

MINDING THE GAPS IN ADVISOR PERCEPTIONS AND CLIENT REALITIES WHEN IT COMES TO RETIREMENT INCOME PLANNING

BY DAVID BLANCHETT

The financial advising profession continues to evolve, with financial professionals increasing offering guidance and advice on topics that extend well beyond the portfolio, in particular on topics related to retirement. Reviewing data from the latest Alliance for Lifetime Income (ALI) *Protected Retirement Income and Planning (PRIP) Study*, though, reveals some sizable gaps in services advisors think they are providing to clients and the services are actually receiving.

For example, while 97% of financial professionals say they talk with their clients about how to handle RMDs, only 54% of investors working with financial professionals note discussing this with their financial professional. Additionally, while 70% of financial advisors say they frequently bring up how individuals will spend their time in retirement, only 29% of clients note their advisors frequently do this.

There are other notable gaps noted in the survey as well, for example, while 97% of investors say protection is moderately or very important, only 79% of financial professionals do. Additionally, while 81% of investors say protected lifetime income, such as annuities, would be helpful in their workforce retirement plans, only 68% of financial professionals did.

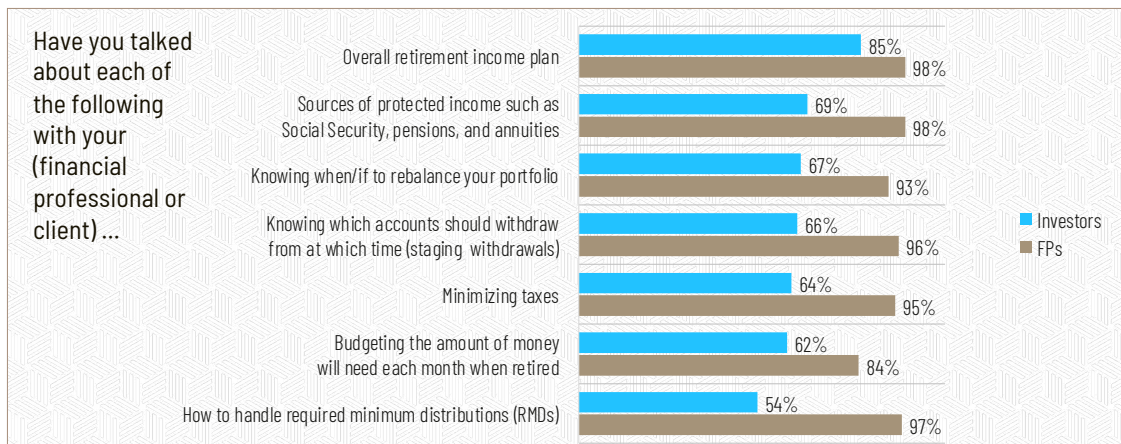
In other words, while it appears many financial professionals are making strides when it comes to providing more holistic retirement planning services, there is still a notable gap between the scope of services being provided!

A CHANGING RETIREMENT PLANNING LANDSCAPE

The Alliance for Lifetime Income (ALI) recently released its *2024 Protected Retirement Income and Planning (PRIP) Study*, which surveys both consumers and financial professionals. The study examines the changing retirement planning landscape, shifts in consumer and advisor attitudes and behavior towards retirement security, and demands for protected lifetime income. As a Research Fellow in the Alliance's Retirement Income Institute, I was interested in exploring not only how many financial professionals are providing more holistic retirement planning services, but how this differs from what clients of advisors report receiving.

The PRIP was an online survey conducted by Artemis Strategy Group from February 15 to March 2, 2024 and includes both 2,516 consumers from ages 45 to 75 and 508 financial professionals. Consumer responses are weighted to

Exhibit 1: Financial professionals believe they talk with their clients about several components of retirement income planning, but many investors say those topics aren't being discussed



Source: Alliance for Lifetime Income 2024 Protected Retirement Income and Planning Study, Artemis Strategy Group

align with the population on age, income by gender, race/Hispanic ethnicity, region, work and retirement status, assets, and education and advisor responses are weighted to match the proportions of the PRIP Spring 2021 study.

For this piece, I mostly focus on those questions that were effectively identical and asked to both groups, to better understand how perceptions may differ. For the analysis I focus on a group of consumers classified as “investors,” which is defined as those between the ages of 45 to 72, with \$150,000 or more in assets who report using a financial professional. A total of 567 respondents met these filters.

The exhibit above includes information about whether or not a financial professional reports discussing various topics with the clients (i.e., investors), as well as whether the investors has had the conversation about the respective topic with their financial professional.

