plan's TDF glide path or other QDIA/investment options.	
I believe that "auto income" (with ability to opt out) with an in-plan solution will better provide most participants with retirement security than the retail alternatives.	
I believe that a retirement plan benefit is both an accumulation and a decumulation vehicle, and that participants who default part of their balance to an auto retirement income feature can be more productive and more retirement ready with less financial stress in the workplace.	
My company formerly offered a defined benefit plan and/or I believe that DC plans can become "pension-like" plans for our employees.	
I believe that employers ought to automate/default to income solutions (with ability to opt out), since automation has proven to substantially increase savings rates and retirement security. I likewise believe that defaulting to institutional income solutions will increase my participants' overall retirement security.	

Average **1.0 to 2.0** = It is strongly indicated that affirmative election would be best for the goals and beliefs of the organization.
Average **2.0 to 2.5** = It is likely that affirmative election would meet the sponsor's needs and would be consistent with the sponsor's culture and goals for the plan.

Average **3.5 to 4.0** = An auto feature that is part of the plan's QDIA/glide path may meet most of the needs/beliefs of the employer.
Average **4.0 to 5.0** = It is strongly indicated that an auto solution would be best for the goals of the organization.



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