



# Retirement Income Thought Leadership

Seven Principles of Behavioral Economics  
Applied to Retirement Income Programs



Retirement Income programs are primarily based on what Advisors and Academics think consumers should do...

instead of on what consumers actually do.

# Seven Principles of Behavioral Economics



1. Start with Goals
2. Use Data to Personalize Assumptions
3. Follow the Retirement Two-Step
4. Visualize the Future
5. People Want to be Told Next Steps
6. Illustrate Trade-Offs
7. Self-Entered Data Increases Acceptance

# 1. Start with Goals

Engage consumers with what matters to them

**Huntington**

CLIENT PROFILE

WHAT ARE YOUR GOALS?

CIRCLE ALL THE GOALS THAT MATTER TO YOU.


NOW WRITE DOWN YOUR TOP THREE GOALS IN ORDER OF IMPORTANCE TO YOU.

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

### What Are Your Important Financial Goals?

1 Click on five goals you would like to accomplish before retirement.


2 Drag your goals to the appropriate starting point on the timeline. To remove a goal, just click on the goal.

Timeline: [Timeline with markers for 3 months and 1 year]

1	2	3	4
Envision™	Retirement Age	Retirement Income	Dreams and Major Purchases
5	6	7	8
Estate and Legacy	Education Goals	Philanthropy	Business Transition & Succession
9	10	11	12
Envision™	Outliving Your Assets	Market Decline	Risk Tolerance

### Personal Information and Needs

Jim and Susan Taylor

- Needs**
- 10 Retirement - Living Expense**  
Jim  
Susan  
Both Retired (2021-2051)  
Susan Alone Retired (2052-2054)
- 8 College - John**  
4 years starting in 2012
- 8 College - Sara**  
4 years starting in 2015
- Wants**
- 7 Executive RV**  
When Jim retires
- 7 Travel**  
When Jim retires  
Recurring every year for a total of 10 times

## 2. Use Data to Personalize Assumptions



Makes it more personal and faster

Where Are You Right Now?

What year were you born?

What is your relationship status?  
 Married or Life Partner  
 Single

What year was your spouse or partner born?

How many children do you financially support?

What do you do for work?

What is the zip code where you live?   
\* So we can adjust for your cost of living.

Goals: 1 2 3 4 5 6 7 | Result | Dashboard

More on your goal:  How much are you presently saving for college?

Back

ADVISOR USE ONLY

Ameriprise Financial

Principles of Advice  
Accumulation

ADVISOR USE ONLY

Ameriprise Financial

Principles of Advice  
In Transition

ADVISOR USE ONLY

Ameriprise Financial

Principles of Advice  
In Retirement

ADVISOR USE ONLY

Ameriprise Financial

Principles of Advice  
Small Businesses and Owners

Client Name \_\_\_\_\_

Cash & Liabilities/Balance Sheet | Protection

- > Cash Management
  - Establish and maintain business accounts separate from personal cash accounts
  - Establish and maintain an adequate current assets to current debts ratio
  - Evaluate accounts receivable discounts to accelerate cash flow
- > Debt
- > Group Benefits (for companies with employees)
  - Consider establishing the following group benefit plans:
    - Disability insurance
    - Life Insurance
    - Medical insurance: HMO or PPO with HSA
    - LTC policy
    - Flexible savings account
- > Liability / Property and Casualty
  - Establish appropriate legal entity to protect personal

# 3. Follow the Retirement Two-Step



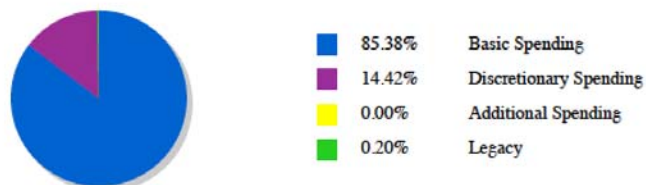
Because that's how people think



## Retirement Spending Goals

Financial retirement goals are amounts that you desire to spend during your retirement period, and are often called "spending goals." The information below illustrates the ratio of your different spending goals considered in this analysis.