GAPS IN RETIREMENT INCOME PLANNING

The good news is a relatively high portion of financial professionals and investors report discussing a retirement income plan. For example, 98% of financial professionals report doing this versus 85% of investors. There is a relatively clear, trend, though, that financial advisors appear to be significantly more likely to report engaging in the respective activity compared to clients,

where each of the reported percentages for investors is below the reported rates for investors.

This suggests while advisors may be discussing these topics with clients, the clients are either not remembering the discussion (i.e., the advisor isn't communicating effectively) or the discussion didn't exactly happen.

Another set of questions explored how frequently financial advisors bring up certain aspects of retirement in client meetings, where the results are noted in Exhibit 2.

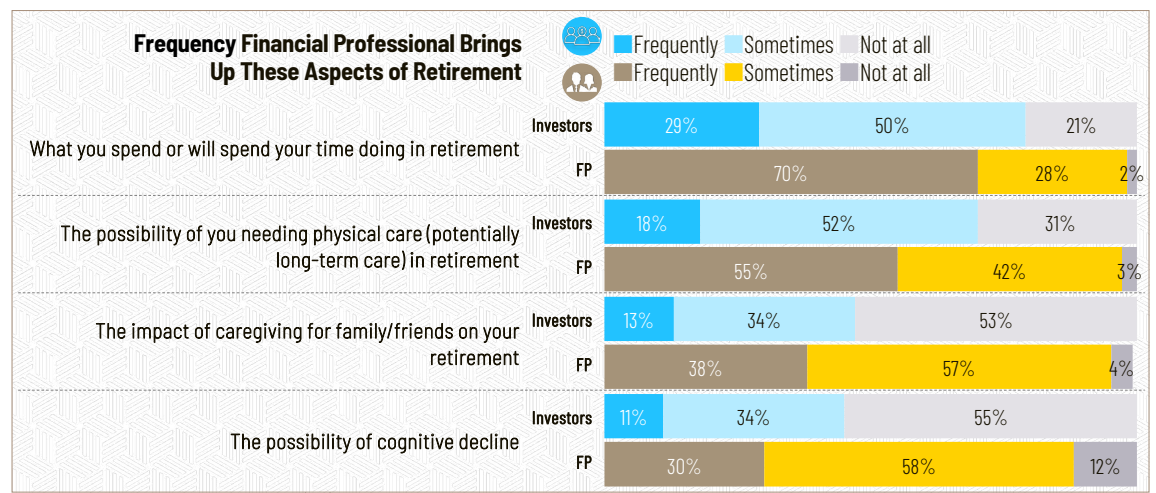
GAPS IN TOPICS DISCUSSED

Again, there is a clear disconnect where financial professionals think they discuss these topics at rates that are significantly higher than reported by investors. For example, while 70% of advisors say they frequently discuss how clients are going to spend their time in retirement, only 29% of investors say their financial professionals are frequently doing this.

ADDITIONAL GAPS

There are other interesting gaps noted in the report. For example, while 97% of investors say protection is moderately or very important, only 79% of financial professionals do. While 62% of financial professionals say they raise the topic of protection with their clients, only 27% of investors say their financial professional brings it up.

Exhibit 2: Financial professionals say they are having conversations with clients about important aspects of the retirement experience; investors disagree



Source: Alliance for Lifetime Income 2024 Protected Retirement Income and Planning Study, Artemis Strategy Group

Additionally, while there is a gap in perceptions as to whether protected lifetime income, such as annuities, would be helpful in their workforce retirement plan, with 81% of investors said they would be very helpful or somewhat helpful versus 68% of financial professionals, there is at least some agreement that this could be a viable path to access protected lifetime income for consumers in the future.

BRIDGING THE GAP

While financial professionals appear to be leaning into more holistic retirement planning, there still appears to be a relatively notable gap in the services and conversations they think they are having and those that clients report having. This disconnect could be coming both from financial professionals, who may not be effectively communicating the topics, and from clients, who may not remember certain topics of discussion given the myriad of topics commonly discussed in these meetings.

What this suggests is that advisors potentially need to be more tactical in how they address these specific issues. For example, some kind of checklist or materials directly addressing each of these key aspects of retirement, and others, may ensure that investors are getting the holistic retirement guidance the financial professional is striving for. Additionally, it may help

uncover planning areas that may not have been adequately addressed as part of the retirement plan.

Overall, while this report suggests advisors are making progress, they still need to do a more effective job communicating with clients regarding retirement-related issues!

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