

# DC DIMENSIONS

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## Women and Retirement

### Understanding Their Needs and Achieving Their Goals

Industry thought leaders discuss the numerous financial hurdles that women face and explain how employers—and women themselves—can navigate these inflection points.

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## Dimensional Offers Expansive Support for Your DC Business

Our enhanced experience, focused on advisors, plan sponsors, and intermediaries, will soon include the first Dimensional Fiduciary Resource Guide.



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## Letter from the Editor

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Women face unique challenges when saving for retirement. In this issue's feature story, we explore this increasingly important topic with help from a team of experts, who provide invaluable insights and perspectives on industry best practices. In our Advisor Focus, we likewise address the special challenges faced by women in the industry by talking with successful women advisors.

For our plan sponsors, advisors, and intermediaries, we are excited to highlight Dimensional's forthcoming Fiduciary Resource Guide. In collaboration with Ian Kopelman, Partner at DLA Piper LLP (US), we plan to publish this guidebook in the first half of 2020. Based on our interactions with you, our clients, we have engaged DLA Piper to help us create a resource designed to answer your most pressing fiduciary questions. The guide will address relevant rules and regulations and provide tips and considerations for best practices. Key topics will include establishing a fiduciary framework, considerations for committee membership, service provider selection and monitoring, investment policy creation, plan design, and investment benchmarking.

On the academic front, we check in with retirement expert Zvi Bodie, who addresses common misconceptions surrounding inflation-indexed or cost-of-living adjusted (COLA) annuities. The provision of lifetime income is, for many, a key component of any financial plan, so addressing these misconceptions is important as we help investors save for a better retirement.

Finally, we ask Kevin Vandolder, South Region Leader at DiMeo Schneider & Associates, LLC, to offer his thoughts on the "state of defined contribution." We hope you will enjoy Kevin's recipe for our collective retirement success based on his 20-plus years of experience and leadership within the consultant and retirement community.

Wishing a happy New Year—and better outcomes—to all.

Sincerely,

A handwritten signature in black ink that reads "Tim Kohn". The signature is fluid and cursive.

**TIM KOHN,**  
*Head of Retirement Distribution and Vice President  
Dimensional Fund Advisors*



# Women and Retirement

## Understanding Their Needs and Achieving Their Goals

By **Jody Strakosch**, Principal, Strakosch Retirement Strategies, LLC

**THE DECISIONS THAT WOMEN MAKE THROUGHOUT THEIR LIVES**—examples include choosing a career, getting married, having children, buying a home, saving, and investing—can have a big impact on their future financial security, including how they fare in retirement. While these decisions impact men's retirement security as well, many women face unique hurdles that may affect their lives in retirement.

How should plan sponsors, advisors, and consultants address life's inflection points? Women represent more than half of the workforce.<sup>1</sup> Therefore, focusing on financial wellness through the lens of these points that may affect women more than men seems especially worthwhile. In this context, financial wellness programs should consider the impact of life decisions on engagement, productivity, and retirement readiness, and that means it's important to understand the challenges women face on the road to retirement.

## Most Common Financial Risks

Many women tend to live longer than men, which means women may need more money to support a longer life in retirement. In the US, life expectancy for 65-year-old men is another 18 years; for 65-year-old women, it's another 21 years, which is close to 86 (see **Exhibit 1**, below). For Hispanic women, life expectancy at age 65 is 23 years; for African American women, it's 20 years.<sup>2</sup>

Women generally have lower potential lifetime earnings than men during their working years; women who work full time earn 81.1% of what men earn.<sup>3</sup> More than one in four women (vs. just 17% of men) say they are not offered retirement benefits.<sup>4</sup> In 2019, the median annual income for all women age 55 and older was \$46,384 vs. \$60,736 for men of the same age (a difference of nearly \$1,200 per month).<sup>5</sup>

Additionally, women are more likely to work part time, and part-time workers are less likely to have access to health care and retirement benefits.<sup>6</sup> On average, women spend nine-plus years more than men out of the paid workforce.<sup>7</sup> The result is that women who spend time out of the paid workforce have fewer years of earned income and less disposable income,<sup>8</sup> which often leaves less for retirement savings (see **Exhibit 2**, page 6).

Finally, women depend heavily on Social Security. In 2017, nearly half of all elderly unmarried women relied on those benefits for 90% or more of their income, while Social Security accounted

for only 32% of unmarried elderly men's income and just 27% of elderly couples' income.<sup>9</sup> In addition, Social Security lifted 9 million elderly women out of poverty in 2017.<sup>10</sup>

## Impact of Work Experiences

Two factors—how much women earn and save during their working years—go a long way in determining the financial resources available to them in retirement.

“Women have to learn how to balance the need for retirement income with the fact that they generally earn less and work fewer years than men, which means that they're saving less and building smaller benefits through Social Security,” says Cindy Hounsell, President of WISER, the Women's Institute for a Secure Retirement. “Women need to educate themselves about their workplace programs so that they can take full advantage of these benefits. It's also important to know the rules of the systems, such as Social Security and tax-advantaged savings, to hopefully avoid making financial mistakes or at least learn from them. It's essential for women to plan for their long-term financial well-being.” (See “Tips and Resources to Help Women Establish Financial Independence,” page 8.)

Anna Rappaport, President of Anna Rappaport Consulting, explains that key life experiences may have a significant impact on retirement security. “Starting early in their career,” she says, “the type of job women take can really have a big impact. For example, people who

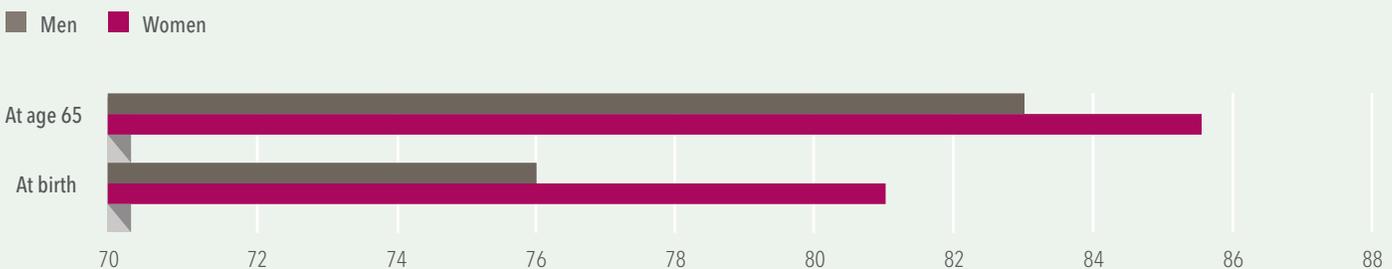
become teachers are often likely to stay in their jobs for a long time and have good retirement benefits. What we do in college also affects our job choices. Some jobs have no benefits and little job security, while others have good benefits and good job security. It's a good idea for women to find out about the various benefits that an employer may offer and consider that as part of their compensation package. And it's important for younger people to think about health insurance, retirement savings programs, and disability insurance, to name a few.”

Having children can affect how much women save due to a number of factors, including taking time off, which in turn may affect their lifestyle in retirement. Taking time out of the workforce, particularly at mid-career points, is a decision that often changes the outlook for a woman's long-term financial security. “Marriage and children, the size of the house, the type of car, how we've handled our debt, whether we leave the workforce to take care of our children—all of these factors have a tremendous impact on our overall savings, but we don't often think about it in those terms,” Rappaport says.

When nearing retirement, women have a number of decisions to make: What is the right age to retire? Is it possible to work part time as a way to phase into retirement? When is the right time to claim Social Security? Are pension benefits on the table? How will medical insurance be covered in the years leading up to age 65, when people become eligible for Medicare? These decisions, Rappaport says, can affect your lifestyle in retirement. (See “Planning Ahead” and “Potential Mistakes to Avoid,” pages 8–9.)

EXHIBIT 1

## Life Expectancy, Women vs. Men



## Industry Experts Share Insights on Women and Retirement

*Jody Strakosch, Cindy Hounsell, Anna Rappaport, and Carla Dearing assembled at Dimensional's Defined Contribution Annual Conference to explore challenges and discuss solutions.*



**JODY STRAKOSCH** founded Strakosch Retirement Strategies, LLC in 2012 to bring investment and retirement solutions to the defined contribution (DC) market for asset management firms. Strakosch formerly worked for MetLife, where she became a recognized DC and institutional retirement income subject matter expert. She is an active member of DCIIA (Defined Contribution Institutional Investment Association) and is on the Advisory Council of the Women's Institute for a Secure Retirement (WISER). Strakosch holds a BA in sociology from Wellesley College and an MA in gerontology from the University of Southern California.



