

# Episode 48: How contractual income solutions fit in a fee-only world?

## **Bob French** 00:00

Are you a financial professional wondering how to transition your clients from the accumulation to the distribution phase, how to engage individuals looking for a professional with true Retirement Income expertise, how to mutually develop a solution that resonates with them, or how to grow your practice in a meaningful way that's based on best practices for financial planning, then you've come to the right place. Sign up for our two day masterclass for financial professionals, hosted by Wade and Alex on January 23, and 24th, from 12 to 130. Both days, your future practice will thank you for it, go to [risaprofile.com/masterclass](http://risaprofile.com/masterclass). If it walks like a duck, talks like a duck and swims like a fish, is it a platypus? I have no idea. But if you can buy annuities on a fee only basis, anything is possible.

## **Alex Murguia** 01:13

Hey, everybody, welcome to Retire with Style. I'm Alex and I'm here with

## **Wade Pfau** 01:19

Wade. And we're excited this week to have another special guest in this week as somebody who's quite active in the space of fee only or no load annuities. And it's David Lau, the CEO and founder of DPL, which is a firm that focuses on providing that sort of value added fee only non commission annuity, both as we've learned direct to consumer, but primarily as well with working with registered investment advisors or financial advisors who traditionally have been more on the investment side of the Financial Services spectrum. So David, as we get started, could you just give us a little background about your career, and in particular, I want to touch upon going all the way back to your time in Japan because we share that connection as well with how you've always been creating these types of companies that are really just providing that sort of value much more to the consumer compared to what had come before.

## **David Lau** 02:16

Yeah, great. Thanks, guys. I'm really happy to be here. Always fun to talk to you guys. Stimulating conversation. Hopefully we'll educate and maybe get a couple laughs so. Excellent. Well, yeah, so dialing back. I mean, we don't I don't know how far back we want to go. But I my first job, which is a whole different podcast, was working with Soviet and Russian Soviet bloc, defectors resettling in the US, but we can't talk about that on the air. The but my foray into financial services was that I was the Chief Marketing Officer of the first Internet bank. In the country, it was called tele bank, we wound up merging with E trade became me trade bank, and I was the Chief Marketing Officer at both places. And the concept of it was, you know, driving to that consumer value. And that's where it really resonated with me personally, was that we looked at branches and just said, and this is back in the mid 90s. So, you know, imagine ATM machines are kind of a foreign concept to a lot of people. Right? So we said, a branch is just a really expensive way of selling and distributing commodity products. If we got rid of the branch and did business with consumers directly, we can provide a much better products. So we could, we could provide rates on your money market accounts, which were, you know, five times the national

average CD rates, which were always among the highest, if not the highest rates in the in the country, simply because we eliminated inefficiency, and overhead in the distribution and servicing and the product. So that really resonated for me. And it's kind of its kind of, you know, what's informed my career. So I've used that thesis, you know, over and over again, which is how do you drive in efficiency out of out of something in financial services in order to provide a better product to the consumer. So tying it into Japan after I stayed a little bit at E trade. I got recruited by Shinsei bank, through a former Goldman Sachs investment banker that had been with us at tele bank to help build really the first internet banking strategy in Japan. So spent, you know, about 18 months, more or less commuting back and forth from Washington DC to Tokyo, learning about the Japanese banking market and you know, in order to give you know, Shinsei internet banking strategy, so that was a you know, super interesting thing you for Get that, you know, different, different cultures, different countries have different financial systems, different ways of doing things. And that was a real education, you know, at the time, like, there, there weren't even such things as credit cards or, you know, really mortgages, you know, in in Japan, and that was, you know, quite shocking to learn. You have something Wade?

**Wade Pfau 05:23**

well, no, it's just like, yeah, when I first got to Japan, I tried to open an account with Shinsei bank, but actually, I didn't yet have my foreigner registration card. So they, they didn't let me I ended up with one of the local banks, but I was very much attracted to the Shinsei model if things had worked out a little differently there.

05:40

And I told them at the time to be careful of people without their registration cards. But so after, after doing the consulting thing, I also consulted for Merrill Lynch on building their their direct bank, which is called, you know, beyond banking. I really wanted to be an operator, not a not a consultant, consulting, I had some really cool projects. But ultimately, it wasn't, it wasn't kind of my gig. So I really wanted to get back on onto the business building side. And I rejoined, the founder of the bank, who had started an insurance carrier, originally focused on life insurance, this was back in the early 2000s. Doing at a company called Jefferson National originally was a life insurance carrier doing instant issue, term life insurance online, you could apply and be bound online in like five to 10 minutes, which is still

