Episode 44: Where to Find Practical Resources on Retirement Income Strategies

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. Two economists and a psychologist walk into a bar. And before you know it, they're on a podcast discussing retirement income strategies. Let's listen in.

Alex Murguia 01:09
Hey, everybody.

Wade Pfau 01:10
Hey

Alex Murguia 01:13
I thought I was gonna do it that's a new one. We'll go with that one, and the show is Retire with Style. I'm Alex. And I'm with

Wade Pfau 01:30
Wade, and we're happy this week to introduce our special guests, Jason Fichtner, who does wear many hats, including positions with the Alliance for Lifetime Income, the Bipartisan Policy Center in the past and Social Security Administration. And I'm interested to ask Jason about that having worked there myself for a while, which he may not know, I'm not sure. And just a number of different things with the Alliance for Lifetime Income, in particular, the retirement income Institute. He's been a lecturer at John Hopkins University. He's worked at George Mason University. So he has quite an extensive background. And Jason, welcome to the show.

Jason Fichtner 02:05
Thank you, Alex. And wait, I appreciate being here. And sort of as Wade mentioned, I wear a lot of hats these days. And so sort of the three hats that are all relevant to one, you know that the day job is as vice president and chief economist at the Bipartisan Policy Center, which works on a variety of economic policy issues from retirement security, energy policy, infrastructure, health care, immigration, we kind of do it all and try to advance legislation in a bipartisan manner, because we believe that the only way legislation becomes stable is if it's done in a bipartisan way, not one party pushing it over the other. And then it also mentioned, I'm a senior fellow with the Alliance for lifetime income, where Wade is also a senior fellow fellow. And in that capacity, I run the retirement income Institute for the Alliance.

And we can talk about that obviously, we will today. And then sort of the third hat I wear is I'm on a newly created Puerto Rico pension reserve Trust, which came out of the promesa act and Puerto Rico's bankruptcy. Because the defined contribution plans Republic employees were basically speaking bankrupt. As part of the bankruptcy agreement, they created a new Trust, which has contributions coming in from payroll taxes from the government, and then some money that is now coming in to a trustee, which I'm a member, which we are managing that money in private investments. And as the contributions of unalloyed close defined benefit plan, start dwindling as the current workers retire, there would be no one to pay for those retirees. So we're building up that asset base to pay out those benefits when they retire. And it's a kind of a mix of public private, which is, I think, interesting and might have some sort of implications for social security reform down the road 10 years from now. So those are the current jobs. And as we've mentioned, I've had a long history, doing retirement and tax issues. I was the principal deputy commissioner and chief economist at the Social Security Administration. I've served as a senior economist, the Joint Economic Committee, the United States Congress, I've worked for the Internal Revenue Service. I've worked for Arthur Andersen and the Federal Tax Services. I've taught at Johns Hopkins, Georgetown, Virginia Tech and George Mason. And there are probably a few jobs I forgot to mention along the way. It's been a very interesting career. And my passion is retirement security and making sure people have enough income in retirement, to have a dignified and meaningful and secure retirement. And that's the work you guys are doing too. So I appreciate being able to come on the show and talk to you about your work. And

Alex Murguia 04:28
that's great. Jason and Jason, there's one more well, we're gonna talk about these in a second. But there's one more calling that I think you missed an intro. You did a great intro under duress. I mean, you're really just looking at each other. You just said the hell of it. I'm taking over and you did a great job.

Jason Fichtner 04:49
kick you off, I'll do it for them.

Alex Murguia 04:54
Puerto Rico's in good hands.

Jason Fichtner 04:58
Leadership means you go first. So I guess I'll

Alex Murguia 05:02
just see last. That's my that's my philosophy. Wade, I don't know that take it from there. But you find a nice transition with

Wade Pfau 05:13
Jason at Social Security, were you in Baltimore? Were you actually in the Division of Economic Research Office?

Jason Fichtner 05:20

yes to both. So the securities headquarters, of course, in Woodlawn, and then they had a DC office. So I spent basically two days a week in Woodlawn two or three days a week in Washington and kind of went back and forth if need be, because the operational component of the agencies right to walk out of Baltimore, out of Woodlawn, and then the research office was actually split. There are folks in economic policy at Woodlawn, and some in DC are legit affairs folks. And I oversaw the research component as well. So I spent time in both, and that commute from DC to Baltimore. Never Very good.

Wade Pfau 05:54
Yeah,

Alex Murguia 05:55
that's a beautiful parkway

Jason Fichtner 05:56
beautiful parkway? you just sit there not moving to see, you know,

Alex Murguia 06:01
you get to watch the trees grow.