**CINDY HOUNSELL** is President of WISER, a nonprofit founded in 1996 to improve opportunities for women to secure retirement income and to educate the public about the inequities that disadvantage women in retirement. She also serves as Director of the National Resource Center on Women and Retirement Planning, which WISER operates in partnership with the US Administration on Aging. In 2018, Hounsell was awarded a lifetime achievement award by the Plan Sponsor Council of America. Hounsell was also named by Women's eNews as one of 21 Leaders for the 21st Century in 2006.



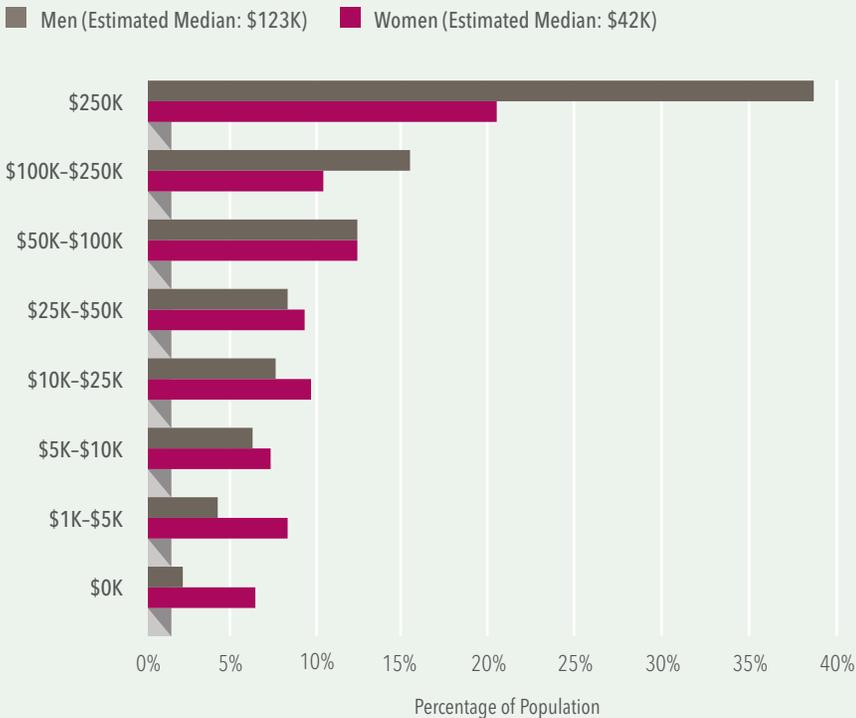
**ANNA RAPPAPORT** is an internationally recognized expert on the impact of change on retirement systems and workforce issues. She serves on the board of WISER and the advisory board of the Pension Research Council, and previously served as President of the Society of Actuaries. Rappaport formed Anna Rappaport Consulting in 2005 after retiring from Mercer Human Resource Consulting in 2004, following 28 years with the firm. She was appointed as Senior Fellow on Pensions and Retirement by The Conference Board in 2007. Rappaport completed 40 years as a Fellow of the Society of Actuaries in 2003 and has an MBA from the University of Chicago.



**CARLA DEARING**, Head of Product at FlexWage, oversees the firm's product, marketing, and customer experience. As founding CEO of Sum180 (acquired by FlexWage in 2019), she brought together financial experts, marketers, and technologists to rethink financial planning from the ground up. Dearing started her career at Morgan Stanley & Co. in financial analysis and new product development. She then co-founded a financial advisory and fund administration firm. Dearing graduated Phi Beta Kappa from the University of Michigan with a BA in economics and political science, and she holds an MBA from the University of Chicago.

EXHIBIT 2

## Total Household Retirement Savings, Women vs. Men



Data from 2017 online survey of a nationally representative sample of 6,372 workers.  
Source: Transamerica Center for Retirement Studies.

## Life Transitions: Divorce or Death of a Spouse

Many lifetime transitions may impact one's financial well-being. Whether a woman is single, married, divorced, or widowed, planning for a healthy financial future is important. And, of course, having children has its own impact.

"There is now research showing that married women may be more at risk than single women in retirement,<sup>11</sup> which may seem surprising," Hounsell says. "Single women must take on the responsibility of managing their own finances, while many married women may leave the task of investments and finances to their spouses. Setting savings goals and understanding the investment plan is time well spent. Upon the death of a spouse, it's important to know how much money you'll have to live on."

Divorce can be financially devastating for both men and women, whether they are

*"Single women must take on the responsibility of managing their own finances, while many married women may leave the task of investments and finances to their partners."*

Cindy Hounsell, President, Women's Institute for a Secure Retirement (WISER)

employed or primarily stay at home. Assets and property will need to be divided, and each state has its own laws that determine how this process happens. Women may lose health insurance coverage if they have been covered by their spouse's employer. (A little-known fact: a person married 10 or more years before getting divorced who remains unmarried may apply for Social Security benefits based on the ex-spouse's work records, which may lead to higher-than-normal benefits.)

Whether a woman is employed or stays at home, Hounsell, Rappaport, and Carla Dearing, Head of Product, FlexWage, all emphasize the importance of getting good legal advice and professional help (i.e., financial planning) to deal with these inflection points. Although such assistance can be expensive, going without help may end up being more costly in the long run.

Before finalizing a divorce, a woman should get all the relevant information about available employer-sponsored retirement benefits, which are generally governed by federal laws. Most states recognize retirement benefits as joint assets (as if they were earned during marriage). A Qualified Domestic Relations Order (QDRO) issued by a court would allow a former spouse to receive a share of those benefits.

"Most of the decisions related to divorce are made at a difficult time, and it's really important to be pragmatic and focus on overall financial planning," Dearing says. "For example, many women will want to hold on to the house for the sake of the kids and to offer some stability. But the cost of holding on may just dig the hole deeper. This is really a time for a financial reset, which means taking the time to think about what you value as it relates to your lifestyle and how you can balance the resources you have with those values."

Addressing life's inflection points can be more challenging if divorce happens later in life. While divorce is becoming less common for younger adults, so-called "gray divorce" is on the rise: the rate for those over age 50 has roughly doubled since the 1990s.<sup>12</sup>

Single moms, who may or may not be widowed or divorced, often feel enormous pressure from taking care of kids as well as managing their job. "Encouraging these single parents to find a way to save a little today for their future is important," Rappaport says.

## Preparing for the Unexpected

What does a woman do about an unexpected financial event in retirement? Maybe the boiler breaks down, or the air conditioner malfunctions. The roof could be damaged in a hailstorm, or maybe a partner or another loved one needs major dental work. None of these events are planned, so they can impact even the best-planned retirement budget.

“The Society of Actuaries (SOA) did some research through focus groups and found that people were thinking in terms of their monthly bills and what their income would cover,” Rappaport says. “They wanted (and expected) monthly income to cover regular monthly bills. What the SOA learned is that people were generally resilient and were willing to reduce expenses to absorb the shock. Also, family members were a big safety net and often helped. In addition, one financial shock was easier to manage than multiple shocks.”

Fortunately, many people may be less likely to overspend in retirement, making it easier to handle a shock. “I hear this all the time from friends who tell me that one of their parents isn’t willing to go someplace because it will cost \$10 to take a taxi—even though they have plenty of money,” Hounsell says.

## Impact of Caregiving

In millions of US households, women may be called upon to provide full- or part-time care to an older family member or friend. Caregiving is challenging and, for many, very rewarding—but may also have serious financial consequences (see **Exhibit 3**, at center right). For instance, women may work part time or simply stop working to make time for caregiving. They may decline a promotion that would require longer hours or pass on a job, training opportunities, or travel. Women should be aware that these compromises, even when made with the best intentions, may cause them to forfeit pay and benefits and miss out on opportunities for compounded returns on 401(k) matching contributions.