**Alex Murguia 06:39**

Doesn't sound very,

**David Lau 06:40**

I know, I know, that's life insurance terminology. I don't like the bound, but you're signing a contract. So you're bound. But you could be, you know, have have a policy within five to 10 minutes, which was pretty radical. But the idea was you by creating that efficiency, that you could drive down pricing, but it didn't really work out that way. Because, you know, underwriting still wasn't quite good enough at the time. So we sold that business off and look to get into the annuity business. And then going into the annuity business, you said, Okay, what is the big inefficiency, it's not bricks and mortar, like it was in banking, the big inefficiencies commission, so the commission and other distribution costs, so the, you know, the cost that the the carriers taking on to pay their wholesalers to, you know, kind of famously buy steak dinners, pay for sales, trips, do advertising, name stadiums, things like that, all kind of gets

baked into the pricing of the product. And if you can eliminate all that expense, you can provide, again, a much better product to the end consumer. The question is then though, okay, who's going to care. So you can either go directly to the consumer, because all the existing insurance brokers really want the commission, you know, that's the, that's the double edged sword, you you, it harms the customer, but it's really good for the person who sells because the Commission's are quite rich. So you could go direct to consumer or you can find a different different outlet. And so this is 2005 identified the RA market, as you know, the market we'd go to, you're kind of working with advisors who were fiduciaries who worked only on fees. And, you know, we just built a really good business there, I stayed there 10 years building, you know, Jefferson National before I realized I thought I had a better idea. When we built the bank, we drove kind of systemic change in banking, everybody had to start launching online access bill payment, things like that, like Bank of America couldn't match our pricing, but they could bring our services out in insurance that didn't really so much happened. You know, some copycat products came out, but you didn't see the widespread, you know, widespread manufacture of commission free no load, you know, insurance products. So I saw thought the way to really drive that would be to do it from an independent platform, you know, kind of much like the way Schwab and fidelity in the early days created, created no load mutual fund marketplaces. DPL is really no load assurance marketplace, one of them that,

**Wade Pfau** 09:24

go ahead Alex

**Alex Murguia** 09:25

Thanks. Thanks Wade. One of the things I'd like to come in and bring it to the last couple, because we've been interviewing, obviously, folks who are on advisory board and at a certain point, well, we'll sort of recognize that for you just on a good roll right now, so I'll let it go. But one of the things that I just want to mention, you know, in our interviews with John Faustino, Bonnie, even Kelly previous to yourself, David, one of the things that I want to make a point to bring out and this is for the consumers that are listening in is that there are a lot of great people In this industry that are trying to do good by the consumer, listen, it's a commercial endeavor. And so, you know, there's nothing wrong with making a profit. But I want to bring to light that there is a, a number of good good folks like yourself, that are actually looking at the industry and are coming at it from how can we improve the consumer experience? How can we actually benefit them? It's not a zero sum game by any means. And I don't know, I feel the need to point that out. Because I think advisors sometimes are painted in the light that's, you know, less nice, you know, if you will, you see in in real life, and I'm listening to your story, and your entire career has been, how can we sort of remove frictions and pass them on to folks. And I wanted to point that out, because I think that's actually quite an amazing journey and something of significance, that you can look back on your career and say to yourself, not only did I do it did it my way, I did it the right way.

**David Lau** 11:05

Yeah. And, you know, for me, that's super important. I've got it, you know, I've got to look at this mug in the mirror every morning. And, and, you know, I've got to be really comfortable. I'm somebody who really cares about that. And, you know, I think I'm good at what I do. So I'm sure I could be successful doing all kinds of things,

**Alex Murguia** 11:24

let us be the judge of that please.

**David Lau** 11:25

I know, I know. You know, I could be successful doing a lot of different things. But you know, I really wanted to do thing, you know, I want to do things that help people. And through financial services, because it is such a complex industry, you know, it really resonated with me at the bank, like, people pay too much they get taken advantage of they can have bad advice, you know, what, uh, you know, whatever it might be. And so like, who can help people, you know, understand help people get through some of the detail the back, you know, the issues behind the scenes in product manufacturing, to really create better products. But, like, to your point, Alex, there's lots of great people, but just like the rest of the media, you don't you hear about the bad ones all the time, you know, we're going through this FTX blow up right now, you hear about the greed and the bad ones, because they're much better stories. But there there are loads of people doing great things, you know, for for consumers and including both of you.

**Alex Murguia** 12:27

Well, thank you for that. But and go on, go on Wade.

**Wade Pfau** 12:32

But just kind of continuing with the biography there. So at Jefferson National, the idea was this, like, a low cost investment on the variable annuity for the tax deferral, but not really much emphasis on the income. And I heard you mentioned, you were thinking, you had ideas about how this could all be done better. And that leads to your current endeavor that was in 2014. When you created DPL, and I am wearing my DPL swag.