Wade Pfau 06:06
Well, probably the biggest thing to talk about today is just the work going on with the Alliance for lifetime income. And anyone listening to this show, who may have attended a Rolling Stones concert in the last few years, or this year, in particular, with Elton John may have seen the Alliance for lifetime income may have seen either a print magazine, advertisement or on television, the different ideas around I know, the one I remember really well was the race car driver who talked about taking risks with her career, but not wanting to take risks with her investments speaking to, well the idea that retirement income risk is a completely different matter from other types of risks. But can you just tell us a little bit more about the Alliance for Lifetime Income and what this what the advertising was really meant to accomplish. And then more broadly, the goals of the Alliance Oh,

Jason Fichtner 06:54
thank you for allowing me to do that. So the Alliance for Lifetime Income is a nonprofit educational organization, I think it's important realize that it is an educational based organization. And the idea is to create awareness and educate Americans about the value and importance of having protected lifetime income in retirement. And I think part of this is the switch that's been going on. Because we had a system in the past that was basically based off Social Security and defined benefit plans. These are your pensions, and most people who had pensions usually were in either large corporations or in the public sector and government. And now it's really hard to get a pension, whether you're in the government or in the private sector, they're going away. And we've shifted to a defined contribution world. And this change was necessary to win because a lot of the defined benefit plans were underfunded, and people just didn't have them, they secure income needed in retirement. But as we shifted to a DC world, a defined contribution will be shifted that risk onto participants, people who now have to manage their money, and they hit retirement have to manage that asset base for the rest of the life in retirement. And for the longest time before the Alliance came around the work that you Alex,

Wade, and I've been doing, it was more trying to tell people, you need to save a number, pick a number a million dollars. And people saw that was really daunting. And we didn't tell them how to manage that money. We had things like the 4% rule, which we've all written about how it's problematic, and probably not a bad pilot, not a good rule of thumb, that you could draw 4% of your assets down a year and a rest that would last the rest of your life. Not think about what happens when you have a market downturn, for example. So the alliance was created to talk about how income should be the outcome in people's retirement? And how do we talk about how you save enough money. So when you get to retirement, you can convert that into a stream of income that will last the rest of your life doesn't have to be for annuitization, or even partial, but it's how to use that to augment Social Security. We're talking about Social Security, claiming strategies. And we're trying to change the narrative. I think we've done around annuities and protected income for a long time you talk to individuals, and you went out there and survey that I did transit, social security, we talked to real people. And I say, would you love to have income that would last the rest of your life that said, I would love that? Would you like to have a paycheck for the rest of your life? I would love that. Would you like an annuity? No, I don't want one of those information. The educational awareness was off, including with financial advisors, who thought there was only one annuity product, and they were all bad, they didn't realize you could customize. There's so many products out there that you had to have more nuanced and awareness of individuals risk profiles, their needs, what products were available, what problems they needed to solve with various solution sets. So the Alliance provides consumers and financial professionals with these educational resources, interactive tools. I like to call it practical or actionable research and insights into how to build retirement income strategies and plans. And we believe that annuities are is one of a source of protected income again, so security is another one for example. And we're trying to put this all together to help people have again a dignified I didn't secure retirement. And it is an educational mission. And I think it's also important realize that we are consumer facing as well, like we are here on behalf of consumers and individuals, we are trying to make sure that the retirement ecosystem works for everybody. We know it doesn't today. So we're talking about how to put protected income, better line with inplant strategies for defined contribution plans, how to actually make products more accessible, how to better educate people on their awareness. Well, they get from the consumer side and the financial professional side and talking about how do you talk to a financial advisor? How do you find a financial professional, what information should you know, and the research that shows how people can be better off under various income strategies. And that's sort of the work that the alliance is doing. And it's been really gratifying and rewarding to be a part of this organization and the work that you guys have been doing for it as well, I really appreciate you being a part of it. Because I think we are actually making a difference. And the last thing I'll add, before letting it come back to you, is, again, I wear a lot of hats, but they all kind of fit together. And the one thing with the Bipartisan Policy Center is we run a campaign coalition called funding our future, which has a variety of partners, including the Alliance for lifetime income, which tries to make sure that people have adequate savings through the lifecycle, including retirement. And the savings retirement ecosystem, is one of the areas left that is still truly bipartisan. And you can think about this in the secure act secure act 2.0, which is being considered on Capitol Hill right now. You talked to Republicans, Democrats, independents, they're all in favor of retirement security. How you get there, of course, is open for policy discussion to debate, but no one's against it. So how do we use that bipartisan energy to actually move the needle and that's part of the alliance is about you're about I'm about and it's really rewarding to be part of the entire process right now.

Alex Murguia 11:50
That's well said, fantastic. Just comment for Wade off of this. Because you were talking about the race car driver. Jason's a big motorcycle guy yet he's a proponent of protected income, right? Because I remember correctly,

Jason Fichtner 12:05
I've been there forever. Alex, it this is what I always tell people. I'm planning to live forever. And so far, it's working.

Alex Murguia 12:12
There you go. No, that's great. And I don't, I'm not sure. Obviously, they've been in the promotions with Elton John, Rolling Stones, and just to get out there and get that mindshare going. If and you know, just like in this podcast, we have a fair number of consumers as well as professionals, a consumer, they go to the website, and we'll have a link for it and the like, what would you recommend for them to be their first step as they go on this journey of okay, let me find out a little bit more about this. And you know, what tools, tips and tricks, you know, whatever is available there. And then the same could be said for an advisor, person on advisor goes on what what path do you think is the most useful for them, as they sort of peel that onion?