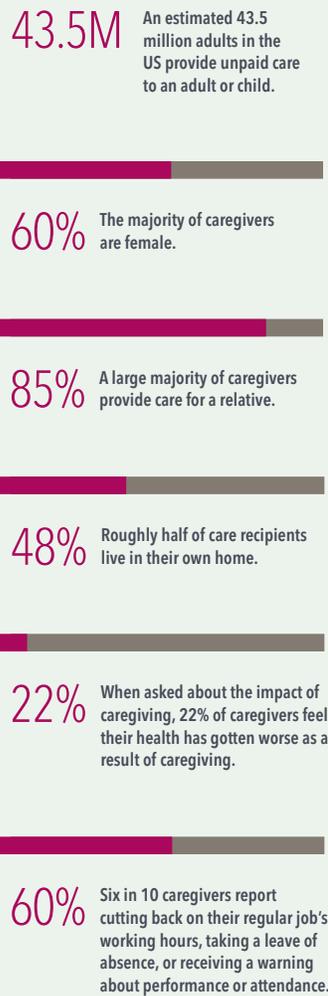
“Unpaid caregiving is something that impacts many families today, probably more so than previous generations, given our aging population,” Hounsell says. “It makes a huge difference for everyone in the workforce, and one of the effects has been reduced wages in addition to the out-of-pocket expenses to support the care recipient.”

Another unintended consequence: negative impacts on caregivers’ health, both physical and mental. Dearing says it is way too easy to become socially isolated. To tackle the challenges of caring for an older family member, Rappaport recommends that women find an

### EXHIBIT 3

## Unpaid Caregivers

A portrait of unpaid family caregivers from the National Alliance for Caregiving (NAC) and the AARP Public Policy Institute:



Source: “Caregiving in the U.S.,” National Alliance for Caregiving and AARP Public Policy Institute Research Report, 2015.

elder-care consultant. Appropriate assistance may allow caregivers to go back to work part time or at least find some time for themselves. (See “Elder Care Assistance,” page 9.)

One tangential point for women whose kids are now adults: These moms may still be paying the family cell phone bill (and similar expenses) or giving money to children,

grandchildren, or another relative, which can cut into potential retirement spending. One of the greatest gifts a mother can provide for the family is to have financial independence and relieve her children of the concern for her welfare. Evaluating whether a woman has the financial means to support others in addition to saving for herself may help in determining the amount of that support. “This is a great time for women to lean into their own savings,” Dearing says, “and turn their attention to saving as much as possible today for the future.”

## Impact of Aging

Baby boomers are aging in full force. From today through 2029 (when the youngest boomer turns age 65), nearly 10,000 a day are expected to reach that age,<sup>13</sup> which means more than 20% of the total US population will be 65 or older by 2029.<sup>14</sup> Yet, many boomers have not planned for the years after they stop working. Women who develop and implement a plan may have a stronger chance to live the lifestyle they want in retirement. (See “Information on Aging,” page 9.)

An AARP survey found that 76% of Americans age 50 and older say they prefer to remain in their current residence, and 77% would like to live in their community as long as possible, yet just 59% anticipate they will be able to stay in their community and only 46% in their current home.<sup>15</sup>

One of the largest expenses for older adults is health care. Someone turning 65 today has almost a 70% chance of needing some type of long-term care services and support in their remaining years, and women need care longer (3.7 years) than men (2.2 years).<sup>16</sup>

Can women afford to stay in their current home when they retire, or would it be better to downsize? This stay-or-go decision requires evaluating current expenses, such as utility bills, property taxes, anticipated maintenance and repairs, and other services (lawn care, house cleaning, etc.). Would a smaller home provide more equity and reduce expenses? Will a new home accommodate any physical decline? These big questions deserve discussion with family and outside resources.

## How Employers Can Help

Many employers offer a range of tools for plan participants and will often customize communications around life events, such as marriage, the birth of a child, or retirement. They should consider working closely with service providers and use technology in order to personalize any specific communications designed for women, such as financial wellness, counseling, or education covering major life events.

Participants should be encouraged to use the full range of available benefits. Some employees are leaving money on the table by not taking advantage of these benefit programs.

Employers should consider reframing their savings plan as a retirement income plan, and employees should be encouraged to think about how they are going to replace their paycheck by using those assets that they've accumulated while working. A range of tools, investments, and services should be offered to help participants, particularly women, create lifetime income streams.

Which brings us back to the topic of financial wellness. (For more information on financial wellness programs, best practices, and trends in this space, see our summer 2017 *DC Dimensions* story, "Today's Check Up: Financial Wellness.") Programs targeting this goal may offer a useful framework for employers, advisors, and consultants to help address women's common life experiences and their potential impact on retirement readiness. By gaining better awareness of these challenges and getting access to appropriate tools to address them, women are more likely to attain their ideal vision of retirement.

## Tips and Resources to Help Women Establish Financial Independence

### General Advice

- Maintain files of financial information, such as bank account numbers; safe deposit information; insurance beneficiary information; IRAs and other retirement accounts; tax returns; mutual fund statements; copies of health, life, auto, and homeowner's insurance policies; wills; mortgage or lease information; copies of birth certificates, etc.
- Open your own checking and savings accounts.
- Establish and maintain good credit.
- Prioritize saving by committing to putting away a certain amount each week or month. Even \$50 or less a month can add up over time.

Source: "Marriage and Finances: Planning for the Unexpected," WISER.

### Planning Ahead

**LIVING ARRANGEMENTS:** Married couples should plan for their retirement jointly but also make a point of having a plan for one of them to be living alone.

**TAXES:** Tax filing time can be used as a tool to update financial records and review progress toward goals.

**LONGEVITY:** Many women tend to live longer than men. The Social Security Longevity Calculator ([ssa.gov/oact/population/longevity.html](https://ssa.gov/oact/population/longevity.html)) can provide useful estimates.

**EMERGENCY FUND:** It's important for everyone to have money set aside for the unexpected—enough to cover at least six months of living expenses.

**INCOME:** Women should calculate their anticipated retirement income sources and consider living on this "retirement income budget" before reaching retirement to determine if lifestyle changes (e.g., downsizing one's home) may be worth considering.

**DEBT:** Aiming to enter retirement without any debt is usually the best approach, so it should be paid off as soon as possible.

Source: Jody Strakosch, Anna Rappaport, Cindy Hounsell, and Carla Dearing.

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## Potential Mistakes to Avoid

**INVESTING:** Many women tend to invest more conservatively than men, relying on lower-risk vehicles. According to Carla Dearing, women may be better off with a more diversified investment strategy. A financial advisor can help them address the risks of being too risk-averse.

**SOCIAL SECURITY:** It's tempting to start taking benefits at age 62; however, waiting until full retirement age (currently 66) or claiming as late as age 70 would increase one's benefits significantly.<sup>17</sup>

**BENEFICIARIES:** Beneficiary designations need to be kept up to date, whether it's an employer-sponsored benefit program (health, life insurance, retirement) or other savings (IRAs, etc.).

**DISABILITY INSURANCE:** Anna Rappaport has heard heartbreaking stories of people who never thought they would have a disability (anything that prevents a person from working) and then, all of a sudden, find that they are missing their salary because they can't work. Disability insurance is strongly recommended.

**HEALTH:** To avoid paying higher premiums, women (and men) need to file for Medicare when they turn 65 (technically, three months before their 65th birthday). In most cases, not signing up for Medicare Part B at the appropriate time will lead to a late enrollment penalty. For more on this penalty, see [medicare.gov/your-medicare-costs/part-b-costs/part-b-late-enrollment-penalty](https://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-late-enrollment-penalty).

Source: Jody Strakosch, Anna Rappaport, Cindy Hounsell, and Carla Dearing.

## Information on Aging

*The Costs of Aging*, a handbook published by the National Aging in Place Council, features useful data showing estimated costs of housing and home modification, health care and caregiving, personal finance and planning, transportation, and social engagement.

[ageinplace.org](http://ageinplace.org).

## Elder Care Assistance

*Eldercare Locator*, sponsored by the US Administration on Aging, can help individuals find caregiving services and resources.

[eldercare.acl.gov/public/](http://eldercare.acl.gov/public/)  
or (800) 677-1116.

In 2017, nearly half of all elderly unmarried women relied on Social Security benefits for 90% or more of their income.