### Retirement Spending Goals




Annual Retirement Spending Goals <sup>1</sup>	Basic Spending <sup>1</sup>	Discretionary Spending <sup>1</sup>	Total Spending	Inflation Rate
Go Go Phase - 15 years, 1 months	\$100,000	\$20,000	\$120,000	3.00%
Slow Go Phase - 12 years, 0 months	\$80,000	\$20,000	\$100,000	3.00%
No Go Phase - 6 years, 0 months	\$300,000	\$0	\$300,000	3.00%

	BASIC Fixed	BASIC Rising	Lifestyle
<b>Types of Expenses</b>	Mortgage, life insurance	Health/medical expenses, food, utilities	Hobbies, travel, dining out
<b>Potential Income Sources</b>	Social Security, Pension, Fixed Income Investments, Annuities, CDs	Balance Investments, Variable Annuities	Growth and Income Investments, Variable Annuities

# 4. Visualize the Future



Frame it in ways people care about

**BMO**  **Harris**  
Financial Advisors

### Helpful Steps for Retirement The BHFA Retirement Income Action Plan

Client Name: Todd & Maryann McCartney    Client Age: 61 & 61    Inflation Rate: \_\_\_\_\_

#### WHERE DO YOU WANT TO BE?


What gets you most excited when you think about your retirement?

Long hikes in the Rockies all summer long and spending 50 days on the slopes  
time to read the New York Times cover to cover every day even on Sunday.

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 **See how you can get on track** [CLICK HERE](#)

Goals | Result | Dashboard  
1 2 3 4 5 **6** 7

#### How on track you are for retirement

What you'll need for a comfortable retirement\*

What you'll need for your retirement vision\*

**If you save extra \$600/mo, in retirement...**  
...you'll be able to travel to Europe on a budget once every two years.

Your results

If you save an extra \$200/mo

If you save an extra \$600/mo

[Get Your Starter Roadmap](#)

#### When do you want to retire?

Retirement Age  **67**

[Methodology and Assumptions](#)

#### Fine tune your results

Social Security Benefits  **\$2,000 /mo**

Additional Retirement Income  **\$0 /mo**

Include pension, real estate, trusts, etc.

[See more variables](#)

\* The results generated may vary with each use and over time due to simulations run on your investment returns.

[Back](#) [Next](#)



# 5. People Want to be Told Next Steps



Give people an Action Plan

The screenshot shows the Fidelity.com website interface. At the top, there is a navigation bar with the Fidelity logo, a search box, and links for 'Quotes', 'Customer Service', and 'Open an Account'. Below this is a secondary menu with categories: 'Accounts & Trade', 'News & Insights', 'Research', 'Guidance & Retirement', and 'Investment Products'. The main content area features a green banner that reads 'Come to Fidelity for the guidance you need to help you reach your goals' with a right-pointing arrow. Below the banner are two main sections: 'Help Me Choose Investments' and 'Help Me Plan for Retirement'. The 'Help Me Plan for Retirement' section includes a sub-header 'Saving for retirement is your...' and a large image of a couple walking on a beach. A green arrow points from the banner towards the 'Help Me Plan for Retirement' section.

### Action Plan

Client: \_\_\_\_\_ Date: \_\_\_\_\_

Use this Action Plan to guide the implementation of the solutions recommended in your Plan.

Goal:

- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_

Goal:

- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_

Goal:

- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_

Goal:


- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_
- Solution: \_\_\_\_\_

CUNA Brokerage Services, Inc.  
A broker dealer of the CUNA Mutual Group NOT FOR PUBLIC USE



# 6. Illustrate Trade-Offs

Model trade-offs so people understand the impact of their behavior



HARRIS INVESTOR SERVICES

## Retirement Income Planning: Trade-Offs and Priorities Risks and Concerns Profile Worksheet

**Introduction—Common Risks to Retirement Income**

Retirement Planning involves setting realistic goals, and investing for those goals involves prioritizing retirement risks and concerns and making trade-offs. Determining what spending limits as well as saving and investing combinations will provide a reliable level of income for the rest of your life can be very challenging.