Jason Fichtner 12:57
Oh, thank you for the plug for that. So the web addresses protectedincome.org. So if someone goes to protectedincome.org, there'll be a lot of stuff on the front page, but go to the top right hand corner, and there's that menu bar right there menu bars where you always want to start, if you pull down the menu, there is an educational section that says learned and it says you know, annuities explain real story. So we talk to real people about how protected income actually helps them manage and have secure retirement, links to articles, research and videos. We have tools and guides are part of that as the educational and we have a link also under again, the menu, how to find a financial professional, which I think a lot of people feel daunting. They don't know how to find one or what questions to ask a paraprofessional, we have those checklists online. And then there's of course links to the Institute, which has our research base, which we can talk about the research that's there as well. For financial professionals, there's a lot of information there too, which they can click on because it talks about how many Americans are concerned about their finances and how they don't know how to talk to a professional. They don't understand what information a consumer might necessarily want, or how to actually engage with them. So we provide financial wellness checklists, we provide access, again to the research. So there's a component for financial professionals as well as consumers. And there's a resource center. So I would say go on the website and just start clicking around and seeing what's there and seeing what might actually be some educational material you want and then reach out to people when you have questions.

Bob French 14:27
Let's take a moment to let the audience know that this show is sponsored by Retirement Researcher. You can learn more about retirement researcher at retirementresearcher.com And subscribe to our newsletter, where You'll receive weekly actionable information for your retirement planning benefit.

Retirement Researcher is an online community devoted to helping you create the retirement income plan geared towards your goals.

Alex Murguia 14:51
No, no, I think that's fantastic. And I would add to that what you said at the beginning which is it's a nonpartisan sort of inside it

Jason Fichtner 14:59
Nonpartisan and it's a nonprofit, right? So we're not, we're not trying to exactly all this information, by the way is, you know, there's no such thing as free to an economist, but there's no charge to use it, you can leverage it, you can, you know, be quoted in the media, you can send it to all your friends, we don't charge for it, we want this information out there. We want our partners to use that we want media to use it, we want to get it out there. And one of the things I've always had, you know, as an academic, I have a PhD, and I've taught at universities, a lot of the academic journals required sort of this exclusivity that you can't access unless you pay for the journal. We don't do that everything we have on the website is for public consumption. Everyone can music. So you want that information out there.

Alex Murguia 15:40
No, thank you. And Jason, Wade, actually, when I got on the site initially, he said I can I can make $20. But then he turned around and said, No, but don't bother, because when you get it, it won't be there. In terms of your right. And in terms of research, was something that I found because Wade and myself, we we've published a few papers on this, and we'll get to it later. But what I what I found extremely interesting and actually gratifying from the standpoint of doing good to see you had these research themes that you want to proposals to hit. And I think it's good for consumers. Because one of the as we've interviewed folks a lot over the last few weeks, a reoccurring theme is that there are a lot of professionals that are actually out there doing good a lot of financial professionals doing good for for for consumers, if you will. And when I read that call for papers that that Wade actually sent my way, it was like, wow, this is, this is pretty amazing. And I think it's worth just really just maybe going over some broad brushstrokes of the themes that you're trying to accomplish within your research to help promote this retire with dignity, which is a phrase that I've heard a couple times lately, not just for me from others. So maybe it's one of these things that building momentum. That's a great, great phrase. But if you don't mind just going over what are some themes that you that you from a research perspective that you're trying to check the box on, because I think those were quite moving when I when I read them the first time,

Jason Fichtner 17:12
let me let me address sort of, you know, some bigger buckets and then drill down in each bucket. So what are some of the behavioral insights about retirement? And how, you know, from the economist standpoint, we all talk about the rational actor model, right? Everyone always act rationally. And you look at the world and go, Well, what you thought was rational, wasn't really rational, but maybe at the time you thought it was but really, it's not good behavior. How do we help people make better informed choices? And then for those who just act on impulse, or emotion, how do we have defaults that prevent them from doing something like that when it's not in their best interest, and I'll give you an example of this. We have a great paper out by David Blanchett. He did some work. And he calls it what helped