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Jody Strakosch and Anna Rappaport occasionally speak at events sponsored by Dimensional or one of its affiliates and receive compensation for these services.

## ADVISOR FOCUS



**KRISTEN DONOVAN**, Retirement Solutions Manager for BAM Advisor Services, is an investment advisor working with retirement plan sponsors, committees, and plan participants. She is a credentialed member of ASPPA and NAPA and holds the Certified Plan Fiduciary Advisor, Qualified 401(k) Administrator, and Accredited Investment Fiduciary® designations.



**SUSAN CONRAD**, Chief Client Experience Officer and Director of Retirement Plan Advisors at Plancorp, has more than 25 years of experience in the pension and retirement space, including 20 years at First Mercantile Trust. She holds the Accredited Investment Fiduciary® designation and has a BS in accounting from the University of Memphis.

## Women Advisors on Thriving in the Retirement Plan Industry

Some credit keen listening skills, while others say the ability to juggle work and family gives them an edge

► By **Ashish Shrestha**, Head of Advisor Defined Contribution Group and Vice President Dimensional Fund Advisors

### What drew you to working with retirement plan sponsors and participants?

**KRISTEN DONOVAN:** The gravity and importance of workplace retirement plans move me. They have the power to change lives. Educating plan participants provides us with the opportunity to help people who typically don't have advisors of their own. We are slowly changing the world. How could you not love that?

**SUSAN CONRAD:** A professor introduced me to a boutique retirement plan provider. It's important to pay attention to doors that open. That one introduction led to a 23-year career with the work-life balance that I needed.

**ERIKA YOUNG:** I fell into retirement plans by accident. I started my career in payroll and realized

the importance of integrating the 401(k) with payroll, so I decided to design a retirement plan offering that we could sell to our payroll clients. The more I learned about the retirement plan industry, the more I realized how much room there was for improvement. Every plan I look at or participant I talk to reminds me that there is a better way, and we can make a difference one plan at a time, one participant at a time.

**JULIE DORAN STEWART:** Growing up in a blue-collar family, I saw the tangible difference my father's employer made in my parents' lives by making retirement savings a priority for all employees. This motivates me to work with my clients to do the same. If we do our job right, we are able to make retirement a reality for those who have worked hard, and that is a worthy endeavor.

**"I think women have more empathy naturally, and that is a huge thing when dealing with participants."**

Erika Young



**ERIKA YOUNG**, Director of Employer Plan Services and Partner in charge of Human Capital Management Solutions at Wipfli, specializes in developing retirement and employee benefit plans. She holds the Chartered Retirement Plans Specialist, Certified Plan Fiduciary Adviser, and Accredited Investment Fiduciary® designations and has a FINRA Series 65 license. Young earned a BS in communication studies from the University of Wisconsin–La Crosse.



**JULIE DORAN STEWART**, Senior Vice President, Retirement Plan Advisory, with the Sentinel Benefits & Financial Group works closely with retirement plan sponsors to implement fiduciary best practices and ensure prudent plan management. Doran Stewart is an Accredited Investment Fiduciary®, Certified Plan Fiduciary Adviser, and Retirement Plans Associate. She has a FINRA Series 65 license, an MBA from Babson College, and a BS in business communication from Bentley College.

### Exhibit 1 Investment Objectives, Women vs. Men



Source: “Women and wealth: The case for a customized approach,” EY, 2017.

#### Do you see any key differences in the ways men and women think about and plan for retirement?

**DONOVAN:** I think there are no absolutes when talking about gender. That said, it has been my experience that women tend to be more risk averse and want to understand the “why” behind their investment plan rather than just being told what to choose by an advisor (see **Exhibit 1**, above). Many take time off to raise kids or care for parents, delaying their own compensation and saving for retirement. When women are ready to plan, I think they focus on their legacy more—what they will leave for their family or favorite charity—while men might more often focus on the logistics of retirement, like how they will spend their time.

**CONRAD:** Women want to know if they are saving enough to be secure and to take care of their family. Our job is to help both men and women develop a plan that aligns with their goals.

**YOUNG:** Younger women focus on living paycheck to paycheck and making sure their children and aging parents are taken care of today. Older women

focus on ensuring their beneficiaries are up to date and that the next generation has what they need.

**STEWART:** In my experience, women tend to think less about the future state and instead focus more on the impact to the present when planning for retirement. The notion of “paying yourself first” inherent in saving for retirement is often difficult for women who may be managing a budget stretched thin to help care for aging parents and/or children. Furthermore, issues of pay inequity have a real impact on retirement savings; fewer dollars in one’s paycheck translates to fewer dollars being put away for retirement.

#### As a woman in the retirement advice industry, do you feel that you bring unique perspectives to client conversations?

**DONOVAN:** I am a single parent and understand the competition for where our money goes. When working individually with people, I strive to listen and empathize with their situation. My desire to care for others and use my knowledge and skills to make a difference fuels my success. My work aligns with my faith and character.

**CONRAD:** I am at a great place in my life to understand the challenges clients face. Life has taught me a lot. I have watched friends struggle to save for retirement; my young adult children buy their first home; and my mother navigate 18 years as a widow. Being a good listener helps me understand clients’ financial and emotional needs.

**YOUNG:** I think women have more empathy naturally, and that is a huge thing when dealing with participants. Talking about money brings up a lot of fears, hopes, and dreams, and being able to relate makes the participant that much more at ease. I also think that women may feel insecure talking about their financial situation with a man. Connecting with them on a personal level makes the discussion much easier.

**STEWART:** I believe women are natural observers. As such, I believe my ability to read the room, know when someone is not understanding a concept, and adjust accordingly makes me a better advisor. My ability to use those translator skills helps to ensure a productive/beneficial outcome for my clients.

## Exhibit 2 Percentage of Female and Male Financial Advisors



Data as of 2017. Includes independent registered investment advisors, hybrid RIAs, and broker-dealers.  
Source: Investments & Wealth Institute.

## Exhibit 3 Jobs Held by Women and Men in Financial Services



Data as of 2017. Includes independent registered investment advisors, hybrid RIAs, and broker-dealers.  
Source: "When Women Thrive," Financial Services Perspective, Mercer, 2016.

### Is building and managing a retirement practice a challenge for women?

**DONOVAN:** In my view, many of the behaviors that we attribute to good leaders come naturally to women. Many women exhibit high emotional intelligence, are good listeners, and have great empathy and resilience. We are often generous, patient, inclusive, and not afraid to be vulnerable. So being a woman has in some ways helped me build a strong team and lead this line of business in which we support advisors as they build their own retirement plan practice.

**CONRAD:** As women, we learn to juggle work, family, and life. Success takes determination, organization, and late nights when the soccer uniform has to be ready for tomorrow's game. As a practice manager, I focus on clients, team, and growth. The challenges are the same, but the rewards are equally satisfying.

**YOUNG:** When I got into the retirement plan industry as a young woman, I was talked down to and treated as second class. I am pretty strong and confident, so I wasn't one to back down. The number of women and especially women in

leadership in the industry has risen significantly. I have never felt there was a glass ceiling on my career potential.

**STEWART:** As a woman in a male-dominated industry (see **Exhibit 2** and **Exhibit 3**, above), I feel the diversity of thought I bring to the table is a valuable perspective in all facets of managing and building a retirement practice.

### What are the most significant obstacles for women in this field?

**DONOVAN:** Women are less likely to negotiate higher salaries, which has been a factor in the current wage gap. Women should understand their value and have the confidence to ask to be paid fairly. On the advisory side, we are still in the minority, but that is slowly changing. Women should never let that stop them from entering a conversation or having a seat at the table.

**CONRAD:** The most significant challenge is identifying a firm that intentionally recruits women because they believe in diversity and value the skills women add to the team. That kind of culture eliminates a long list of career challenges women face.

**"It has been my experience that women tend to be more risk averse and want to understand the 'why' behind their investment plan rather than just being told what to choose by an advisor."**

Kristen Donovan

**YOUNG:** I think the older men in this field still see it as a male profession, but times are definitely changing. I don't think that there is anything I can't do because I am a woman. Being a woman isn't a hindrance or a crutch, just a fact.

**STEWART:** Lack of self-confidence is the biggest hurdle I see. Women tend to be more self-critical than their male counterparts, so they fail to position themselves for a promotion/leadership role or as an expert to clients, even when they are more qualified than their male colleagues. Confidence is second only to competence in this field, and women must demonstrate both to be successful.