**David Lau** 12:58

I noticed that, I noticed that. I got some really retro tele bank gear on dusted off. But yeah, so. So again, I thought coming from instead of a single product manufacturer, the way to bring better value for the consumers would be to bring choice, you know, and, you know, we're a tiny carrier, so creating income products wasn't within our purview. So I thought if I create this platform, and I launched, you know, officially started DPL, at the end of 2014, but really got into it in 15. And it was with a very long view, because you guys know, with insurance carriers, they don't move quickly. So I knew I needed to spend time working with carriers to help them understand how to build and support these products, you know, before we could launch DPL if they didn't build and support the product, right? It wasn't going to work. So I literally spent you know about three years almost two and a half years you know, consulting for carriers until we got enough products to kind of launch the platform that is DPL

**Alex Murguia** 14:07

How did that first phone call go? Like hey, this is David I've got an idea Yeah, you know that your business model that you're doing with Commission's you introduce that in a way that you keep them like listening, like, go on.

**David Lau** 14:26

Yes, all that you're doing. It's all wrong. Let me tell you why. This company for 120 years, but Well, fortunately so I mean, I built a you know, kind of enough of a reputation at Jefferson National that people knew knew who I was and what we did, right. So, and this is a this is the direction that all financial services are going you know, it's moving away from commissions moving away from transactional fees, you know, to low cost as transparent products, it's part of the reason I started DPL. It's happened everywhere, you know, most everywhere anyhow, in financial services, but insurance has gotten left behind. And in my estimation, because, you know, they're, they're bound to this commission distribution, but also from what I saw with other carriers as competitors. They didn't know what they were doing. So I thought, okay, I can help them. And so really, I called a couple that I knew that were in the space prior to setting off to do this and got terrific response. And literally the day I announced I was leaving Jefferson National, my phone rang from like three other carriers saying, Hey, we're interested in doing this. So, you know, throughout the course of building DPL, I, other than those kind of initial calls, let people know I was gonna do it. I really haven't had to pick up the phone.

**Alex Murguia** 15:51

You did it with him. And you did it like almost like in unison with them in concert.

**David Lau** 15:56

Exactly.

**Alex Murguia** 15:57

You didn't solve for something that a product problem that didn't exist, you kind of like did it hand in hand with them? Yes.

**David Lau** 16:03

I mean, they know this is a, this is something that has to happen, right, because like I said, it's been happening elsewhere, you know, mutual funds we've moved from, you know, he shares die shares long ago, I mean, the, you know, the costs have been driven out of many areas of financial services to the betterment of the consumer, you know, to what we were talking about before, but it just hasn't happened in insurance. And, and just to put a dimension to it, I mean, the Commission's within insurance, financial insurance products, like permanent life products or annuities are, are very, very generous to the to the seller, we're talking, you know, maybe 100% of the first year premium and permanent life products, you know, maybe 8% of premium in annuity products. So, I mean, they're very significant. So, it taking them out of products is much better for the consumer really drives tremendous value.

**Bob French** 17:00

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**Wade Pfau** 17:23

And then maybe if there's any critique of that with someone says, Well, commission is a one time deal. Versus like a traditional advisory firm that may charge an ongoing percentage. I think there's more to it than that, as well. I've heard you talk about the idea of many of those commission based annuities, they charge mortality and expense fees that are ongoing, well beyond when the commission would have correct and fully funded it, but it never, the expenses never stop. And

**David Lau** 17:53

That's right. That's right. So it's really comes down to you give the you give the the client the choice, which is you know, something I'm and I know you guys, you know, with Risa are also you know, very helpful in that, you know, giving clients choice, right, so this takes the compensation out of the product. Now, the now the client, if they choose to, can pay an advisor for advice, you know, if they want, if they want advice, they can pay for advice, just like a mutual fund, you don't have the load, or the 12 b1 fee, or any of that built into the product, you're getting basically a institutionally priced product, and if you want to pay for advice, you can pay for advice, but you know, product, you know, comparing product to product, you know, taking the expense of the distribution expense out, you're gonna get a better product, when you eliminate the Commission's it doesn't mean that like opting for a commission product is the wrong thing that you'll you'll pay less over time. It's just a different proposition. And you're giving people options.

**Alex Murguia** 18:56

Yeah especially if the advisor is providing ongoing advice. And in year five, maybe another type of annuity that you know, could make more sense and they could transfer out of it or whatnot, you know, they're providing this ongoing advice. So

**David Lau** 19:09

Well, yeah. And you want that ongoing advice.

**Alex Murguia** 19:13

I'm trying to think of a situation where it does make sense and there you go

**David Lau** 19:15

because I mean you you want ongoing advice I think unless you really know what you're doing you understand the product just for selecting your investment options knowing when to turn on income those kinds of you know within the rest of your plan.

**Alex Murguia** 19:31

I'll say like this if you wake up in the morning, brush your teeth and shave and Wade Pfau not looking back at you in the mirror, then you need ongoing advice

**David Lau** 19:43

There you go.