participants stay the course and 2020. So COVID hits, right, and the markets crash. And, you know, you and Wade have talked a lot about, you know, market risk and sequence risk. And that, you know, if you're thinking about retiring, you know, if you retire at 65, and there's a market crash or you know, a recession 20 years, and you're 85, you've had 20 years to build up some more assets to weather it. If you retire at 65. And that's the year COVID hit and you lose 20 25% of your assets, or it was the financial crash last night and you lost half, you're not in the same good position anymore. And you might be feeling really emotionally behaviorally nervous. And you might sell your assets if you're afraid of losing more. And of course, selling near the bottom is the worst thing you can do. So one of the research we've commissioned David Blanchett was one of the ones who did part of this was what helped participants just weather the storm like this behaviorally, what we find is that for people who had protected income, right, higher security payments, maybe some annuities or a defined benefit plan, they were getting this level set of income coming in, regardless of market fluctuations. So they knew they had enough money to spend on their utilities, their rent, their their main essence of living and you and maybe some consumption activities like travel, that they didn't feel like they had to sell their market, they knew they couldn't wait it out. And that's we're trying to show potential income, how we can use these behavioral strategies and and have people work with their plan sponsors to develop these products so that people can basically not have to trade into a down market. And we also found that, like, Wouldn't a working years like we're all employee, think about those for now who are not retired, but we're just working, we get a paycheck. And that paycheck becomes our budget constraint and economic language, right? We basically you get 1000 A month, 5000 a month, if you're really lucky. Maybe you're getting $10,000 a month or more. That's Wade, that's Wade. That's kind of your constraint. You save some of them you spend up to it. And what we've kind of found that people have protected income strategies, again, whether it's partially organization annuities, Social Security, pension plans, that became what they called a license suspect and this is you've had Michael Fink on the program before is David Blanche Thrall license suspend they feel they can spend up to that. So we're doing research that says how do we talk to people about showing them the empirical evidence that these strategies can help you weather financial storms, make sure you spend adequately because again, part of having a dignified retirement is you don't want to overspend, we also want to understand, right, so people are so worried about outliving their assets, they don't spend enough, and they die with too much money. I mean, great problem to have, right? Unless you sacrifice too much in your retirement years. So how do we find that balance? So we're doing research on that, and those papers are on there. From the financial planner side, we're also making sure people, the financial professionals understand sort of the intersection of wealth and health. And what we're finding now the financial professionals, it's important to think about because

Alex Murguia 20:51
Absolutely, absolutely,

Jason Fichtner 20:52
you could hit if you're an individual, you could hit a have a health shock, that really could be very expensive to your retirement security going forward. From a financial professional standpoint, financial professionals have to be cognizant, I use that term on purpose, that their clients in retirement could start showing signs of dementia and Alzheimer's. What is the role of financial professionals, they see that how did they start helping that person, talk to family members, make a financial plan, make sure

powers of attorney are involved, it's more than just the investment. And then from the protected income side, if you have more particularly come strategies as you start getting into health issues, that may provide the buffer that can pay for either assisted living or additional health care when you need it most, and you're not dependent on market fluctuations to then pay for those payments.

Alex Murguia 21:41
So then that research has focused on just how to have those conversations or research focus on hey, there's going to be an inevitability that you're going to have

Jason Fichtner 21:50
both it is both right, because we don't know, like, again, you said I ride motorcycles, you know, I hate to think that that's actually a risky behavior. Because for me, it's cheaper than having a psychiatrist. It's mental health for me. But it is RAID

Alex Murguia 22:03
RAID, on my way. That's called rationalization.

Jason Fichtner 22:12
Again, but I'm still planning for a retirement that will last until I turn age 100, at least. So can I walk out of here after this interview, get hit by a bus? Yes. But feel so bad,

Alex Murguia 22:26
and something that happens?

Jason Fichtner 22:29
Worse. But we have to sort of make these plans. And I think the problem we're seeing with a lot of people is they don't know how to have these conversations about saying, you know, back to the days of Social Security, you know, wait, we had this conversation as an educational double sided page, we called when to start receiving retirement benefits, and why people to think about Social Security claiming, we also want to tell them and remind them that Social Security as a program was not just retirement, it's also a disability insurance program. When I was there, 10 years ago, there was a one in four, sorry, a one and five. And now it's going almost one in four chance that someone who is 24 to 55 will be disabled in their lifetime. Now, disability comes in a lot of factors, right? It could be temporary disability, but you start telling somebody, there's a one in five or one in four chance that you'll have some sort of stability in your working life. Have you planned for that? And they just how do you have that conversation like well, one in four men three and four won't? Yeah, but one and four will. And you start thinking about people who aren't even saving for today. They're like, Oh, I'll wait till I have higher income in my 50s. And I'll play catch up.

Alex Murguia 23:43
What if you have it's probably worse than I don't know what I don't know what the seatbelt kind of probabilities are. But, you know, yeah, I would imagine those numbers are kind of easier on the probabilities in this particular item, and you're

Jason Fichtner 23:55
heading a late career layoff. We're going through a time now we're starting to see companies layoff individuals. And so you know, part of that is having a plan, right people, what I always like to say is people don't plan to fail, they fail to plan. So having a plan, working with financial advisors thinking about these things, and walking through, what are the various sort of scenarios I need to actually be worried about, or at least concerned about from a financial planning standpoint. So I'm prepared for different habits. And again, if you plan for the worst, and the best happens, all you do is come out ahead. I think that's the important to us.