#### What would you say to young women considering a career in the retirement industry?

**DONOVAN:** This industry is full of opportunity and needs smart, caring people to help ensure everyone has the best chance of maintaining their lifestyle throughout retirement. Young women should find employment with companies whose mission aligns with their values, where they can serve, learn, and grow.

**CONRAD:** First, it is not about selling products or chasing market performance. It's about helping people. If you like helping people, this is a fantastic career.

**YOUNG:** Working with participants and plan sponsors is a calling, a way to make the world a better place, for a group of people that the rest of the financial industry ignores. For the woman with two small children and no financial education whatsoever, we can make a real difference. What we do matters.

**STEWART:** The most common thing I hear from young women is "I'm not good with math, so I can't work in financial services/retirement services." This is problematic because (a) they are generally better at math than they give themselves credit for, and (b) there is a misperception about the field itself.

A career in the retirement industry can be wide-ranging, and no one should dismiss the idea without understanding the breadth of a retirement-focused career path. As an industry, we must do a better job marketing the career paths available to women and encouraging their exploration of the field.

#### What certifications, experience, or degrees are helpful when considering becoming an advisor?

**DONOVAN:** In addition to passing the required exams to be an advisor, I recommend studying for specific credentials, such as the QPFA (Qualified Plan Fiduciary Advisor) from the National Association of Plan Advisors. Continuing education is helpful, but also dig into books, podcasts, and conferences will help keep you engaged and relevant.

#### If a client prefers a woman advisor, how do they make that known to the firm?

**CONRAD:** Women occasionally request a female advisor, but more often they express the importance of having an advisor who listens and understands their needs. We often have prospects tell us that they are changing advisory firms because their previous advisor never engaged the wife in financial conversations.

#### What do you do to create or foster credibility with your clients?

**DONOVAN:** Credibility comes from being good at what you do and being perceived as an expert. This means little, however, if your client doesn't trust you. You earn that trust by being a good communicator, connecting with your client, and demonstrating you are trustworthy by your actions. I don't think these factors change by the gender of the client. ◀

**"As an industry, we must do a better job marketing the career paths available to women and encouraging their exploration of the field."**

Julie Doran Stewart

# To Omnibus or Not to Omnibus: Pros and Cons of a Special IRA Solution

Advisors with many small IRA accounts may find this model attractive

► By **Holly Nance**, Client Manager, Recordkeeper Relations  
Dimensional Fund Advisors

Advisors in the retirement plan business should be prepared to accept rollovers into IRAs as assets flow out of qualified plans due to retirement, participant termination, or plan termination. In addition, the emergence of employer-sponsored and state-mandated IRA plans gives advisors another reason to be active in the IRA space. However, attempting to capitalize on these opportunities may come with some surprises.

For instance, many advisors may not be aware of “omnibus” IRA solutions.

As opposed to an individual IRA owned by one client, an omnibus account aggregates individual accounts into a single plan with one custodian and a recordkeeper. In this structure, the advisor could develop model portfolios for account holders in a more efficient, low-cost environment. Advisors handling many small IRA accounts may find this model especially attractive because they can outsource the servicing component, making it easier to manage low-balance accounts.

Investment professionals already handle most IRAs (see **Exhibit 1**, page 15), and more than half of rollover IRA candidates already work with an advisor, according to a recent survey.<sup>1</sup> In addition, traditional IRAs originating from rollovers had the highest average balances at year-end 2016,<sup>2</sup> and average rollover amounts accounted for most of the assets in all IRAs (see **Exhibit 2**, page 15). In this environment, omnibus accounts may help advisors accelerate growth and gain market share while reducing internal administration and servicing costs associated with accounts of all sizes.

## How It Works

An omnibus IRA gets its name from a trading process in which all similar transactions from multiple subaccounts are rolled up into one trade per fund per day in the primary account. In this instance, the primary account is termed “omnibus” because it contains the holdings of multiple subaccounts. The recordkeeper and the recordkeeper’s system reconcile the ownership shares

of each subaccount to the omnibus account on a daily basis.

This practice is common in the 401(k) industry: a recordkeeper and/or custodian establishes one account per 401(k) plan at the fund company or similar entity, either directly through the National Securities Clearinghouse Corporation (NSCC) or via a trading partner. The omnibus IRA uses this same concept to create an IRA account with underlying account holders.

## Advantages

For advisors, advantages to building an omnibus IRA business include cost, trading efficiency, time management, and small-account convenience:

**Cost.** Individual IRA accounts carry individual trading costs if the investment is not a fund with a no-transaction-fee classification. A “buy” transaction could range from \$0 to \$45. No individual trading fees are assessed in an omnibus account.

## Exhibit 1 Traditional IRAs Managed by Investment Professionals



Data as of 2018. Source: Investment Company Institute IRA Owners Survey.

## Exhibit 2 IRAs: Average Rollover Amounts vs. Total Account Balances



Data as of 2016. Source: Employee Benefit Research Institute.

But the IRA provider will assess an account fee (ranging from 0.15% to 0.35%) that includes the custodian fee, product fee, and trading fees.

**Trading efficiency.** Individual IRAs are managed on an individual basis; any investment changes or rebalancing must be done in each account. In a typical omnibus account, advisors can manage the investments and rebalancing at the omnibus level, so they do not have to make changes or rebalance each subaccount separately.

**Time management.** Individual IRA account holders would call their advisor with any inquiries. In a typical omnibus arrangement, the record-keeper's call center would respond to inquiries.

**Small-account convenience.** The omnibus structure makes it more economically practical for advisors to forgo account minimums and accept smaller balances under their management. That's potentially useful because younger workers with lower

balances tend to change jobs more frequently, which may lead to additional rollover opportunities for advisors.

### Disadvantages

Despite the advantages of omnibus IRAs, advisors may find managing a larger portfolio with multiple accounts to be a challenge. Establishing omnibus IRAs may not fit into existing advisor processes and procedures because these accounts require a new custodial relationship and need to be incorporated into existing client reporting software. Finally, the cost structure of omnibus IRAs may be less appropriate for individuals with large accounts.

As assets in rollover IRAs continue to grow, retirement advisors should consider both individual as well as omnibus solutions as they seek the best options for their clients. ◀

**An omnibus account aggregates individual accounts into a single plan with one custodian and a recordkeeper.**

1. "DC Participant Landscape," an annual Cogent Syndicated study by Escalent conducted in 2019. [businesswire.com/news/home/20190910005188/en/Cogent-Syndicated-Millennials-Financial-Advisors-Key-Unlocking](https://www.businesswire.com/news/home/20190910005188/en/Cogent-Syndicated-Millennials-Financial-Advisors-Key-Unlocking).

2. Employee Benefit Research Institute Issue Brief (August 2018). [ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_456\\_iras-13aug18.pdf?sfvrsn=6a58352f\\_2](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_456_iras-13aug18.pdf?sfvrsn=6a58352f_2).

## CONSULTANT FOCUS



**KEVIN VANDOLDER**, South Region Leader at DiMeo Schneider & Associates, has more than 20 years of investment consulting experience. He is the former Defined Contribution Client Practice Leader of Aon Hewitt and its predecessor firm, EnnisKnupp, and is a co-founder of the DC Institutional Investment Association (DCIIA), previous chair of its Investment Policy Committee, and an active member of the CFA Institute as well as a CFA® charterholder. Vandolder holds an MBA from NYU and an Honours B.Comm. degree in finance from the Odette Business School at the University of Windsor.

# DC “Democratization” Aims to Improve Outcomes

Creative ideas like MEPs and customized target date funds may help Americans who are unprepared for retirement

► By **Kevin Vandolder**, South Region Leader  
DiMeo Schneider & Associates

Members of our industry need to continue challenging ourselves to address the suboptimal investment outcomes earned by many defined contribution (DC) and IRA participants. One solution is to move beyond old messages of “DB’ization of a DC world” and accelerate toward new concepts such as the “democratization” of DC plans.

Put another way, it is time that we find ways to make saving and investing more efficient, effective, and accessible to everyone.

