



# RICP Volatility Flash Survey Report

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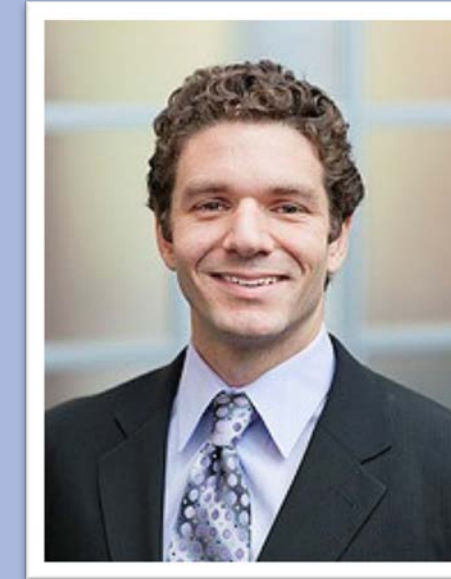
## Mission:

- Elevate the retirement-income planning knowledge of financial services professionals in order to improve retirement security for all Americans

## Priorities & Initiatives:

- Research - RICP<sup>®</sup> Retirement Income Literacy Index
- Education - Retirement Income Certified Professional<sup>®</sup> (RICP<sup>®</sup>)
- Video Library [www.theamericancollege.edu/retirement](http://www.theamericancollege.edu/retirement)
- Thought Leadership and Visibility

## Leadership



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## Retirement Income Certified Professional<sup>®</sup> (RICP<sup>®</sup>)



**Practical. Current. Comprehensive.**

# RICP Volatility Flash Survey Report

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- **Why do the survey?**

- The survey questions were designed to uncover client reactions to recent volatility and help illuminate how retirement income professionals respond to market volatility.
- This survey was given to retirement income professionals holding the RICP® designation after a significant drop in the Dow Jones in August 2015.

- **What did we learn?**

- Retirement income professionals saw more client interactions, questions, and calls during periods of heightened market volatility.
- Most retirement income professionals encouraged their clients to stay the course, and did not significantly alter their clients' investment strategies due to the volatility.

# Major Takeaways

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1. 61% of RICPs® indicated that retired clients have been more apt to reach out to them due to recent market volatility.
2. 60% of advisors reported that none of their clients had made changes to their plan due to recent volatility.
3. More than half of clients indicated that they are more concerned about retirement security than last year.
4. Strategies shared for building a plan that safeguards against market turmoil included:
  - Simply staying in touch with clients through market volatility
  - Building floors of guaranteed income which was not subject to market volatility
  - Using a cash reserve which can be tapped in a down market
  - Creating multiple portfolios for different time periods in retirement and making the longest term portfolio the most aggressive.

# Professor David Littell's Remarks

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The survey of Retirement Income Certified Professionals® (RICP®) found that the majority of their retired clients show a heightened concern about their finances after a significant drop in the Dow Jones late in the summer of 2015. Even though clients showed more concern, almost 60% of advisors reported that none of their clients had made changes to their plan due to recent volatility. The survey also underscored the necessity of building a plan that is ready for market volatility.

# Professor Jamie Hopkins' Remarks

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Expected or unexpected, volatile markets are causing a great amount of anxiety among retirees. The recent market volatility should serve as a wake-up call for everyone to create a plan that addresses this very real risk to retirement security. You can't "stay the course" and weather volatility if you aren't on a sustainable course to begin with. The surveyed RICP® advisors also demonstrated their value in times of volatile markets by keeping their clients from making poor decisions by overreacting to short term market trends. So, with volatile markets at our doorstep, make sure you talk with a well educated and experienced advisor that can help you develop and stick to a plan that will minimize the impact of volatile markets on your financial security and retirement.

# Data & Research Methods

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- This survey consisted of 6 questions.
- It was delivered entirely online.
- The survey was completed by a total of 171 retirement income professionals holding the RICP® designation.
- The survey was completed in late 2015 after a week of high market volatility.



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# Survey Questions and Key Points

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# Survey Question #1: Increased Client Contact?

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Have your clients who are in retirement been more apt than usual to reach out to you for advice given the recent market volatility?

## Responses:

- Almost two-thirds (61.4%) of respondents experienced increased contact from their retired clients directly after the market turbulence.
- This survey response shows that retiree clients pay attention to market volatility and that the advisor plays an important role in steadying the client's concerns during volatile markets.

# Survey Question #2: Heightened Concerns?

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Do you feel that your clients who are in retirement are more concerned now about their retirement security than they were a year ago?

## Responses:

- 56.8% of RICP advisors said their clients are more concerned about their retirement now than they were a year ago.
- The rest mostly said their clients' concern was the same (41%).
- Only about 2% of respondents stated their clients were less concerned about retirement security.

# Survey Question #3: Changing Plans?

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In general, have your clients who are in retirement made changes to their retirement plans as a result of the recent market volatility?

## Responses:

- The majority of respondents (57.3%) reported that their retired clients made no changes to their retirement plan suggesting that their plan already accounted for market volatility.
- 30.4% responded that some retired clients made changes while others did not make any changes.
- Only 12.3% of respondents said that their retired clients made changes to their plans due to the recent market volatility.