Alex Murguia 24:27
So then the two themes so far is the behavior of stuff, just how to stay the course or how to kind of get out of your own way better and healthier, and then how health is going to intersect with it. And

Jason Fichtner 24:39
then the important the importance of savings in general right, how to think about employee wellness and work the responsibilities or some of the research that I've done, for example, and the papers on the Institute website is called the peak 65. And so, time today we're 10,000 people are turning 65 Every day, and 2024 We hit our peak moment, which is when 12,000 people a day turn 65. That creates fiscal challenges for the government, it creates challenges for retirement security, it changes sort of the we think about people's consumption patterns, right? They go away from education more towards health care and user. But we're seeing it at a time when DB plans are going away. For many people, they're not adequately funding their defined contribution plan. So security is facing financial problems. For everyone, there's not going bankrupt. But but

Alex Murguia 25:31
this is another podcast, by the way, we're gonna have you on again, with this, we're gonna have a whole lot. So you may be a reoccurring theme on now. And he's not going bankrupt, Sarah,

Jason Fichtner 25:39
but by law, if nothing is done, benefits will get reduced around 2034 2035 by roughly 20%, maybe a little more. So how do you plan for that? And what does that conversation mean? So these are sort of all the strategies, we're talking about how employers need to be involved, how individuals, how policymakers, plan sponsors, and that research pulls together, sort of the whole environment, ecosystem of retirement security, for thinking about actions, we need to take the next 10 years to have a secure retirement for everybody.

Alex Murguia 26:10
Something that I know is near to your heart, just from conversations, just hearing themes, when you're speaking at groups and things like that are two more items that I that I think are also reflected in the ethos of the the Alliance, which is financial literacy, and just, you know, inclusive of Hispanics and African American populations. Just what are your general thoughts around that? Because I know, yeah,

Jason Fichtner 26:35

but as a security guard, so I started and headed up the financial literacy initiative there. And we are we're changing the language, right? Behavioral Economics and Psychology. We're finding now as you talk about the term financial literacy, people say what you think I'm illiterate. And so we're now changing through a cloud and think about that. So we're changing it to financial comprehension, or risk comprehension, like What risks do you actually are you potentially exposed to in retirement. So it's a comprehension of risks and finances, but people had a hard time understanding, you know, again, what it meant to save in the power of compounding, they would hear these rules of thumbs, because there are heuristics that are easy to think about, again, the 4% rule is one we hear about constantly, that you can just draw down 4% of your assets when you retire. And that would basically make sure you don't outlive your, your savings, which, again, we've all done research on this show. That's not always true. And even the terms we use on finances. So I've been beating this, you know, windows are making progress for security claiming we call age 62, the early eligibility age, age 67 is quote, unquote, normal retirement age, and you got age 70. What we don't tell people is age 62 is your minimum benefit age and age 70 Is your maximum benefit age, and that your benefits can increase roughly 8% a year on a monthly basis for each year you delay. And we literally would talk to people in field offices who were coming in at 62. Because they wanted their early eligibility. So security. And their point was, why would I ever be late to get my benefits. They didn't realize it was a minimum benefit. And you start telling them how much the more they could get by delaying and also like, well, I'll come back next year, the year after. And personal security, you can claim between 62 and 70. The modal age is 62. So we still repeal claiming before their full retirement age, their pro going sort of that protection you'd get from an inflation protected annuity, which is Social Security. And that's been my big thing about why joining the Alliance, why I've been working with you guys, is making sure we have proper educational materials that people can make an informed decision. I'm not saying what's right for someone, it's wrong for somebody, you can make an informed decision if you're not informed. And we need to do a better job with that information getting out there.

Wade Pfau 28:53
And you helped redesign that statement to to show to make more clear the idea that if you delay, that benefit will be much bigger.

Jason Fichtner 29:00
One of the things you know, we kind of joke a picture's worth 1000 words. And I think you know, as academics, we spend so much time with our words. For people who are listening, if you just Google when to start receiving retirement benefits, Social Security, it'll pop up it's it is a double sided one pager so two pages, but a double sided one pager and there's a chart on there. It's a simple bar chart, if you are going to get $1,000 a month at your full retirement at 67 what it looks like at 66 5,4,3 and of course at 2 and at age 62 is about $720 And what happens if you wait till seven is about $1,370 Just showing people that bar chart they didn't need to see any other words they focused on that term said wait I can get more if I delay Why didn't you tell me that like it's written down all over the place? Graphics and I think it's it's it's something that we're always trying including me to do a better job of we are always very careful and try and make Sure, we're clear with our language that we're nuanced, but we have to understand how people receive information and understand the best way to transmit information so they can receive and understand it. And sometimes a lot of that is graphically

Alex Murguia 30:11
that graphic, Wade within the office is called the Jason blue. If that's that's that particularly blue, okay? Something with the with a rea- research, I would say, because you're absolutely right. And I want to say this, because when we turned in our papers to the accessibility, I, you know, when we did our papers, you know, you had them copyright and being out, so there'll be as accessible to everyone. So somebody listening in I, you know, consumers specifically, I want them to know, they can get on and read these, they're, they're very, very approachable documents, as much effort is made to write them, you know, in that first draft from that scientific standpoint, you know, Jason turns around and says, Give me a sec, you know, there's a process to make them approachable to everyone. So I highly, highly recommend them. Why wouldn't you say, J. Jason,