**Wade Pfau** 19:46

Yeah, expanding on this point a little bit, you know, with financial services being so siloed and traditionally there's the investment side and the insurance side. Seems like you really found this niche where it's the the investment side the RIA right To start Investment Advisor who's the we're fee only we are fiduciary, we're serving the client's interests. But for a long time, annuities were not on the table for them because they're not able to accept commissions, because they are fee only. And the whole argument that we're doing what's best for the consumer by taking insurance entirely out of the picture and having this incentivized kind of bias against insurance, it made it hard to be a true fiduciary. So could you comment a little bit on how now you've created the ability for a financial professional to really be able to offer a broader range of financial products and services by allowing for that field the model to apply more broadly?

**David Lau** 20:46

Yeah, and that was, and that was definitely, you know, part of the, you know, the thoughts around again, creating DPL is, you know, when I first heard about RAs and you hear, you know, it was like the, like commercials you hear now, like we do well, when you do well, you know, are we sit on the same side of the table, you're like, Absolutely, that's what I'm looking for an advisor, but then you realize there's, there's actually some conflicts in that fee as well. And then you realize that insurance is a big one, because they can't accept commissions, you know, either structurally and ethically, can't accept commissions. So they forego, like you're saying, Wade, you know, an entire class of product, insurance products that can be very helpful to clients in mitigating risk and generating income, doing all kinds of things, you simply can't replicate with investments alone. So enabling advisors to give much more holistic advice to their clients and not have to be limited to like investments alone, I think is a really important thing. And to do that, from that fiduciary point of view. So that's, you know, I think a really good, you know, outcome, you know, for clients, you know, just enabling more advisors, more access points, for products that matter.

**Wade Pfau** 22:06

I think that's a good segue. I know Alex has been itching to ask the question. About is David Lau is a member of the Risa advisory board?

**Alex Murguia** 22:15

Oh, that's, I was gonna ask the question. Well, I get to that when there is there's two points. The first one was that you do one and I do one. And I put that up, put this to rest. Listen, whenever whenever anyone tells you how generous they are, or how nice they are by telling you, you do well, we do well, the tighter you should grab your wallet. Bottom line. You know, come on, let's just marketing drill. The next question I was really going to ask if you guys had a podcast, would you be Lau and Pfau or Pfau and Lau?

**David Lau** 22:54

I think you'd just go alphabetically right.

**Alex Murguia** 22:59

Sory Wade you're out



**Wade Pfau** 23:00

Yeah, we've been on panels together.

**Alex Murguia** 23:04

So it'd be Lau Pfau and Wow

**Wade Pfau** 23:07

I was hoping to get the title right for CEO and founder of DPL. But I realized you have a Google problem. There are a number of David Lau out there that I hadn't realized. And at least with bow, I don't run into that so much.

**David Lau** 23:20

I know I got heckled at a golf event. Where, you know, they had a bunch of spectators there. And there's this particular heckle hole. And they said, don't let them know who you are. Because you'll get heckled. And so somebody let them know who I was. And then I started hearing there's a rabbi more famous than you. Which if you if you if you Google David Lau Yeah, the first thing come up will be a rabbi. Yep.

**Alex Murguia** 23:47

Really wow

**Wade Pfau** 23:47

Wikipedia page.

**Alex Murguia** 23:49

Heckle hole, wow I love that phrase. Yeah, that'd be like I own that. But to Wade's point but the the more serious. point was, it's an IT you've just heard David speak here for a good 20 minutes about his, you know, his his life's work about how it is to bring this to the consumer and to bring these solutions to the consumer in a way that's cost effective, frankly, and we couldn't be happier than to bring Lau you know, David, along with us on our Risa Advisory Board, simply because of the work that he's doing with annuities, this sort of approach where listen, if you take this fiduciary standpoint, and you have these fi only annuities, there really is at this point, no reason why annuities isn't an option for all business models within the advisory community. I mean, at this point, it's just because you don't want to see I mean, that's the reality. You can say, Oh, my business model doesn't allow it, which shouldn't be a reason anyways, but let's just say that was your reasoning. There are no excuses at this point. You just don't want to handle Have you heard that's, that's just being obstinate? Oh, Wade, please. But, you know, from our standpoint, I mean, we couldn't be happier than to bring this kind of innovation and thinking and originality to the reason to the Risa advisory board where, you know, we're about bringing in all retirement income solutions, not just one set, but everything of which contractual income is a huge, you know, proportion of, and so, you know, with David's thinking on this, and where we're going with down this rata, you know, David's company and the research just go hand in hand, I mean, in terms of this movement, that's coming down the pike, and, you know, we thrown the word fiduciary a lot over the course of the last few podcasts, but you get a sense of, of where we're coming from with this.



And, you know, with that, it's want to say, thank you, David, for going with us on this journey. I mean, really, you know, we're excited.

