



FINANCIAL PROTECTION AS AN ASSET CLASS

To survive and thrive in this industry, financial professionals need to meet consumer demand. Today's markets and solution set must include the concept of Financial Protection.

Clients and financial professionals don't think about portfolios the same way. In their quest for financial security, consumers are very much driven by their personal values and emotions. Today's market and economic conditions have created a heightened desire for protection in their portfolios, their income, and beyond. Current research¹ from the Alliance for Lifetime Income (ALI) shows that financial professionals may have to pointedly align their conversations and solutions around the concept of financial protection.

Research: protection is front and center for clients

Consumer interest in protection is top of mind these days, as you may expect. According to the ALI report, Americans ages 45–75 have significant concerns about their financial readiness for retirement.

Six Findings to Consider:

1. Nearly two-thirds of clients worry about their finances several times a month or more; one-quarter worry about their finances every day.
2. Eight out of ten clients are concerned about inflation reducing their spending power in retirement.
3. Only half believe their savings will last their lifetime.
4. Many consumers understand what it takes to accumulate assets for retirement but don't know how to turn those savings into predictable lifetime income after retirement.

Americans overwhelmingly value protection of their assets:

- Nearly nine out of 10 consumers believe protection is important when thinking about retirement planning.
- Two-thirds would protect half or more of their retirement income from loss.

High Anxiety

When asked “How anxious are you that your savings may not provide enough for you to live on in retirement?” a significant eight in 10 of study respondents (80%) are somewhat, moderately or extremely anxious. (Fig. 1)

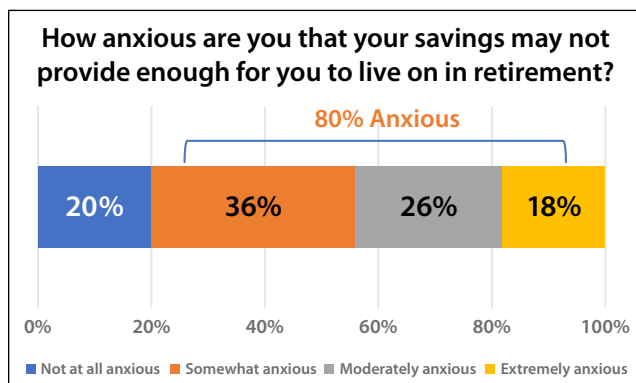


Fig. 1

The concept of protection extends beyond apprehension about outliving money: clients also report¹ doubts when it comes to their health and healthcare costs. Here are the top five issues where your clients report being concerned:

- 62% report uneasiness with rising healthcare costs
- 51% cite some type of health problem
- 37% report outliving spouse and family
- 35% say they worry about having to support other family members
- 29% are concerned with not receiving good financial advice

Consider protection as an asset class

Clients all have unique financial requirements where a layer of protection can help. Not everyone needs an annuity. In fact, the concept of protection extends to any offering that best serves a client’s need for risk reduction—it could be life insurance, long-term care or disability insurance. As a financial professional, it may be helpful to think of these protection solutions as another asset class that can add resiliency to a client portfolio and their household – similar to the way you think about stocks, bonds, and cash.

Four clients, four solutions

Let’s look at how protection manifests in real-life client scenarios using four protected solution quadrants. (Fig. 2)

GROWTH Portfolio risk reduction	INCOME Longevity protection
HEALTH Unexpected health concerns	FAMILY Legacy impact

Fig. 2

Client A: Closer to retirement and has amassed a substantial portfolio. Their orientation is changing from growth to preservation, and they want to guard against market downturns that could negatively impact their retirement savings. In this situation, lower risk “safe money” options may make the most sense. A wide variety of solutions are available including some attractive annuities that may help protect against loss while providing the opportunity for modest growth.

Client B: Now in retirement and is laser focused on having enough income to cover essential expenses and fund their “wants,” including travel and hobbies. Income-focused offerings, including annuities, may help replicate or supplement income received from Social Security or a pension, if available.

Client C: In pre-retirement and has recently witnessed the devastating cost of both parents' deteriorating health. Top of mind is their concern for how they'll cope in the same situation later. In this instance, protection may be found in disability insurance or some form of long-term care (LTC) or hybrid life/LTC insurance policy.

Client D: In pre-retirement and is concerned about funding a child's education. They have some money in a 529 plan but, given the cost of higher education, they believe they could do more. In this instance, using a life insurance policy with a beneficiary (grandparent) could provide resources that ultimately cover or reimburse college expenses. The great news is that life insurance proceeds pass to beneficiaries tax free and don't have many of the restrictions one finds with 529 plans.

These are common scenarios you encounter daily, and each demonstrates how to integrate financial protection with your asset management efforts. Clearly, client sentiment points to an appetite for reducing financial surprises that could derail retirement planning.

Furthermore, we are in a terrific environment from a product innovation standpoint. Over the years, protection product providers have created solutions that better align with your business model and include many client-centric features. If protected

solutions have not been a meaningful part of your practice, you may be pleasantly surprised how easy it may be to incorporate them into your toolbox.

The Alliance helps you meet client concerns

While clients may not have your understanding and expertise, our research shows a strong desire to protect their financial interests, and you are uniquely qualified to help improve their outcomes. Whether you think about protection as another asset class or not, it's important to consider those offerings that best meet current consumer demand.

The Alliance stands ready to help you conduct deeper and meaningful discussions that can lead to the best solutions for your clients. Visit the Alliance for Lifetime Income's **Financial Professional Resource Center** (resources.protectedincome.org) where you'll find interactive tools, FINRA-reviewed materials, client presentations, and other great resources to help your client outcomes:

- Retirement Income Security Evaluation (RISE) Score® (retirement readiness calculator)
- Investing Personality Quiz – (client financial planning personality types and what is driving their likely concerns around retirement)
- Income Hierarchy Brochure and Worksheet

Financial Professional Resource Center (resources.protectedincome.org)

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Sources

¹Protected Retirement Income and Planning (PRIP) Consumer Report by the Alliance for Lifetime Income and Cannex USA (June 2022).