# Survey Question #4: What Type of Changes?

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If your clients made changes, what kind of changes did they make?

## Responses:

- Of the 42.7% RICP professionals that made changes to their clients retirement plans most reduced equity exposure and moved into securities and other products offering fixed income.
  - 43.84% reduced stock allocation
  - 32.88% put more money into cash
  - 25% moved into annuities or started the conversation of annuities with their clients
  - 14% diversified investments
  - 6.85% increased bond holdings
  - Only 3% modified withdrawal rates

# Survey Question #5: High Net Work Clients?

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Are your higher net worth clients who are in retirement more or less concerned than your lower net worth clients who are in retirement about the recent market volatility?

## Responses:

- 42.3% of respondents reported their high net worth clients were less concerned than their lower net worth clients.
- 12.9% of respondents reported their high net worth clients were more concerned.
- 44.8% of respondents reported no difference in the concerns between their high net worth and other clients.

# Survey Question #6: Advisor Value?

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How do you help your clients who are in retirement deal with market volatility?

## Responses:

- **48% of responders said “Plan for Volatility”**
  - Their plans already account for volatility through cash and guaranteed income positions
- **32% of responders said “Stay the Course”**
  - The “Stay the Course” approach emphasizes proactive communication with clients to provide psychological assurance during periods of market volatility.
- **13% of responders said “Reevaluate Risk Tolerance”**
  - The market volatility required them to re-address their clients risk tolerance levels and to make adjustments to their financial plan accordingly
- **7% of responders said “Trade”**
  - These RICP professionals saw market volatility as an opportunity for the clients

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# Survey Data

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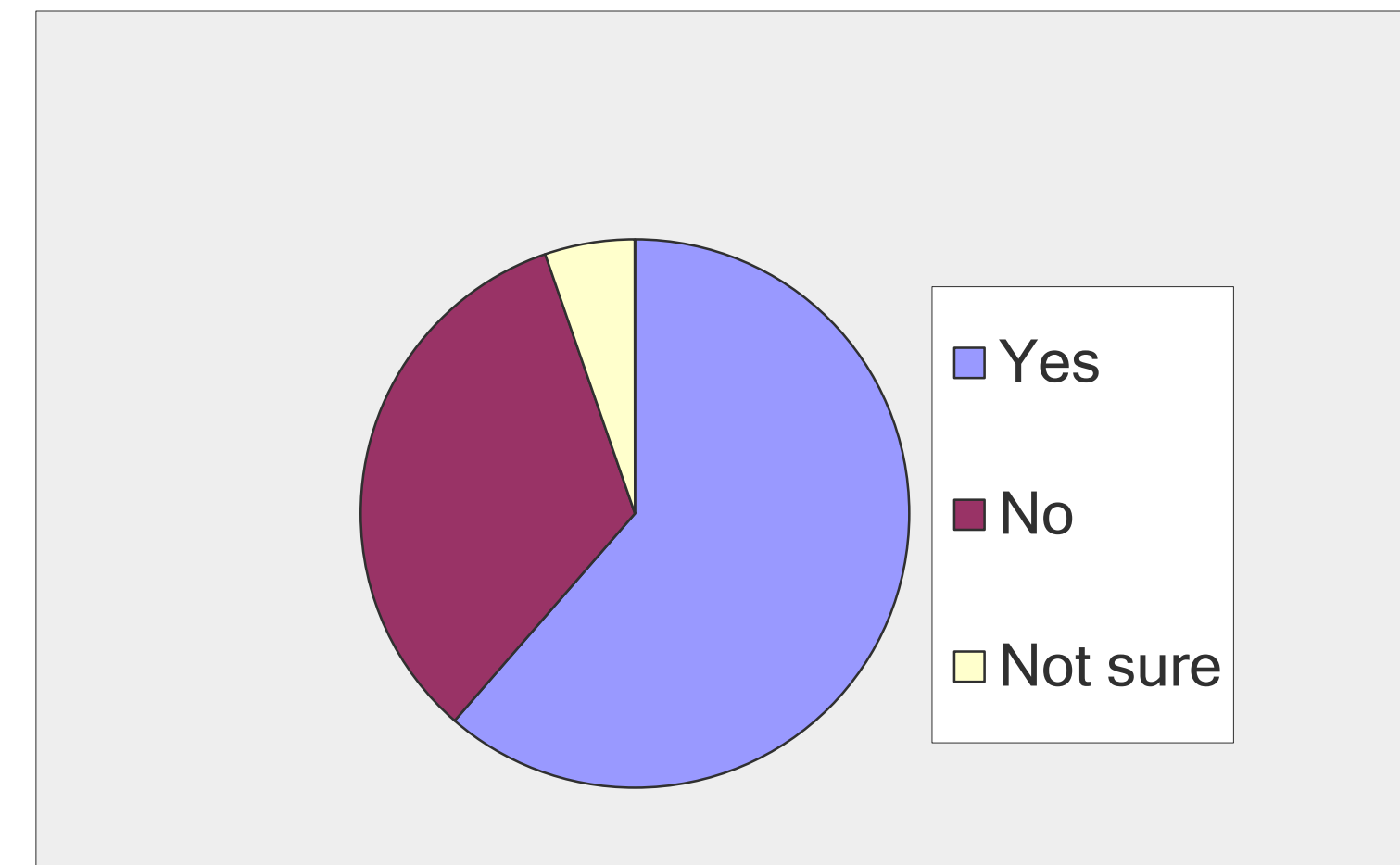




# RICP Survey Data: Question 1

Have your clients who are in retirement been more apt than usual to reach out to you for advice given the recent market volatility?