**David Lau** 25:56

Yeah, I'm, I'm, you know, honestly honored to be a part of it. I've told you guys all along, as you guys have been working on this and developing it, I believe it's important, and I believe it, you know, truthfully, I mean, you know, this is an important development and innovation and advancement, you know, within financial services, you know, being able to retire, I talk about this a lot to retirement is relatively new problem, you know, for, for financial advisors and individuals. And it wasn't so long ago, people had pensions, you know, interest rates were robust, they've come back a little bit here, but I don't know how long you're gonna stay like this. The you had, you know, no doubts about Social Security, the duration of retirement wasn't all that long, you know, people were you could clip coupons from bonds and safely funded retirement, you know, people didn't worry about it all that much. You know, now, that's definitely changed, you're looking to plan for, you know, 30, maybe 40 year retirement, you're doing it without a pension, you're self funding, basically, you know, and how are you going to do that, and there, there's more than just using investments, right, which is what traditionally, advisors do. And advisors are really, you know, for the first time, I think just recently, starting to really broaden their purview out of being just an investment manager, or money managers, some people call themselves into being planners and you know, looking at retirement more seriously. And you know, what Risa enables them to do is actually asked their client, about how they want their retirement handled from an income perspective. And I think that's unprecedented. It's really important. It's, it's important, if you're going to do right by your client, I say this a lot. If you want to do the right thing for your clients, a good place to start is by asking them what that might be.

**Alex Murguia** 27:56

No, it's your phrase that I've kind of just taken it as my own. At this point. I don't even give you credit. You know, fiduciary is when you're taking your clients best interest in mind, but how can you take the client's best interest in mind when you don't ask them? What their interest is?

**David Lau** 28:10

Yeah

**Alex Murguia** 28:11

How easy is that? Right.

**David Lau** 28:13

Right. And I think, you know, I've taken it, you know, even, you know, a little step forward from from there. And, you know, looking at like Bill sharp I, you saw, you know, I quote him, you know, the Nobel Prize winner from an article with our mutual friend, Michael Finke, where he said, you know, he hopes there's a day basically, when people will present an option, you know, when advisors will present their clients with an option. Here's, here's a plan with an annuity and without one, so I think not only do you have to ask, you also need to present options, because this is, again, an area where, you know, if someone's working with you as an advisor, they don't know how they feel, they don't know how they want their money, manage, they don't know how they might want their income, you need to present the

different options. That's right, and show them what's possible, and not be biased towards one way or another, and let in and have a dialogue about different options, you know, with your client, and without presenting options, you wind up with what what we hear about all the time here at TPL. My clients are panicked, if you know, the markets going down, they all want to know how what's happening with their income. Well, maybe your strategy is mismanaged. So their psychology just about that.

**Alex Murguia** 29:29

And it goes both ways. It's not the insurance guy selling insurance only or the investment guy selling investments only it's about finding, what's the right starting point. I mean, that's ultimately where it's at.

**David Lau** 29:40

Yeah, and that's, you know, that's one of the things that's always a hot button for me, everybody talks about these, you know, insurance and investments like their binary decisions. Exactly. It's all investments or it's all insurance. No, it's not, it's actually some blend of them is probably the right answer. You know, for most people It's not a binary, it's all about an annuity. It's all about investments. It's finding that blend, you know, that makes the most sense for the client.

**Alex Murguia** 30:08

And there's this. I mean, this is just my own sort of frailties. Sometimes I get the sense that if, if you have any inclination towards bringing up in contractual income as a potential solution, I get the sense from other advisors thinking as well, you just don't understand the markets.

**David Lau** 30:28

Right? Yes.

**Wade Pfau** 30:29

And that's a battle that you've had is

**Alex Murguia** 30:34

What do you mean, I don't understand more, because no, you know, it's one of these where it's like, you know, I don't want to curse on this podcast,

**Wade Pfau** 30:43

it's gonna be a number of advisors who, when they first hear this idea of giving a choice to their client, that's what's the choice, the the investments are, the way to go, the job of the advisor, is to convince the client to I remember seeing message board posts of like, the job of the advisor is to convince a client to be 100% stocks.

**Alex Murguia** 31:03

A part of that inclusive thing is that we don't know what we're talking about about them. Because we don't understand the markets. It's ridiculous.

**David Lau** 31:10

Yeah, no, totally. And I use this example, when I'm talking about risk all the time. And I don't know that you guys love it, but I think it helps, you know, for me, when, when an advisor is managing a client's money, and they do you know, a typical risk profile questionnaire, and it turns out, you've got a 40 year old who is extremely conservative and risk averse and is allergic to losing money, you're bound to manage that client's money conservatively. Even though in your intellect, you might think, oh, this person be better off taking much more risk, they've got time for market cycles, you know, they're gonna be okay, over time, but you have to manage their money conservatively, because you ask them about their psychology about, you know, losing assets and things like that. And why doesn't that then apply to retirement income or other aspects? You know, it's not again, the adviser to tell the client what's right. It's, you know, it's about talking to the client, there are many things as Wade points out, you know, that are are right, you know, and some can be better for a client, you know, depending on their psychology, you can get to good outcomes and a lot of different ways. And, frankly, I would make the case that incorporating an annuity can get you to a better outcome.