Jason Fichtner 31:05
I want to add also that all the papers we have on there, they're still peer reviewed. So it's not I want to make sure these are academic papers, but one their peer reviewed, so we make sure that the research is impeccable and top notch, so they are journal quality. But then to your point outs, we go through with copy editors, and people who speak you know, quote unquote, English, and make sure it's understandable to an intelligently audience. And that's something that's important as well. And again, we make it so it's available to the public. So the media can use this and quote from it, you can say take this and reference it. If someone's out there, who's a finance professional asked to give this their clients, they can use that they can link to our website, they can hand it out. That's what it's there for, right? We're only going to change the environment if we share information and do this together. So that

Alex Murguia 31:51
I think is fantastic. I think that peak 65 paper that you sort of lead is that's almost like basic information that every every paper on retirement income needs to have that citation somewhere in their intro, because it's just, it's just a great resource of sort of, you know, immediate epidemiologically they look, this is what's going on, you know, this is what's present in the population that that sort of peak 65. So I think it's fantastic.

Bob French 32:20
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.

Alex Murguia 33:02
Well you know we're hopeful we have way too far away and how can we let's see how we can find the transition into our favorites.

Jason Fichtner 33:18
That was a transition.

Wade Pfau 33:20
Back I mean, that David Blanchett article that you're discussing earlier, Jason, it's good to actually have research because he was able to look at like 100,000 or so plan participants to see that those who had protected income, were more comfortable staying the course compared to those that didn't. And we knew that just logically and like people who have protected income and risk capacity, but it was all anecdotal. And they actually have actual evidence on that. Now it's really important. So there is a lot of great research coming out through the the Alliance for lifetime income, including three papers by

Jason Fichtner 33:55
me been published this week.

Wade Pfau 33:58
This week is the third in the series and it's a detailed investigation of the reset the return in retirement income style awareness. With the first time we were able to look at a nationally representative sample because our initial investigations were for the retirement researcher community which many of whom may be listening to this podcast. They are a more intelligent subset of the American population in terms of their retirement income, self efficacy, their their interests, like personal finances.

Alex Murguia 34:28
Jason did you see how you got out of out? I was like, Where do you go on with literacy comment and everything. I was like, Oh, my

Wade Pfau 34:37
God, they have the financial literacy. So it was important to figure out can people who don't live and breathe and read and listen to podcasts about retirement income planning, understand the Risa? And that's what with 2800 Americans in the survey between the ages of 50 and maybe we were really able to pinpoint this idea that yes, there is something to this At the retirement income style awareness describes factors that lead to how people want to approach retirement income. And ultimately the the punch line coming out of, well, there's three articles, I believe the second article was the one that showed the 33% of Americans do kind of have a total return orientation, where they may be comfortable with the logic of the 4% rule, the idea of just spending from an investment portfolio, really, two thirds of Americans that are in that retirement age range of 50 to 80, are looking for something beyond that. And that's where being able to have these conversations and this education around the idea of annuities not being a dirty word becomes important. And so being able to do that research to the Alliance for lifetime income was really a great opportunity for us. And I don't know if there's a question there, No, you're good.

Jason Fichtner 35:57
Though, the importance from the institute standpoint, from the Alliance's standpoint, is what you guys are doing is helping discuss the transition of how we've been planning, retirement, and how we should talk about planning for retirement. So way too often, it has been on this idea of accumulate, accumulate, accumulate, get your nest egg, by have fun, and and even for pension professionals that will help you manage your assets in retirement. So they still have a focus on accumulation, not on a

focus on income in retirement so that you can spend adequately preserve against risks and shock, etc. And to your point what, what your work does show us there are it's not a one size fits all profiling, right? People have different risk assessments, different things they want to do. Some people still want access to growth, but maybe not 100% access to equities and growth. What is their style awareness? Where's their profiling? How do you talk to people about those risks they might see. And then that sort of leaves down to a solution set about here are some products that could fit in to make sure we're fitting in one your financial needs, but to also the profile that you're telling us, we rephrase that? Sometimes they tell you they want something, but that's not actually what they really believe. And so you're profiling gets the idea, what do they actually need? And what are they actually getting at in their retirement. And I think that's what's so important about this is we're showing it you guys are showing it empirically, but it's giving an actionable tool. And again, I'm sort of agnostic on what styles are used. But we're promoting your research because you have something that we can put into action. And it's sort of saying, Here's what the research shows, here's how federal professional can use this, to talk to clients. And here's how plan sponsors can use it to start to think about what they want to do in plan for sponsoring annuity products. These are the conversations that have to happen if we're going to move the needle for retirement security and talk about income as the outcome in retirement.