Typically there are six major risks and concerns to consider: Health, Inflation, Legacy, Liquidity and Sequence of Returns. In addition, other factors like tax considerations play a part in determining retirement income strategy.

**Rating Retirement Issues**

For your Financial Advisor to be able to develop a retirement plan based on your specific goals, it is very important that he/she understand your main priorities. Below is a brief description of the retirement risks or concerns, and although they are all important, prioritizing will help identify those that may need to be made.

After reading each, please rate them on a scale of 1-5 using the scale shown below.

Sample:


Circle the number that best fits your level of concern:

1
2
3
4


## "What If" Simulations

Click on the images below to see their impact on your financial situation.  
To de-select an image, click on it and then select "cancel."


Life Events
Ways to Get Ahead
Your Goals




Get a Part-Time Job Now



Delay Retirement



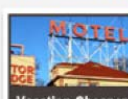
Work Part-Time in Retirement




What you'll need for a comfortable\* retirement

What you'll need for your retirement vision\*


**Your selected options**



Vacation Cheaper



Suffer Temporary Disability



Receive an Inheritance

What you're on track to have by retirement: \$1,523,000

What you'll need for a comfortable retirement: \$1,404,000


What you'll need to afford your vision for retirement: \$1,598,000

\* Dollar values are calculated in today's dollars

# 7. Self-Entered Data Increases Acceptance



Consumers believe their own data...and are less likely to reject recommendations based on their own data

**Licensed Banker Coaching Program** 

**Self Assessment Worksheet**

Name \_\_\_\_\_ Date \_\_\_\_\_

*Write the number that best describes your current level of performance for each of the skills listed below. Be honest with yourself because an accurate assessment of your skills is the critical first step to improving them.*

Attitude	LOW LEVEL	MID LEVEL	HIGH LEVEL							
• Driven, Self-Motivated, Ambitious, Goal Oriented.....	1	2	3	4	5	6	7	8	9	10
• Coachable, Able to Take Direction.....	1	2	3	4	5	6	7	8	9	10
• Resilient, Handles Rejection.....	1	2	3	4	5	6	7	8	9	10
• Self-Confident.....	1	2	3	4	5	6	7	8	9	10
• Good Work Ethic.....	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10

Skills	LOW LEVEL	MID LEVEL	HIGH LEVEL							
• Identifying Potential Clients.....	1	2	3	4	5	6	7	8	9	10
• Profiling Clients for All Financial Needs.....	1	2	3	4	5	6	7	8	9	10
• Preparing Recommendations.....	1	2	3	4	5	6	7	8	9	10
• Presenting Solutions.....	1	2	3	4	5	6	7	8	9	10
• Managing Client Objections.....	1	2	3	4	5	6	7	8	9	10
• Asking for the Business.....	1	2	3	4	5	6	7	8	9	10
• Asking for Client Recommendations.....	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10

Knowledge	LOW LEVEL	MID LEVEL	HIGH LEVEL							
• Annuities.....	1	2	3	4	5	6	7	8	9	10
• Mutual Funds.....	1	2	3	4	5	6	7	8	9	10
• Insurance.....	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10
• Investment Planning Concepts.....	1	2	3	4	5	6	7	8	9	10
• Paperwork.....	1	2	3	4	5	6	7	8	9	10
• Technology.....	1	2	3	4	5	6	7	8	9	10
• Compliance.....	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10
• _____	1	2	3	4	5	6	7	8	9	10

Which skill would you like to improve now? \_\_\_\_\_



Why did you pick this skill? \_\_\_\_\_

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## "What If" Simulations

Click on the images below to see their impact on your financial situation. To de-select an image, click on it and then select "cancel."

**Life Events**





**Ways to Get Ahead**






**Your Goals**

What you'll need for a comfortable retirement \*



What you'll need for your retirement vision \*

**Your selected options**

What you're on track to have by retirement: \$1,523,000

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The End