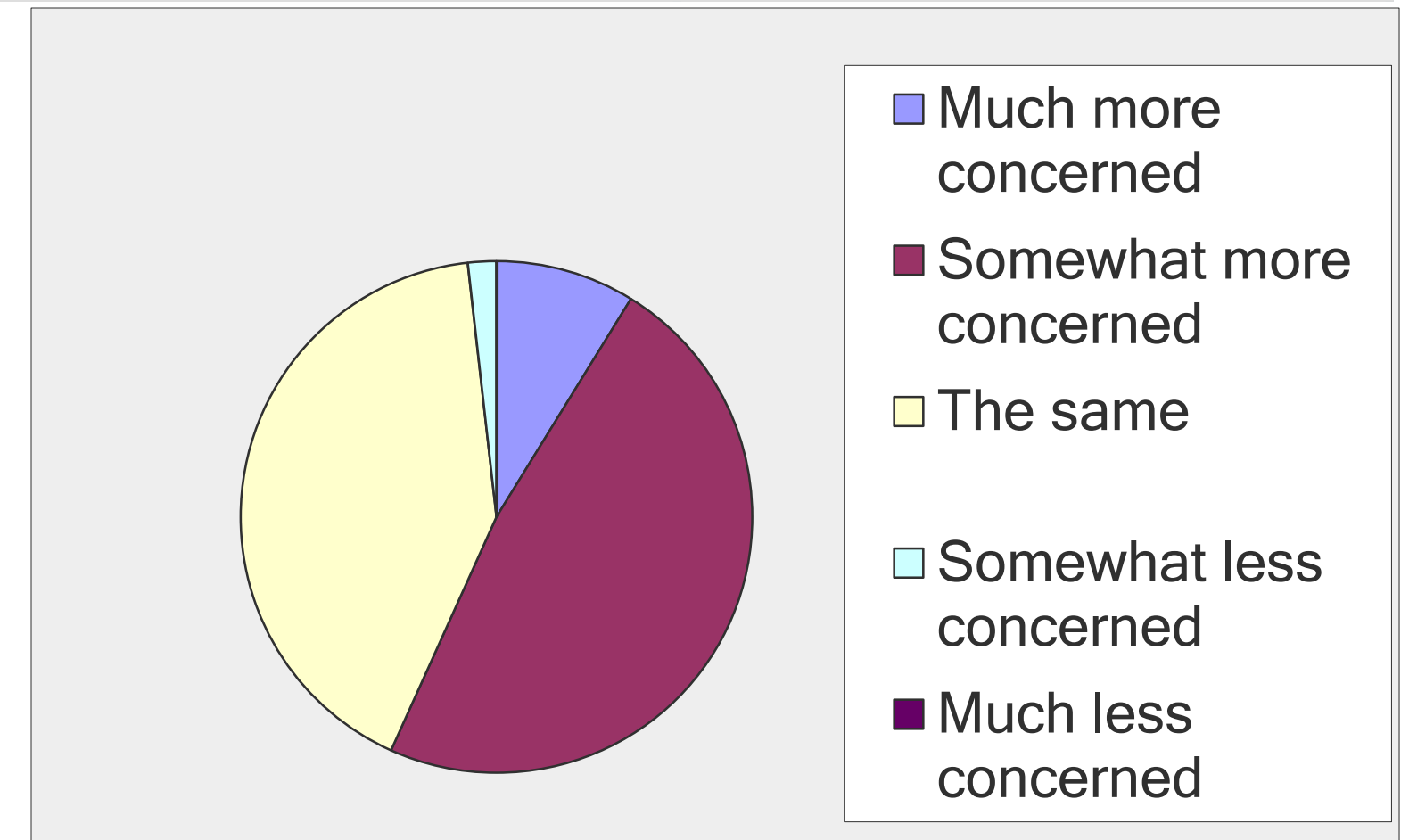
Answer Options	Response Percent	Response Count
Yes	61.4%	105
No	33.3%	57
Not sure	5.3%	9
	<i>answered question</i>	<b>171</b>
	<i>skipped question</i>	<b>0</b>



# RICP Survey Data: Question 2

Do you feel that your clients who are in retirement are more concerned now about their retirement security than they were a year ago?