## Why Is “Democratization” Mission Critical?

A US retirement crisis is approaching, according to several recent studies. A meaningful segment of our society is unprepared for retirement due to a lack of financial resources, which will prevent them from maintaining their lifestyle once they stop working.<sup>1</sup>

Three observations about our current situation:

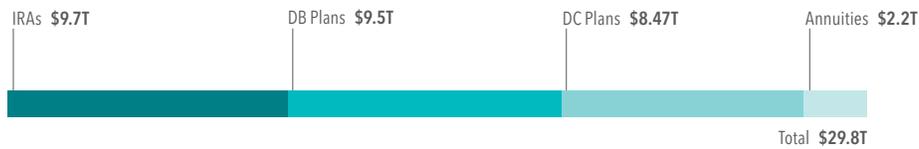
- 1. Gaps in access to retirement savings opportunities.** More than 28 million full-time workers in the US don’t have access to a retirement plan. Another 23 million part-time employees don’t have an opportunity to contribute to a retirement plan.<sup>2</sup>
- 2. Worrisome predictions for health care costs in retirement.** Estimates of the cost of medical care in retirement vary. According to HealthView Services, which provides health care cost-projection software to financial services firms and advisors, the average healthy 65-year-old couple retiring in 2018 can expect to pay over \$530,000 in out-of-pocket costs and lifetime Medicare and supplemental insurance premiums.<sup>3</sup> As of 2016, the average 401(k) of individuals age 60 to 69 did not even approach these levels. Individuals with the

largest account balances (people with 30 years of tenure) had an average of only \$287,533.<sup>4</sup>

- 3. Massive retirement savings deficit.** The Employee Benefit Research Institute (EBRI) estimates the retirement savings deficit—the amount of money people need but don’t have for retirement. The aggregate deficit, even after taking into account Social Security, is nearing \$4 trillion collectively for Americans age 35 to 64.<sup>5</sup> That’s a big number.

Now for some good news: thanks to the recent strength of at-risk assets, such as stocks, this deficit is materially lower than in previous years. In addition, at \$29.8 trillion (see **Exhibit 1**, page 17), total assets in US retirement accounts indicate that America does have plenty of money to build off of and grow to help solve this retirement challenge, which speaks to the need for democratization.<sup>6</sup>

## Exhibit 1 US Retirement Assets, as of June 30, 2019



Source: Investment Company Institute.

### Action Plan

The time is ripe to take advantage of new thought processes that aim to improve retirement outcomes. Below is an action plan for the industry to consider.

**Expand coverage through multiple employer plans (MEPs).** Many public and private sector MEPs are in the early stages of development or implementation from coast to coast. We are hopeful that regulators and/or legislation will soon offer positive reinforcement for such approaches. The Secure Act, which became law in December 2019, provides the necessary support for setting up and maintaining successful MEPs. The new law may help the industry to improve outcomes for millions of Americans.

**Encourage a national "DC Saves" program.** What if all employers, particularly small businesses, automatically enrolled their employees in a DC program at a 5% contribution rate and increased contributions by 1% per year up to a maximum of 10%?

EBRI estimated these changes would reduce by about \$500 billion the anticipated \$4 trillion savings shortfall in the US.<sup>7</sup> This estimated gain is meaningful but not enough to move the needle effectively.

**Build customized target date funds.** Target date funds and their automatic features have become widely popular since passage of the Pension Protection Act of 2006. What's needed now is cohort customization that includes assessments of longevity expectations, geographical considerations, spending pattern needs, estate and tax planning, etc. Continued expansion of the use of artificial intelligence platforms and robo-advisors could be instrumental in improving and customizing outcomes in a cost-efficient and effective manner. This new approach to the use of target date funds could be offered via models or unitized separate accounts and further advanced with a longevity risk solution designed to help retirees manage their lifetime income challenges.

**Accelerate use of investment alternatives.** Some of the world's most sophisticated investors earn rates of return far superior to those of the average investor in part because they have the ability to capture returns via private equity and private real estate. In our view, these opportunities can be readily understood and easily implemented in a cost-effective manner. Therefore, it is time that public policy planners and retirement plan service providers work together to find ways for individual investors to invest in these potentially more rewarding vehicles.

Ultimately, this action plan is focused on continuing the industry's evolution of retirement program design. The goal is to use democratization techniques to help improve our delivery of retirement solutions—and outcomes for the average investor.

Let's work together to make this dream a reality. ◀

1. "The Real Deal: 2018 Retirement Income Adequacy Study," Aon. [aon.com/retirement-readiness-savings-income-adequacy-the-real-deal/index.html](https://www.aon.com/retirement-readiness-savings-income-adequacy-the-real-deal/index.html).

2. "What's the Cost of the Retirement Coverage Gap?" National Association of Plan Advisors (NAPA), 2019. [napa-net.org/news-info/daily-news/what-s-cost-retirement-coverage-gap](https://www.napa-net.org/news-info/daily-news/what-s-cost-retirement-coverage-gap).

3. "2018 Retirement Healthcare Costs Data Report," HealthView Services. [hvsfinancial.com/wp-content/uploads/2018/09/2018-Retirement-Health-Care-Costs-Data-Report.pdf](https://www.hvsfinancial.com/wp-content/uploads/2018/09/2018-Retirement-Health-Care-Costs-Data-Report.pdf).

4. "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2016," Employee Benefit Research Institute Issue Brief No. 458 (September 2018). [ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_458\\_k-update-10sept18.pdf?sfvrsn=bca4302f\\_6](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_458_k-update-10sept18.pdf?sfvrsn=bca4302f_6).

5. "Retirement Savings Shortfalls: Evidence from EBRI's 2019 Retirement Security Projection Model," EBRI Issue Brief (March 2019). [ebri.org/content/retirement-savings-shortfalls-evidence-from-ebri-s-2019-retirement-security-projection-model](https://www.ebri.org/content/retirement-savings-shortfalls-evidence-from-ebri-s-2019-retirement-security-projection-model).

6. "How large are 401(k)s?" Investment Company Institute (December 2019). [ici.org/policy/retirement/plan/401k/faqs\\_401k](https://www.ici.org/policy/retirement/plan/401k/faqs_401k).

7. "What if OregonSaves Went National: A Look at the Impact on Retirement Income Adequacy," EBRI Issue Brief (October 2019). [ebri.org/content/summary/what-if-oregonsaves-went-national-a-look-at-the-impact-on-retirement-income-adequacy](https://www.ebri.org/content/summary/what-if-oregonsaves-went-national-a-look-at-the-impact-on-retirement-income-adequacy).

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Target date funds are designed to target a year in which an investor may withdraw funds for retirement or other purposes. Investments in target date funds are subject to the risks of their underlying funds, and asset allocations are subject to change over time in accordance with each fund's prospectus. An investment in or retirement income from a target date portfolio is not guaranteed at any time, including on or after the target date. An investment in a target date portfolio does not eliminate the need for investors to decide—before investing and periodically thereafter—whether the portfolio fits their financial situation.



**ZVI BODIE** is an independent educator, writer, speaker, and consultant. He is also Professor Emeritus at Boston University, where he taught from 1972 to 2013. Bodie is best known for applying modern financial theory to lifecycle saving and investing. He has popularized the idea of hedging against inflation using Series I savings bonds, TIPS, and CPI-linked annuities in defined contribution pension and saving plans. In 2019, he received the Plan Sponsor Council of America Lifetime Achievement Award. Bodie holds a PhD in economics (1975) from the Massachusetts Institute of Technology.

# Real vs. Nominal Annuities: It's About Inflation Protection

Buyers need to understand how cost-of-living adjustments can impact retirement income

► By **Zvi Bodie**

In defined contribution plans, participants essentially own an account in which balances depend on the size of past contributions and the investment returns accumulated by those contributions. That means participants bear the risk of underperforming assets and the possibility of outliving the income generated by the account. One way of addressing these risks is by purchasing an annuity at the time of retirement (currently a relatively rare choice—see **Exhibit 1**, page 19).

A potentially attractive option is a single premium immediate annuity (SPIA), a contract purchased with a single lump sum that provides a guaranteed income almost immediately and continues paying income for as long as the buyer is alive (or for a specific period of time).