**Alex Murguia 32:32**

100% Look, it's whatever it's, I mean, I heard the phrase somewhere, I forgot who it was, but we don't retirement income isn't always optimized on a spreadsheet, it's optimized with a balance of who the human is, what the preferences are, and you go from there, it's not just a straight up Excel, but to your point, okay, if you really want to take it to that level, there's plenty of examples where an annuity, you know, within the overall asset base will actually from a numbers perspective outperform an investment only piece because risk pooling premium versus you know, term premium or whatnot. So it's it's quite compatible and many times above and beyond. But that's beyond the purpose of this podcast right now, this podcast, I want to talk trash a little bit. Okay, but what are some cuts consumers are listening in on this? What are some, just because you go to somebody's office and you give this talk, we're not going to, you know, there's still going to be advisors that are gonna say, Yeah, David, I get it. But, you know, I'll call you you know, one of these things where it's a, it's a polite, no, it's a smile, but it's a no, ultimately, what are some of the objection handling comments that you have to listen to? And I think this is important, because consumers can ask their advisors the same thing, hey, what about a minute, and the advisor gives them some 10 Second, Heisman, you know, the equivalent of the Heisman and they go okay, and then move on. So what are the what are the kinds of answers that that you listen to whenever you kind of make your your pitch to an advisor why they should consider it, but they, they kind of they don't quite get there.

**Bob French 34:07**

Are you a financial professional, wondering how to transition your clients from the accumulation to the distribution phase, how to engage individuals looking for a professional with true Retirement Income expertise, how to mutually develop a solution that resonates with them, or how to grow your practice in a meaningful way that's based on best practices for financial planning. Then you've come to the right place. Sign up for our two day masterclass for financial professionals, hosted by Wade and Alex on January 23, and 24th from 12 to 130. Both days, your future practice will thank you for it. Go to [risaprofile.com/masterclass](http://risaprofile.com/masterclass).

**David Lau 34:50**

The so I say the boy I've been dealing with this for a long time. So I say a number a number of things annuity you know one they'll say annuities are controversial, you know, based on compensation type, you know, so for advisors who don't like commissions, they'd never liked annuities and meant loss revenue. For people who liked commissions, they really liked them, because they get paid quite handsomely. But where they've never been controversial is with academics and people who study retirement for a living. That, you know, with, you know, people who are objective and looking at the value of an annuity. They're not controversial. So, typically, the objections we get, when we're talking to advisors are mostly based on misconceptions. I, I can't actually recall people objecting to the actual products and the actual numbers and and after actual review, it's mostly about well, you know, my client doesn't want to lose all their money to the insurance carrier, they don't want to turn over all their money. It's like, well, that's only with a couple of products, you know, you know, that that might be the case. You know, most people don't do that. You know, what happens if the insurance carrier goes under? It's like, well, if the insurance carrier goes under, there's going to be a lot of problems in your portfolio. There's going to be well, there's there's going to be insurance companies are, you know, incredibly well capitalized and monitored, and all that stuff, if they're having issues. It's it particularly, you know, major national carriers. Right. So, I mean, everything's got risk insurance carrier actually presents, you know, pretty minimal risk. But it just gets to the question, it's just a lot of misconceptions about annuities. They're, they're complex, they're expensive, they're, you know, there's it's always like some blend of, you know, some Frankenstein annuity. It's not, I'm objecting to this product. Because of this. It's, it's mostly the concept. And it's mostly because those advisors could never get paid or make money, they actually lost money on the news.

**Alex Murguia 37:04**

Okay? How many of them tell you point blank, hey, this doesn't align with my business model, or already. And as stupid as it sounds, I think it's hard, right? Advisors are human beings, they're trying to build up their business. They like to systematize they like to keep things efficient. And it could be as easy as I don't want to consider them, because I already have like my presentation down. Pat, I already have my messaging down, Pat. And I don't want to change that. i It sounds so stupid for me to say something like that. But you know,

**David Lau 37:33**

it's not, it is not stupid at all.

**Alex Murguia 37:36**

I just don't want to change my messaging anymore, even though it's better. Is that is that, go one.