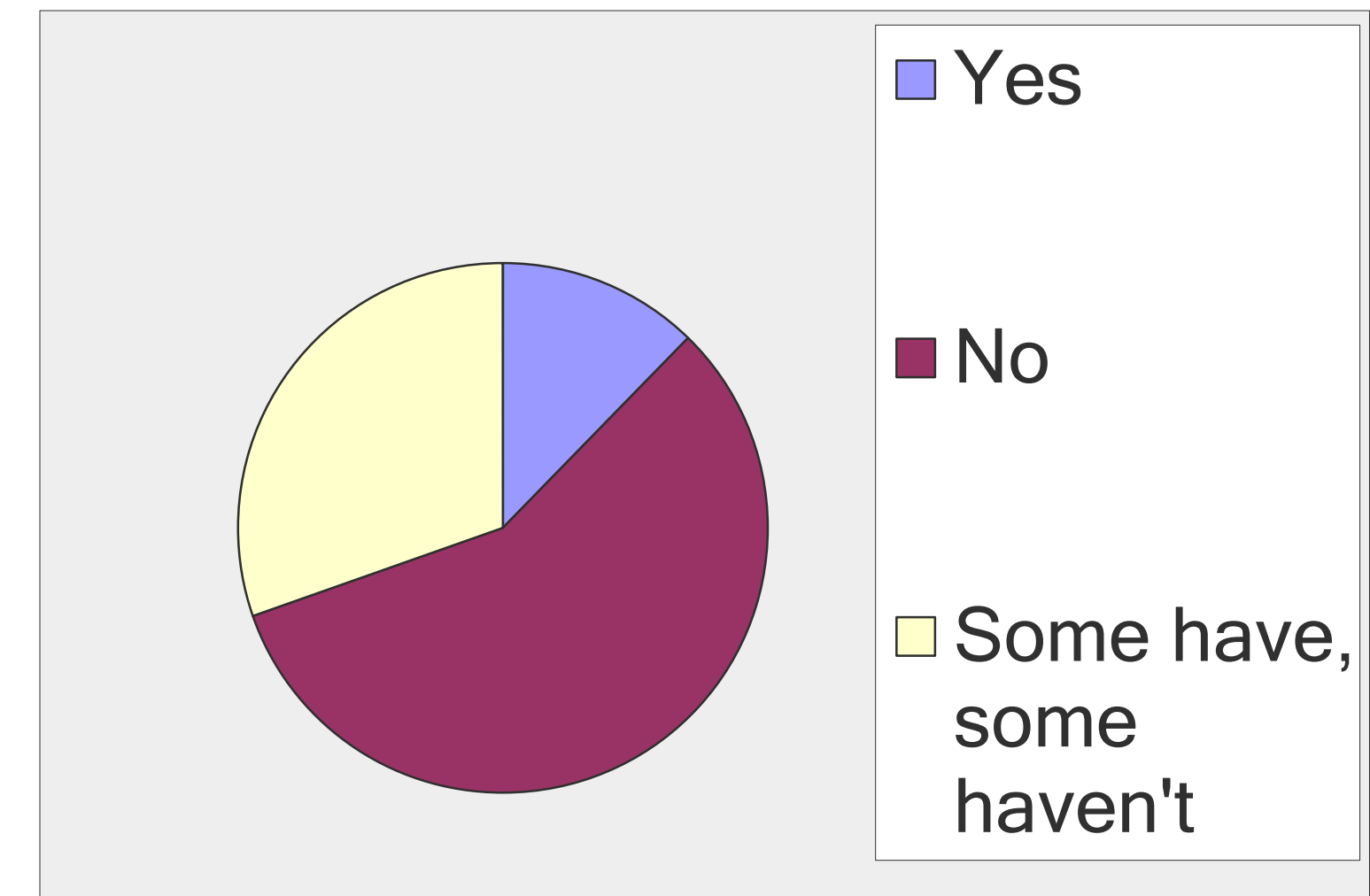
Answer Options	Response Percent	Response Count
Much more concerned	8.8%	15
Somewhat more concerned	48.0%	82
The same	41.5%	71
Somewhat less concerned	1.8%	3
Much less concerned	0.0%	0
<i>answered question</i>		<b>171</b>
<i>skipped question</i>		<b>0</b>



# RICP Survey Data: Question 3

In general, have your clients who are in retirement made changes to their retirement plans as a result of the recent market volatility?

Answer Options	Response Percent	Response Count
Yes	12.3%	21
No	57.3%	98
Some have, some haven't	30.4%	52
	<i>answered question</i>	<b>171</b>
	<i>skipped question</i>	<b>0</b>