SPIA buyers can also purchase inflation-protection riders designed to guard against the impact of inflation. Insurance companies that sell these annuities classify such adjustments in two ways:

- 1. Cost of Living Adjustments (COLA):** Most companies permit level increases from 1% to 5% per year as a tool to combat inflation. I prefer to call this type of product a graduated-payment nominal annuity—the payment increases by a set percentage each year to account for estimated future inflation—and it is fundamentally different from a real (inflation-adjusted) annuity.
- 2. CPI-U:** Another type of annuity offers a Bureau of Labor Statistics (BLS)-derived adjustment linked to the Consumer Price Index (CPI). This percentage is recalculated January 1 of each year. That means nominal income from the annuity can increase or decrease for that year based on the change in the CPI, but real income will remain level regardless of inflation. I call this type of product a real annuity with level payments.

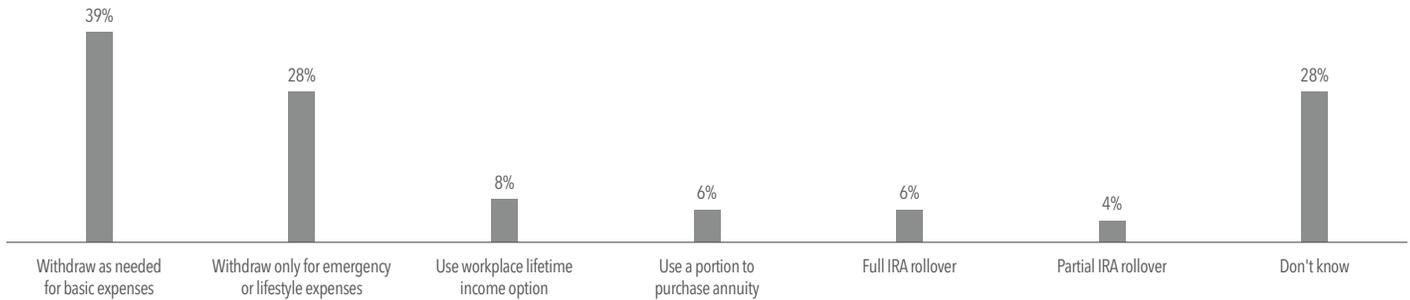
How would participants compare the income streams from these annuities?

Real and nominal are as different as annuities denominated in different currencies. For example, think of a US dollar annuity vs. a Canadian dollar annuity. If I live in the US, I almost surely will not be interested in the Canadian annuity, unless I want to speculate on the US/Canadian dollar exchange rate. Now suppose that the interest rate is 1% per annum in Canada but 3% in the US. A 20-year annuity with an initial cost of \$100,000 would offer a level yearly payment of \$5,541.53 CAD vs. \$6,721.57 USD (see **Exhibit 2**, page 19).

Should we regard this difference as the cost of choosing Canadian rather than US dollars? Clearly it is not a cost. The two annuities are denominated in different currencies.

We would expect Canadian retirees to choose a Canadian dollar annuity and US retirees to choose a US dollar annuity. Why? A Canadian buying a US dollar annuity would be speculating on the future exchange rate between US and Canadian dollars.

**Exhibit 1 How Baby Boomers Plan to Access Retirement Savings**



Source: “Boomer Expectations for Retirement 2019,” Insured Retirement Institute, 2019. Based on survey of individuals broadly defined as members of the baby boomer generation.

**Exhibit 2 Comparison of CAD and USD SPIAs**

Term = 20 years Initial cost = \$100,000

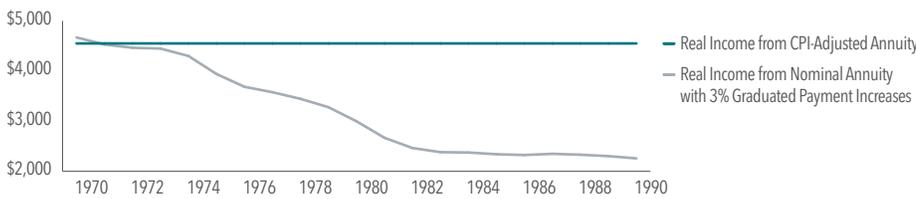
Level payment in units of	Interest rate	Annual payment
US dollars	3%	\$6,721.57
Canadian dollars	1%	\$5,541.53
Difference		\$1,180.04

**Exhibit 3 Comparison of Nominal and Real SPIAs**

Term = 20 years Initial cost = \$100,000

Level payment in units of	Interest rate	Annual payment
Nominal dollars	3%	\$6,721.57
Constant dollars	1%	\$5,541.53
Difference		\$1,180.04 (21.3%)

**Exhibit 4 Real Annuity vs. Nominal Annuity, 1970–1990**



Source: Zvi Bodie.

Similarly, nominal and real, or inflation-adjusted, annuities are denominated in different “currencies.” The real annuity is measured in constant dollars (see Exhibit 3).

For a potential annuitant (the person who buys the annuity) to choose the nominal annuity would be to speculate about the future value of the CPI, i.e., the rate of inflation. That might be tempting if you believe the actual rate of inflation will be less than the 2 percentage point spread between the nominal and real interest rates, but you would be deliberately exposing yourself to inflation risk.

To make this risk clearer, consider the history of the CPI and its impact on annuity payouts. Exhibit 4 compares real and nominal annuities from 1970–1990 in terms of their real values. The real annuity comes with fixed payments of \$4,550 per year. The real value of the nominal annuity starts at \$4,670 per year but falls to \$3,685 by 1976. And, by 1990, its real value is \$2,257—about 50% of the real annuity’s fixed payment.

Participants looking to reduce risk to their retirement income would be wise to choose CPI-adjusted SPIAs, which deliver payouts in real, not nominal, dollars. ◀

*Zvi Bodie is an occasional speaker at Dimensional Fund Advisors LP events and receives honoraria for his services.*

# Dimensional Offers Expansive Support for Your DC Business

Our enhanced experience, focused on advisors, plan sponsors, and intermediaries, will soon include the first Dimensional Fiduciary Resource Guide

► By **David Campbell**, Regional Director and Vice President  
Dimensional Fund Advisors

**DIMENSIONAL STRIVES TO UNDERSTAND THE NEEDS OF ADVISORS** who are working to develop long-term relationships with defined contribution plan sponsors and plan participants. In support of that goal, we now have an enhanced offering specifically designed to address the needs of the dynamic DC marketplace. The offering features thought leadership, insights, tools, and new actionable resources—all geared toward providing essential investment, client messaging, and practice management support.

We are focusing on four key components of an advisor's practice: investment and research support, practice management, fiduciary education and technical assistance, and business development. Our goals are to help advisors differentiate their business, guide plan sponsors and participants to better outcomes, and offer useful information about prevailing best practices and operational efficiencies that support business growth.

Dimensional's support in these areas can be customized to elevate an advisor's practice and help deliver an outstanding investment experience to both plan sponsors and plan participants. The details:

## Investment and Research Support

This component includes guidance and solutions for a goals-based savings environment, model construct analysis/consulting, plan sponsor and participant-level communication workshops, due diligence support, DC-focused portfolio analysis, and investment strategies that include our Target Date Retirement Income Funds.

## Practice Management

Practice management encompasses strategy meetings, practice management workshops, a retirement-centric video education series called Dimensional Retirement Plan University, and a national DC benchmarking study to provide relative insights vs. peers.

## Fiduciary Education and Technical Assistance

This component includes regulatory updates, key fiduciary considerations, plan design and fee benchmarking support, white-label presentations, and the My Retirement Income Calculator, which is designed to provide clarity on how much real annual consumption an accumulated account balance can support.

## Business Development

Business development entails guidance on marketing and media presence strategy, use of technology to optimize marketing efficiencies, prospecting, board meeting/finalist positioning, and presentations. This component also entails access to Dimensional's team leaders, who may attend meetings with centers of influence or speak at key events.