Alex Murguia 37:47
No, I think that's right. I think it's an extension of some of the research you said earlier, in terms of when given a choice. a preponderance of people do want contractual income, they do want that guaranteed income, they just don't want to call it to begin with an annuity. Right. And so all we did was surface these sort of implicit beliefs, if you will, in a framework. And within that framework, yeah, there there are some people come hell or high water, they want to investment portfolio for everything. And we could, we could say the pros and cons and emphasize the cons on those. But you know, to some extent, it is what it is. But if you have two thirds of the people that want a place for, you know, guaranteed retirement income, or protected income better set, then it's our duty to start to start from there, in terms of developing a solution set for them. And I think that's what we found, we didn't realize that initially, I mean, we needed to replicate it with a national sample. But, you know, people can say, oh, there's retirement styles, and that could come across as pop psychology, if you will. But no, if you really put it through a strenuous psychometric test and actually realized, no, they are these factors that people believe in probability safety, first optionality commitment orientation. And if you align those in a matrix, they kind of not kind of they, they, they, they really delineate, they point to a style and that style relates to certain solutions in which there is a strong home for contractual income hand over your heart. You've gotta go with that. I mean, it mean you just do. And then the third paper is interesting, because you've said some you said something right now where accumulation, accumulation accumulation and guess what more accumulation, right. And by the way, the only difference is, we're just going to take a withdraw every quarter, and it's gonna come out of the portfolio, but everything else is the same. There are new risks in retirement health, one of them that you just mentioned that you just need to accommodate for you no longer have any human capital. So what are you going to do, right? And so with these new risks that you have in retirement, you kind of, you know, kind of you need another way to assess these as opposed to the standard risk questionnaires that folks are using right now. And those risk questionnaires from an accumulation standpoint, aside from the validity and reliability that's just not even talked about that let's just give it to Alright, let's just assume those assumption heroic assumptions were just call it a day, right? Aside from that, okay, fine, we'll give it to you for an

accumulation standpoint. But once you're retiring, that metric really falls very short of the mark. And that's what the third paper really gets at where you control for all these factors with regards to retirement risk, really, once retirement income profile does a much better job of aligning to a strategy, then then this sort of risk tolerance questionnaire. I think that's what the third paper really cause calls out anyway. And I'm, you know, obviously, the numbers are the numbers, but I like the trajectory of okay, is, is there such a thing as these retirement income factors? Do we have the right to say there's such a thing? As a you know, as an academic, can we say that? Yes, first papers? Yes, we can say that the second paper, can these factors point to strategies consistently invalid? Yes. Do these factors explain above and beyond more variance than what is explained in risk tolerance questionnaires when it comes to retirement income solutions? Yes. You know, and from that vantage point, I think that's a cool trifecta. And I'm excited to be able to, you know, put that within the obrah of the lions for lifetime income library. And I, that's kind of my way, and

Jason Fichtner 41:23
I was and also, one of the reasons why I love this series, is again, it is forcing us to have a new conversation, because we I don't want to master the accumulation phase. But we so much focused on it that we've got the need to save money. But they do an excellent question. But that pillar community should. We've talked about diversification of assets, right? You shouldn't have everything in equities or everything in bonds. And now we're applying some of those narrative frameworks to the retirement accumulation income stage, right, you shouldn't have all your eggs in one basket, you have you shouldn't have a diversified portfolio in retirement that gives you what you need for your style, protected income, maybe some access to equities, what are your risks? What's your profiling? What how do we find your liabilities in retirement? And again, it's not one size fits all? Did you retire with your mortgage paid off? are you renting? Do you still have a mortgage? Do you think you have health sector? These are all things we have to talk about when thinking about how to actually manage household spending in retirement? And that's what your profiling research allows us to start doing?

Alex Murguia 42:29
No, I think it's good. I think it does something else. Jason, as well and Wade brings us up. And we spoke about this last time, but and it's a trite phrase, I think I said the last time as well, but it empowers the individual. I don't think individuals consumers are aware that there's many ways to get this right. You know, there's many, I mean, you're doing a heck of a job, you and Cyrus are doing a heck of a job getting the word out there for protected income. But the reality is you're fighting, you know, with it with all of these folks that are just saying, put it into model portfolio, ticket distribution, call it a day, you know, it's one of those things. But I think what what we're kind of trying to bring to life from an empowering standpoint is letting them know, there's many ways to get this retirement income strategy, right? Actually, a majority of them involves a strong role for protected income. Now, you'll see the numbers bear that out. But from that vantage point now that you're, you know, they know you're equipped with knowing that there's many ways to get this right. And you have a strategy that's pointing to one of these ways that allows that person to then walk into an advisor, and kind of lead that lead that discussion. Obviously, you run the numbers to your point, you run the numbers, see if it's valid, see if it's, you know, see if you can economically do this. But you're starting from a point that resonates with the consumer, as opposed to starting from the point of view of what the advisor wants to do with you, based on his own personal proclivities. I think that's something that's important. And

Jason Fichtner 44:00
I also want to just sort of as we get close to wrapping this up, I want to talk about sort of like, why I'm also still optimistic because I think we're on the right path. So when I started Social Security, I walked into the building and that there was posters everywhere that's there 60 to 65-70, because back then 65 was the normal carbonate. But But 60 to 65-70 was plastered everywhere, which gave sort of the behavioral impression that 62 was the age group together to play max, we had it first. Right?