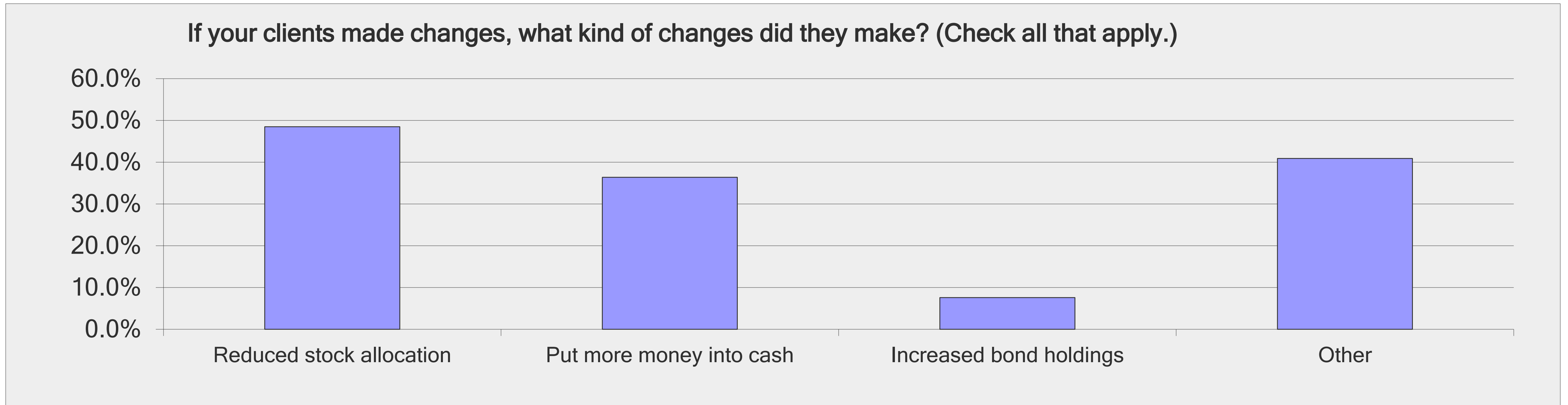


# RICP Survey Data: Question 4

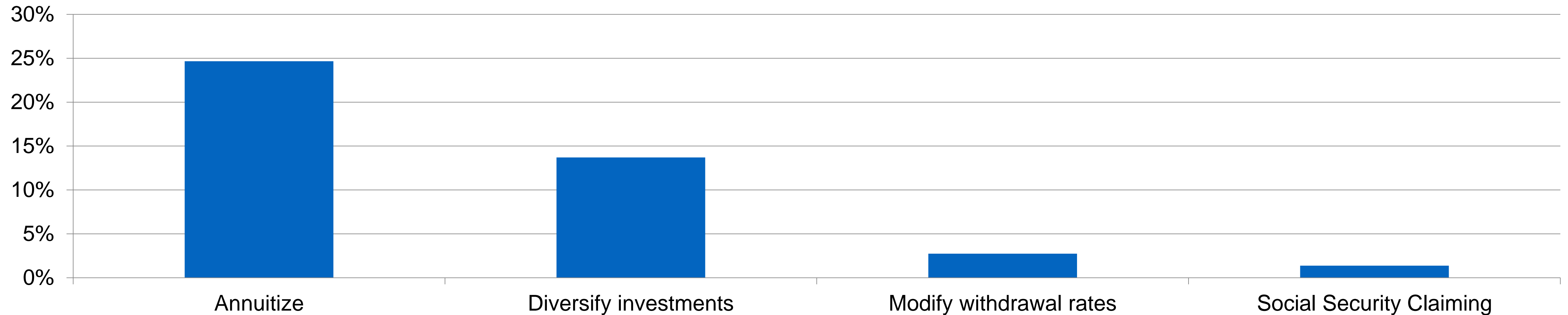
If your clients made changes, what kind of changes did they make? (Check all that apply.)

Answer Options	Response Percent	Response Count
Reduced stock allocation	48.5%	32
Put more money into cash	36.4%	24
Increased bond holdings	7.6%	5
Other	40.9%	27
If Other, please specify		31
<i>answered question</i>		66
<i>skipped question</i>		105

