

March 24, 2008

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## NEWSMAKERS

# HEATHER DZIELAK

**Advisers are right — retirement income products  
are too complex, but simplicity may be coming**

By Lisa Shidler

**H**EATHER DZIELAK, vice president of Lincoln National Corp.'s new retirement income security ventures group, thinks that the way many financial advisers approach the retirement income needs of their clients has to change drastically, and now. She also thinks that any advisory firm that isn't looking at ways to help baby boomers prepare for retirement will lose out in the long run.

In the past 18 months, Lincoln has been developing the new group to re-shape and define the Philadelphia-based company's role in the retirement income market.

The process includes re-evaluating every product that consumers or advisers touch. For instance, company officials are re-evaluating their brochures and website materials.

Lincoln is also crafting a software tool that will be released later this year to help advisers determine what types of products clients should consider.

**Q. How is this tool different than any of the tools on the market?**

**A.** A lot of the tools do not focus on helping people customize fixed needs.



JIM GRAHAM

Ours is helping them understand their fixed costs in retirement. Then, it takes a step forward and helps the adviser with product recommendation. It translates that gap to the customer and helps them see what types of products are available. It's scalable and repeatable so that advisers can adopt this process in retirement planning and not have to make any major changes. Our tool is a turnkey addition to their current practice.

**Q. Some industry observers say that baby boomers aren't gearing up and preparing for retirement. What are your feelings about this?**

**A.** Seventy-five percent of Lincoln variable annuities include some form of income guarantee rider. The majority [of people] purchasing these riders are in their late 50s or early 60s and aren't using the income feature yet, which tells us that they are leading-edge boomers planning to turn the income guarantee on at a later time.

If you look at our variable annuity sales, nearly 20% of total VA sales have people taking income. That's a big number. When I started at Lincoln in 2003, just 5% to 7% of total VA sales were used for income. It's definitely people who are retiring and want retirement income.

**Q. What is the biggest obstacle that the industry faces right now in offering retirement income solutions?**

**A.** We as an industry have been so darn successful, which makes it hard to think that the world needs to be any different because the numbers are up. It's been a bit challenging even at Lincoln because we've had so much success and [have had] to convince people not to be complacent. We see a world that's slightly different today. We know we've got to make incremental changes.

**Q. Are advisers pushing product too much?**

**A.** Yes. It all goes back to behavior. That's how they've made their living. But that's not the case in all channels. Broker-dealers are moving more toward advice.

Baby boomers are not a homogeneous group. They're going to be attracted to very different ways of getting advice. Some will go and find what they want. Others will want the help understanding what they need. I think product-lead folks will continue en masse but you'll see growth of the

advice-lead adviser.

**Q. What will happen in the next few years with advisers giving advice to baby boomers and retirees?**

**A.** Even though we have a lot of product, giving advice will evolve in baby steps. My hope is that advisers will adapt to giving advice and that they'll receive support to do this through their channels. There will be more evolution in trying to figure out ways to deliver this advice.

**Q. Have advisers begun to adapt to the switch to retirement income?**

**A.** I do believe they have begun — whether it's awareness and realization that their boomer clients and prospective clients will be seeking them out for retirement income advice and solutions as they contemplate the transition into this phase of life, or adoption of processes and products that actually already deliver income solutions.

**Q. What is the biggest obstacle and challenge for advisers right now as they try to lure baby boomers' assets for retirement income?**

**A.** It's not just the planning process. This is an incredibly emotional time for clients. How can the adviser understand how to connect with customers in this emotional time? The advisers are wondering how they can equip themselves to deal with the emotional side of clients and have turnkey solutions to service their retirement needs. Advisers are wondering how they can bring a model to the mass affluent. The other thing I don't want to lose sight of is that customers want to be involved in the process.

**Q. Many advisers think that most retirement income products are too complex and costly. Do you agree and if so, will that change?**

**A.** I agree with them. Coming from that discipline, we've tried to out-innovate ourselves as product managers and almost complicated ourselves to the point where we risk turning off advisers. Then, you wonder how much of it translates to customer value. I think there's a lot of talk in our industry of getting back to the basics and simplifying our offerings. That's across the entire industry, but especially in variable annuities. There are advisers who love

them and advisers who won't touch them because of the complexity. I think we've done a disservice to ourselves.

There's definitely a lot of discussion about simplifying our offerings. It's really getting to the heart of what an annuity was designed to do and that's to provide guaranteed income. I hope there will be a flight back to transparency and simplicity.

**Q. What can advisers and the financial services industry do to improve the message about retirement income to baby boomers?**

**A.** I think we need to keep simplifying. We as an industry often use complex, convoluted jargon. We need to keep very focused on what we know are the concerns of baby boomers. We need to connect with consumers.

**Q. You explained to me that you witnessed retirement income conversations with your mother and her adviser. How did that go, and what went wrong?**

**A.** The adviser my mom was working with never took the time to understand what her budget can and should be in retirement. She's sitting there with all of her monthly bills and he recommended that she take 5% income from her portfolio. She didn't know if that was enough. She did not know if she was over-spending. There was not a lot of analysis about how it could change over time if her bills went up. It's so much about the basics of good budgeting and good planning. [That adviser is] not the rule and hopefully the exception. She was sold things that didn't make sense for her. She just needed the basics and that wasn't being delivered.

**Q. What are the most significant changes your group has made to be better equipped for retirement?**

**A.** The reason the group was founded was to get all of our businesses oriented around retirement income. It was very powerful to have our group facilitate a cross-enterprise focus on retirement. Now, all of our businesses are thinking in the same direction and supporting each other. We've been able to study 24/7 the baby boomers who are retiring and really put a label on advice.

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