Alex Murguia 44:26
Gotcha

Jason Fichtner 44:27
So reordering things in the statement, as we've mentioned, we changed the statement. But when I remember reading financial press, whether it was MarketWatch, you know, all the talking heads in Washington Post, The Wall Street Journal, they were telling people to claim best 62 Using what was called the breakeven analysis, that if you claim to age 62, you'd be ahead for 14 years and the theory being that again, if you wait till 70 You are foregoing several years of payment,

Alex Murguia 44:56
DOW $40,00, DOW $40,000.

Jason Fichtner 44:58
So this is where an agency was doing this. So people were coming into the agency, we tell them all the breakeven says you should claim at 62. Because if you had for 14 years, and we never told them that you live those 14 years that you're then behind the rest of your life. And we had to work really hard on, you know, messaging and stakeholders. So we, I would bring in congressional committees, AARP, Treasury, labor, education, all these folks, academics, and we work together to show the numbers about how people were, you know, dealing with made their decision after your debt, right, when you're dead, you can look back and you make the right decision. But we changed the entire narrative on the framing, to making that a personal choice. And in talking about the conditions and factors one must consider when making what is probably the most important decision of their retirement when they came for security benefits. When I started with the Alliance five, six years ago, as you guide, same analogy, right. Now, these are bad, don't get them. They're costly, there's only one product, they're all trying to screw you. And the financial press is saying the same thing. Now, just in the short time, because of our research and our outreach campaign in the education, we have done a complete 180 on the media where they're now saying, hey, there's not just one solution or one product, there are many, talk to a financial advisor, think about what conditions think about the risks you have, think about your own sort of beliefs and structures, what you need to have funding in retirement, we are now changing that. And we've done that in five years. And again, it's not pushing a product, it is pushing a new way of discussing the importance of income in retirement. And that's why it feels so powerful.

Alex Murguia 46:31
No, I think it's true. And and I think it'd be 40,000 feet in the air, it's almost, there's a full circle in the sense of the retirement liabilities were on the corporate balance sheets, defined benefit plans, they

said, Hey, wait a second, I don't want these anymore. I'm going to shift these, these liabilities onto the personal balance sheet. And all you're kind of getting at is wait, how can we shift this away again from the individual balance sheet? Okay, fine. It's not going to be the corporate balance sheet. But maybe there's an insurance company that wants to bear that risk on their own balance sheet and provide a pension. It's kind of that that kind of cycle? Am I, am I wrong in that? Or? That's not about right,

Jason Fichtner 47:07
that's about right. To me.

Wade Pfau 47:08
That's exactly right. And households on their own, can't manage longevity risk. And they may struggle to manage the market risks. So having professional management especially that longevity risk that a household can't even do anything about becomes very important in many cases.

Alex Murguia 47:26
Well, Jason, like I said, this, this time would fly, we always think it's 20 minutes, but here we are, at 45 we need to do that we need to recreate that me, you know, with a drinking beer as they look at us. Kind of thing.

Jason Fichtner 47:39
But I do want to come back and do a Social Security.

Alex Murguia 47:42
No, no, we're gonna have trust me when when we said your name, we'd say Oh, securities at night, yeah, we're gonna have a full, this is like an ark, like the Avengers are gonna have a full security on which, I mean, look, I mean, you're, you're the person for this. So, you know, it'd behoove us to have you ended up very comfortable conversation. So, thank you. But, you know, we're gonna, you know, this week, we're going to be pushing the papers that we just published, but also, you need to check out the Alliance for lifetime incomes library, it is a treasure trove of information for consumers and advisors to advisors, when they create their client presentations and things like that, you know, they start Googling for information. The reality is just go to the line for lifetime income, everything you need from retirement from a retirement income standpoint is there, you know, and so I really, you know, thank you for, for putting that together for us. And I will say my goodbyes, and I'll leave it to my man Wade to take us home. Thanks, Jason.

Wade Pfau 48:38
Yeah, I feel like we should have Jason close this out after the great intro.

Jason Fichtner 48:43
Alex, Wade, thank you for all the work you're doing. And it's important work, you should be very proud of it. And I'm very proud to be affiliated with you both. And the alliance is proud to have you guys doing work with us. And to all your listeners. Again, thank you for your time, please do check out protectedincome.org If you have any questions, feel free to reach out to us. We're only going to be able

to change the ecosystem by working together and that's employers plan sponsors, policymakers, consumers, we have to change the ecosystem together. So I appreciate the time.

Alex Murguia 48:43
Jason, why don't you do the honors, man Jason great he's gonna have his own podcast. Thank you, Jason. Thank you.

Bob French 49:21
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 risk including risk of loss. Past performance does not guarantee future results.