# RICP Survey Data: Question 4



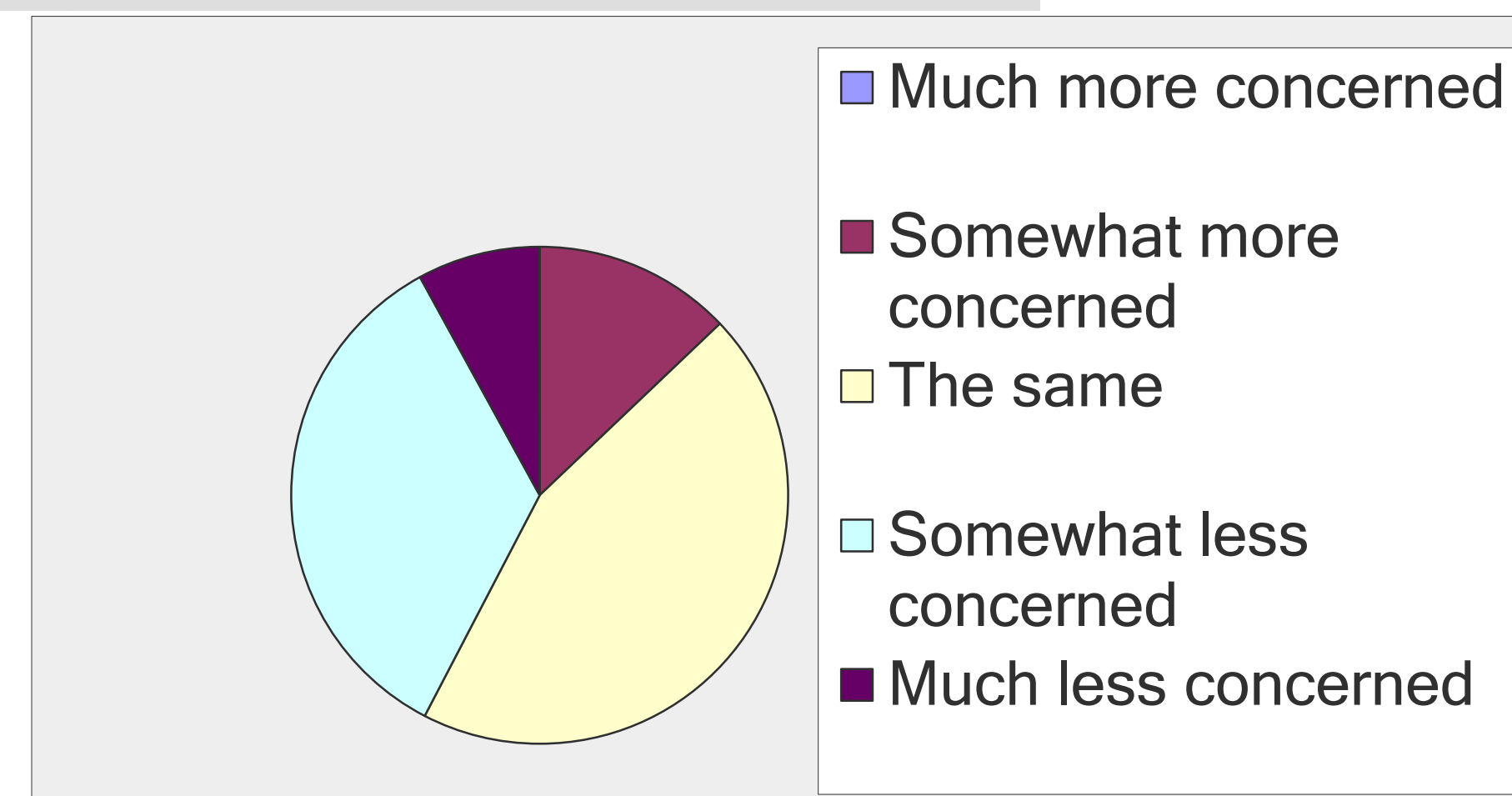
## Other Response percent



# RICP Survey Data: Question 5

Are your higher net worth clients who are in retirement more or less concerned than your lower net worth clients who are in retirement about the recent market volatility?

Answer Options	Response Percent	Response Count
Much more concerned	0.0%	0
Somewhat more concerned	12.9%	21
The same	44.8%	73
Somewhat less concerned	34.4%	56
Much less concerned	8.0%	13
<i>answered question</i>		<b>163</b>
<i>skipped question</i>		<b>8</b>