**David Lau 37:42**

Oh, absolutely. I mean, whether it's the messaging or the process, I mean, just the inertia of like, I've always done things this way. I mean, you can show them I mean, literally a quote from an advisor, you showing them a massively better outcome for a client he's like, but that's going to take some paperwork, right? I mean, I know, I know, it's like, yeah, that'll require a little paperwork, but do your clients is going to be super happy. But it but it is that inertia of this, you know, I've always done things this way. But, and again, people tend as human beings, we tend to focus on the short term, rather than the long term, put, because actually, the long term if you've ever been, you know, Alex, you're an

advisor, if you ever looked at the process for generating income out of a portfolio that you're gonna have to constantly do over and over and over again, you know, for a client, it's, it's, it's one very complex filled with execution risk, you know, and is often very manually intensive. If the use of an annuity to generate income is actually going to make your operations as an advisor a lot more efficient down the road when it comes to you know, when it comes to managing clients retirement.

**Alex Murguia 38:56**

No, I don't I agree. 100%. I just want, again, I'm trying to think, okay, there's some consumers that are listening in. And sometimes consumers may not want to ask their advisor about what they're listening to right now. Or they do, you know, I want to kind of make them informed when I do bring it up to their advisors that the advisor can't just wave a magic wand and say, and not really because blah, blah, blah. You'd be hard, hard, hard pressed to find a reason why that shouldn't be in consideration.

**David Lau 39:30**

Yeah. I mean, I, so I've struggled with this question, which is ultimately kind of a little bit what you're getting to, you know, for a long time since I was a Jefferson National. If you went direct to consumer trying to drive consumers like in a prescription drug kind of model, you do advertising you say, Hey, if you want this, go talk to your adviser about Dakka Dakka. Right. But the thing with annuities and financial advisors is the advisor just say, Oh, you don't want that. You know, and, and the consumer. It's hard to arm them with the one question that says, you know, how do I question my advisor, they're just going to defer to the advisor, you know, so it's a really hard thing to do. The closest thing ever, I'm telling you is probably the Risa. So for that, so for the consumer, it would, to me, it would be two things. Number one, is go through the reset, see if an annuity is right for use even matches up to what to what you're looking for in retirement, if it is the number one, that's a great thing to have a discussion with your advisor about, if you're using advisors, they hear, you know, here's, here's what I want, you know, can you give me a solution, if they say they can't, or they try to talk you out of it, find a different advisor? Because somebody will, right, because somebody will want to match what you want, and somebody is not going to be biased against annuities, or something like that. And I mean, that's, that's the, you know, the best thing come up with for it is, if somebody tells you, no, you don't actually want what you want, I mean, they're there. They're trying to sell you something different.

**Alex Murguia 41:05**

Yeah, it's hard not to make an academic case, an empirical case on Excel. On even a case from an emotional standpoint, why there isn't some sort of room for this, if this is how you prefer to source retirement income, you can also do what way does to me when Wade doesn't approve of something I say or he's in disagreement. He just keeps on asking me why. You asked me by the fifth why I give it

**David Lau 41:30**

Or the other tactic I've taken to recently wait is going back to the Japanese days in is just to nod nod looking like you're agreeing. And in Japan, that just means I heard you. I heard you. It's like not I agree with you. You're just nodding to say yeah, I acknowledge I heard what you said. Yeah.

**Alex Murguia 41:53**

So what are you know what, let's say not everyone has an advisor. Right. And this is something of interest. I've always and I don't know enough about this, you know, this, this is kind of your your expertise here, from frictions and stuff like that. I always thought, you know, someone can sign up for a model portfolio, no problem online, right? Because it's an application boom. And they're they're buying, you know, they're affecting a trade. I think that's much tougher with an annuity because it's a contract. And so in my view, once you go into the realm of actually doing a contract, it's not something you can just bang it out in two minutes online. Maybe you're, I'm willing to be wrong willing to you said, Tell me No, Alex, that's not really the case. And that's fine. But what are the challenges that are presented to a direct to consumer annuity transaction? And are you doing anything for that?

**David Lau** 42:45

Yeah, there's so there's a number of things. One one is like, and again, one of the impetuses I had in building DPL. How do you compare? Like you? So let's start with the notion that, okay, I do want contractually guaranteed income I saw I kind of want an annuity. Well, how do I find the right one? If you just go to a broker, they're just going to talk to you about okay, this is kind of my favorite product, they're gonna give you the product with the best sales story. Oh, it's got this cool little feature that does this when that happens. And that's all you get, right? So we build technology, we've got tools, you know, consumers can access them on our website, just just register at the website, you know, DPLfp.com, and shownotes. Put it in the show notes. Sure. DPLfp.com. You can go to our tools and we got any number of tools you can look at you can compare annuities to fixed income, which is one of my favorite to show you where if you're going to replace some portion of your fixed income portfolio with an annuity how much more efficient that income that is, basically, I talked about it as we we take like Wade's research and put it to practical in, you know, practical use and practical application within this tool. You're showing you where you know how an annuity can be more efficient than bonds for example, you know, we also give you an annuity comparison calculator, you want to if you own an existing annuity, you want to compare and see if one of these new versions of annuities is better. Now we can let you look it up really quickly and easily do a comparison or you just want guaranteed income, our tool just you know, we have a guaranteed income tool. We don't care what kind of product it is, from whom we're just saying give us a couple of data points about who you are when you want the income to start and we'll tell you which products are most efficient about generating that and

**Alex Murguia** 44:35

and you're doing this on a fee basis on a fee only basis

**David Lau** 44:38

Correct correct and there's there's no fees here for the consumer you're gonna get the you know, we don't charge any you know, the consumers anything. You can access for free. You can you know, buy these products. Everything you see in the product costs is what you pay. You know, it is what it is so there's there's nothing extra for the consumers there. We do charge advisors.