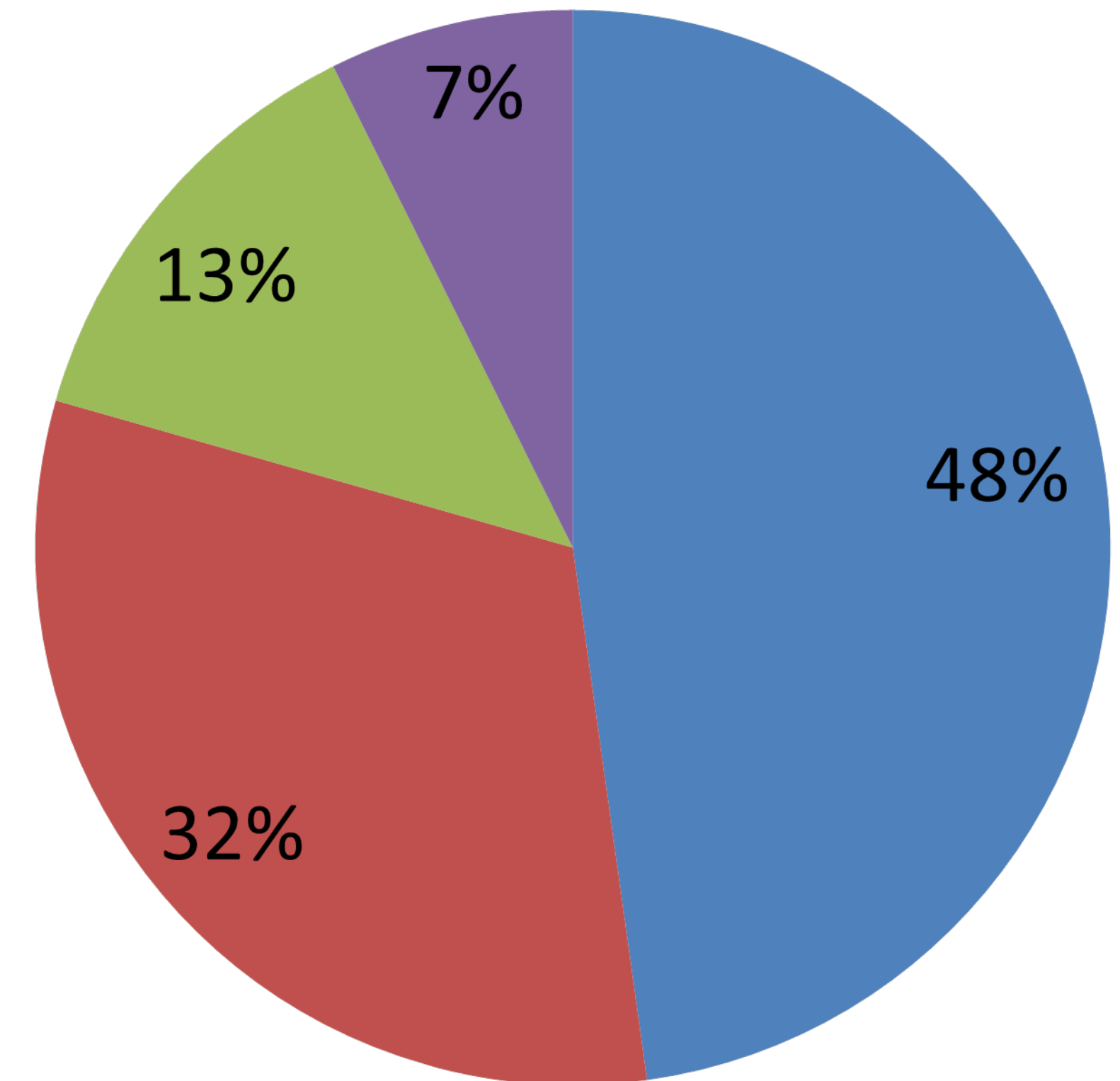


# RICP Survey Data: Question 6

How did you help your clients who are in retirement deal with market volatility?

Response	Count	Response Percent
Plan for Volatility	65	48%
Stay the Course	43	32%
Re-evaluate Risk Tolerance	18	13%
Change Allocation	10	7%
<b>Response Count</b>	<b>137</b>	
<b>Skipped Question</b>	<b>34</b>	

Strategies To Deal With Market Volatility



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**What to do now?**

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# What to do now?

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- The start of 2016 has served as a strong reminder that stock market volatility is inevitable.
- With volatile markets at our doorstep, let's review some planning strategies that retirees can use to minimize the impact of volatile markets on retirement income plan.
  - Stay the course
  - Reduce your withdrawals
  - Build an income floor
  - Change Market Allocation
  - Utilize Cash Reserves
  - Power of Planning
- Other Solutions

# What to do now?

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- **Stay the course (STC)**

- Market volatility is the main catalyst behind a lot of bad financial behaviors – buying high and selling low. One of the great benefits of having a financial advisor is to steady your emotions during volatile markets.
- **Survey Question #1** – 61.4% of RICP professionals received more contact from clients after the market turbulence.
- **Survey Question #6** - 32% of responders said “Staying the Course”, or proactive communication and psychological reassurance, is how they help clients deal with market volatility.

- **Reduce your withdrawals**

- A well developed retirement income plan should be prepared for volatility. However, if you are not prepared you might have to adjust your withdrawals.
- **Survey Question #4** – Of the RICP professionals who had clients that made changes to their retirement plan only 3% chose to modify withdrawal rates.

# What to do now?

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- **Build an Income Floor**

- Securing enough guaranteed income sources to cover your basic retirement needs is often referred to as flooring. Flooring is done through the use of a combination of investment and insurance products, such as annuities and bonds.
- **Survey Question #4** - The market volatility that happened in late August spurred annuity purchases or conversations for clients plans (25% of those that changed course).
- **Survey Question #6** - The volatility made clients reexamine the price they were willing to pay for income security. 38% of RICP responders helped clients “Reevaluate risk tolerance” after the market turbulence.

- **Change Market Allocation**

- **Survey Question #6** – Of the respondents that helped their clients with market volatility, 7% stated that they changed their retired clients’ market allocation. Advisors should use a strategic allocation strategy to help re-allocate their clients’ portfolios over time by lowering equity allocations when stocks are over priced.

# What to do now?

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- **Cash Reserves**

- Cash reserves can be used to meet your retirement expenses. The biggest issue with cash reserves is determining how much money is appropriate to hold in cash and not have saved in higher return investments.
- **Survey Question #4** - About 1/3 of the respondents said that putting more money into cash reserves was important during a volatile market.
- **Survey Question #6** - 48% of responders said “Plan for Volatility” was the best way to deal with market volatility. Planning requires knowing the appropriate amount of cash to have on hand.

- **Power of Planning**

- **Survey Question #6** - The number one way (48%) that respondents claimed they added value to their clients in volatile markets was to help them plan for volatility ahead of time.
- **Survey Question # 6-** The second highest value add was to stay the course with 32% of respondents stating it was how they added value in volatile markets.
- There is real power in planning and being able to stay the course. But without a good plan in place you won't be able to weather volatile markets and other unexpected risks.

# Other Strategies

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- **Tap into Non-market Correlated Income Sources**

- As an alternative or supplemental source to cash reserves you can tap into other non-market correlated income sources such as life insurance and home equity.
- Reverse mortgages can cost just a few thousand dollars to set up and provide a permanent potential source of retirement income that can be tapped into whenever the markets drop to help keep you from having to sell stocks while they are down.
- Cash value of life insurance policies can be accessed without negative income implications to provide retirement income. The cash value is not impacted by market fluctuations.

- **Reduce Portfolio Volatility**

- By adding additional asset classes like commodities, real estate, international stock, and small cap stocks you can reduce the standard deviation of the portfolio and the overall volatility.