**Alex Murguia** 45:01

So thank you for that. Thank you for that privilege.

**David Lau** 45:07



advisors need more help,

**Alex Murguia** 45:08

Yes. Yeah. All right. No, man, that was great. I mean, I think I think we've accomplished what we wanted to do, which has really, then advisors know that, listen, there's a movement coming. And the reality is, I think I've said this in the last few podcasts, but you can't stop an idea whose time has come. And this is Exhibit A. And for consumers. Listen, there's there's options out there right now on a non commissioned basis that annuities are available. So at this point, if this is something that reflects your preference, you should be able to pursue that. You know, full stop, Wade.

**Wade Pfau** 45:49

Yeah. Now it's time for advisors who've been using the Risa as well, I don't know how many times we've heard from advisors at this point, who said, Well, yeah, traditionally, I was the investments only advisor, but I realized, now I need to expand my business. How in the world am I supposed to do that? And our answers generally, well, there's options out there. And David, you're primarily that the main option that is available to an advisor looking to expand beyond just investments only. So if you have any further comments on that, yeah, and advisors do to learn more?

**David Lau** 46:24

Yeah. So I mean, it's so good. We've got a whole team of consultants that can work with advisors, as Alex was pointing out, I mean, this is this, you know, this can involve a business change, you know, for an advisor, you got to know how the processes are gonna work now, how, and how you're gonna get paid? What are the data feeds look like? You know, how do I do reporting and, and all that. So we've got consultants that can help, you know, you can call in, you know, go to [DPLfp.com](http://DPLfp.com), you know, etc, etc. And, you know, we support advisors, you know, all the time, but this this, you know, we really love the risk of because it's, it's, it's a crutch for the advisor, too, right? I mean, like I was saying, so, you know, earlier,

**Alex Murguia** 47:06

but the kind of crutch that helps

**David Lau** 47:09

totally the kind of crutch that helps, because so many advisors, they the part of what they look for from us, is, how do I talk to my client about this? How do I start bringing this up, I never talked about this before. And now having a device like the Risa that helps identify what the clients looking for, it also gives a great way for the adviser to engage in that conversation with the client about you know, about their investments and about their retirement. So, you know, that's something we like to put forward. So we'll, we'll support it with human help, we put out the Rissa we give the tools to help find the best products, we integrate into the rest of the practice. So we kind of look to, you know, handle, you know, this from soup to nuts for everyone.

**Alex Murguia** 47:53

I think this is great. Like I said, Wade is right, we've gotten a lot of advisors at this point come up to us saying, it's largely been a total return shop, how do we expand our offering? And we just point to DPL,



because that's, we're not in the business of that. You know, that's, that's where you come in. In fact, I think I sent somebody to Tim, just last week. So yeah, that's awesome. David, it's been an absolute pleasure looking forward to, you know, knocking this out within the industry with, you know, in full force. So, thank you again, for deciding to go with us on this journey. And what can I say other than thank you again, I got no other

**David Lau** 48:34

Oh, yeah. Happy happy to, you know, a huge support of you guys and the Risa and, and, you know, a major believer in it. It's an important thing advisors consumers both need to be checking it out. It's it's a terrific device and you guys are to be commended for for the development of it.

**Alex Murguia** 48:54

Thank you. And then the last point How did it feel to be interviewed by Wade as opposed to you interviewing Wade

**David Lau** 49:01

it's definitely a turning the tables but it's, it's great. He did a good job. There's a future there, Alex. So hey,

**Alex Murguia** 49:09

go away.

**Wade Pfau** 49:10

Yeah, TV is coming next.

**Alex Murguia** 49:13

You want to take us home? Thank you, everyone. I'll say my goodbyes. Wade.

**Wade Pfau** 49:17

Yep. Thanks, David. Thanks, everyone, and we'll catch you next week on retirement style.

**David Lau** 49:21

Thanks, guys.

**Bob French** 49:24

Wade and Alex are both principals in McLean Asset Management and Retirement Researcher. Both are SEC registered investment advisors located in Tyson's Virginia. The opinions expressed in this program are for general informational and educational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific securities. To determine which investments may be appropriate for you, consult your financial advisor. All investing comes with the risk including risk of loss. Past performance does not guarantee future results.