- **Incorporating Downside Protections**

- Purchasing Put Options for the first few years of retirement.
- Choose a Variable Annuity with a guaranteed living withdrawal benefit (GLWB) rider to allow for some upside but still have a guaranteed income source.
- Use low risk investment to meet short-term expenses by engaging in asset liability matching strategies like buying bonds to meet the first few years of retirement expenses.

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# Concluding Thoughts

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# Conclusion

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- Retirees show a real concern for their retirement security when the market is volatile.
- Market volatility can undermine a retirement income plan.
- Skilled advisors with retirement income planning expertise take their clients' concerns seriously, stay in touch, remind clients to stay the course, and ensure that the retirement income plan is well equipped to handle market volatility.
- Planning for volatility is key!

# Additional Information

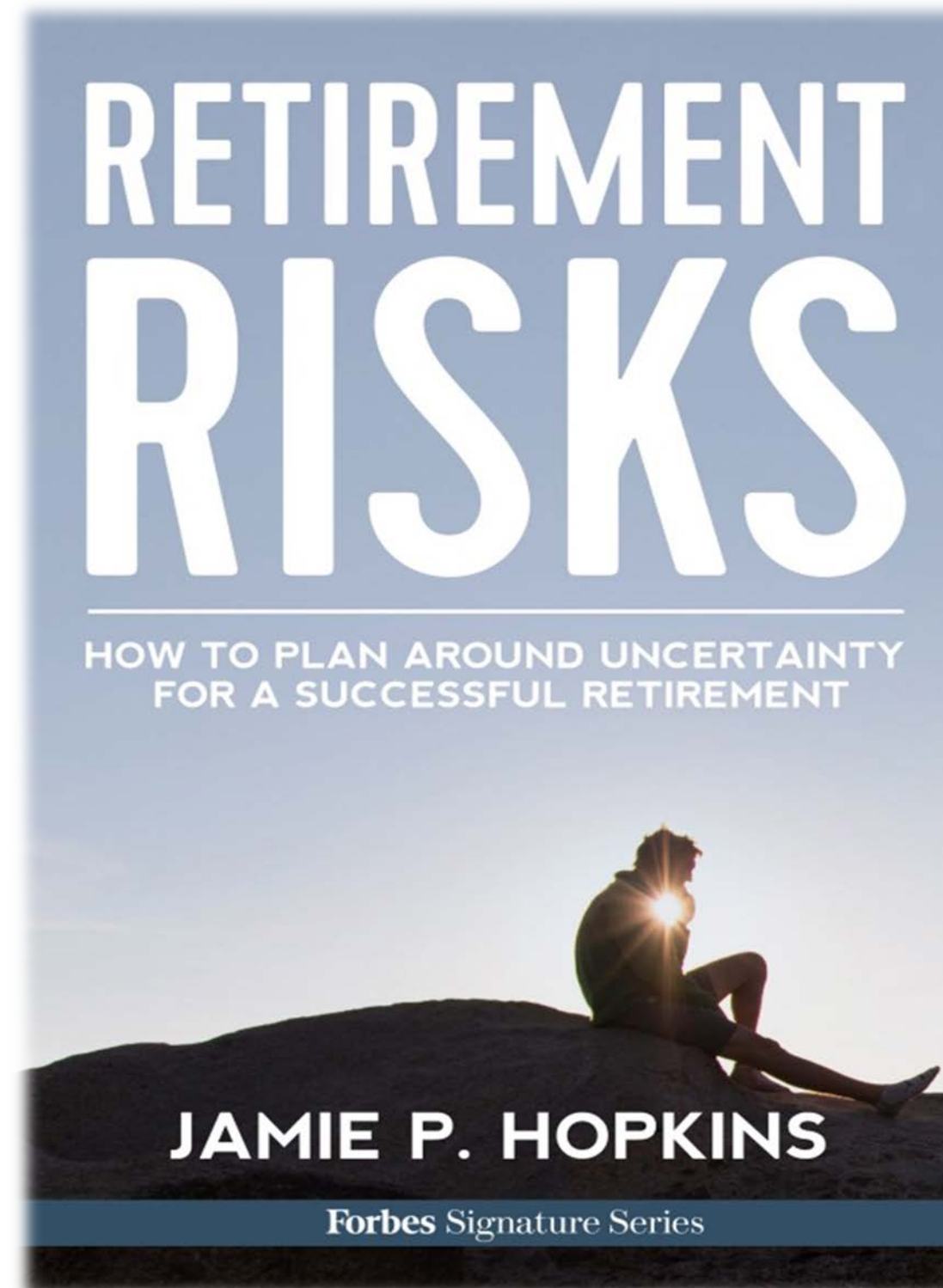
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  - <http://retirement.theamericancollege.edu>
- Retirement Income Certified Professional® (RICP®) designation
  - <https://ricp.theamericancollege.edu>
- Jamie Hopkins, Forbes contributor
  - <http://www.forbes.com/sites/jamiehopkins>



# Retirement eBook

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[Retirement Risks: How To Plan Around Uncertainty For A Successful Retirement](#)

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