# *The Dimensional DC Experience*

## INVESTMENT AND RESEARCH SUPPORT

- Analysis
- DC Research
- Communicating Investment Philosophy
- Investment Solutions

## PRACTICE MANAGEMENT

- Building a DC Business
- Business Strategy
- Implementation
- DC Thought Leadership

## FIDUCIARY EDUCATION AND TECHNICAL ASSISTANCE

- Plan Analysis Consulting
- Participant Experience
- Fiduciary Education

## BUSINESS DEVELOPMENT

- Sales Meeting Support
- Marketing Strategy
- Distribution Opportunities

## THE GOAL

Better Outcomes  
for Investors

## DIMENSIONAL'S RETIREMENT MILESTONES

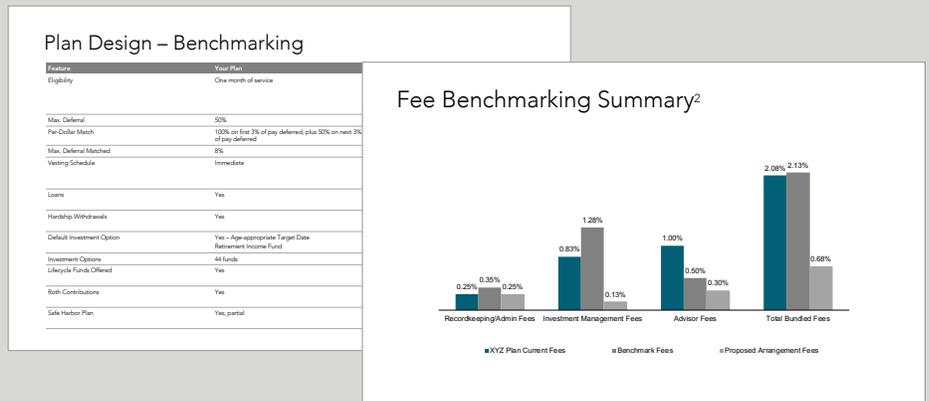


## Coming Soon

Diving into one aspect of the new Dimensional DC Experience, we are currently working with DLA Piper LLP (US), one of the country's largest employee benefits law firms, on an important educational resource for your business: the Dimensional Fiduciary Resource Guide (DFRG).

Informed by our clients and designed to provide insights on established processes for fiduciary governance and oversight, the DFRG is scheduled to be published in the first half of 2020. The guide will focus on a variety of current, relevant topics and will be categorized according to four action steps: organize, formalize, implement, and monitor.

- Organize**  
 Plan Establishment and Fiduciary Framework, Health Savings Account Arrangements, Collective Investment Trusts
- Formalize**  
 Committee Considerations, Roles and Responsibilities, Delegation Considerations, Investment Policy Statement Best Practices, Benchmarking and Evaluating Plan Fees



- Implement**  
 Hiring Service Providers, QDIAs, Investment Manager Selection, Asset Allocation Solutions– Selection and Benchmarking
- Monitor**  
 15 Fiduciary Tips, Investment Monitoring, Fiduciary Education Considerations, Safeguarding Plan Assets and Cybersecurity

The DFRG will also feature a wealth of practical tools and resources. For example, we will offer unbranded, modifiable templates (see above)

that can help advisors benchmark plan design features as well as plan-related fees. The plan design component highlights current features and potential enhancements that incorporate the goals and objectives of the plan sponsor. The fee analysis component considers investment management, recordkeeping, and advisory fees.

We invite you to explore how Dimensional can play an important role in the development of your DC business. *For more information, please contact [FAS\\_DC@dimensional.com](mailto:FAS_DC@dimensional.com).* ◀

Dimensional Fund Advisors LP is separate and unaffiliated with DLA Piper.

Robert Merton provides consulting services to Dimensional Fund Advisors LP.

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# In the News

## Nobel Laureate Robert Merton Honored at 75th Birthday Celebration



From left, Dimensional Executive Chairman David Booth and Nobel laureates Robert Merton, Eugene Fama, and Myron Scholes.

Colleagues, family, and friends of Nobel laureate Robert Merton<sup>1</sup> celebrated his 75th birthday and honored his contributions to finance during a special event at the Massachusetts Institute of Technology in early August 2019. Merton is a professor at the MIT Sloan School of Management and Resident Scientist at Dimensional Holdings Inc. His key contributions include pioneering work on lifecycle finance, options and capital asset pricing, global retirement

system policy, and several other important topics. Merton's effort to link science and the practice of finance was groundbreaking when he started his career, and he remains committed to the power of ideas and putting them to work to solve real challenges.

1. Robert Merton provides consulting services to Dimensional Fund Advisors LP.

## Dimensional's Target Date Income Funds Reach Milestone of \$1 Billion in Assets

Dimensional's Target Date Retirement Income Funds (TDIFs) passed \$1 billion in total assets as of November 21, 2019. The series, launched in the fourth quarter of 2015, is designed as a long-term solution for investors who expect to retire in or around a particular year.<sup>2</sup> Each fund holds a broadly diversified asset class mix. The focus of the funds shifts over time to concentrate more on income risk management and less on income growth as investors get closer to retirement. The shift seeks to help manage the effects of inflation or a market decline.

2. There is no guarantee of strategy success. Please see disclosures on next page for important information regarding Dimensional's Target Date Retirement Income Funds.

## New Dimensional Website for Clients Debuts in Fourth Quarter of 2019



*MyDimensional.com*, our new website for clients, launched late last year. As part of our ongoing commitment to innovation, the re-envisioned site offers an enhanced digital experience with a fully mobile and intuitive platform that helps clients leverage Dimensional content and resources. Users can easily find, organize, and share information as well as access data tools for investment analysis and model portfolio construction. For more information, please email us at [mydimensional@dimensional.com](mailto:mydimensional@dimensional.com) or contact a Dimensional representative.

## Dimensional Announces New Investment Solutions Group



Marlena Lee



Savina Rizova

Our new Investment Solutions Group develops content and delivers high-quality investment communications to clients around the world. The group includes employees who have been part of the firm's Portfolio Solutions team as well as additional colleagues

from across the Investment team and Global Client Group. Former Co-Head of Research Marlena Lee, PhD, serves as Head of Investment Solutions, and former Co-Head of Research Savina Rizova, PhD, is now the sole Head of Research. "Marlena and Savina have proven themselves as strong leaders," says Co-CEO and Chief Investment Officer Gerard O'Reilly. "We look forward to providing clients with additional value and sharing our research and insights more broadly."

# In the News

## Retirement Expert Anna Rappaport Wins Award for Lifetime Contributions



Anna Rappaport, an expert on the impact of change on retirement systems and workforce issues, received the annual Lillywhite award from the Employee Benefit Research Institute (EBRI) in November 2019 for extraordinary lifetime contributions to Americans' economic security. The award is named after Ray Lillywhite, who retired in 1992 at age 80 after a 55-year

career in the pension and investment field. Rappaport started her career in the life insurance industry in 1958 as one of the first female actuaries. After a 28-year career with Mercer Human Resource Consulting, she established her own firm specializing in strategies for better retirement systems with a special focus on women's retirement security. "Some of the most impressive work that Anna has done is with the Society of Actuaries, conducting retiree focus groups for nearly two decades to understand directly from those in various stages of retirement the factors that make for a successful life after working years," says Lori Lucas, EBRI President and CEO.

*Rappaport received the Plan Sponsor Council of America Lifetime Achievement award in 2017. She is a contributor to our cover story in this issue of DC Dimensions.*

## 2020 Retirement Plan Limits

Several of the IRS key plan limits changed for 2020. Below are the limits for 2019–2020.

	2019	2020
Elective Deferrals: 401(k), 403(b), and Most 457 Plans	\$19,000	\$19,500
Catch-Up Contribution	\$6,000	\$6,500
DC Plan Combined Annual Contribution Limit	\$56,000	\$57,000
Annual Compensation Limit	\$280,000	\$285,000
Highly Compensated Employee Threshold	\$125,000	\$130,000
Top Heavy Key Employee Dollar Limit	\$180,000	\$185,000
SIMPLE Plan Contribution Limit	\$13,000	\$13,500
SIMPLE Plan Catch-Up	\$3,000	\$3,000
Defined Benefit Annual Benefit Limit	\$225,000	\$230,000
ESOP Maximum Balance Subject to Five-Year Distribution Rule	\$1,130,000	\$1,150,000
ESOP Amount to Determine Lengthening Five-Year Distribution Period	\$225,000	\$230,000
IRA Contribution Limit	\$6,000	\$6,000
IRA Catch-Up	\$1,000	\$1,000

Source: Plan Sponsor Council of America (PSCA). The official announcement can be accessed at [irs.gov/pub/irs-drop/n-19-59.pdf](https://www.irs.gov/pub/irs-drop/n-19-59.pdf).

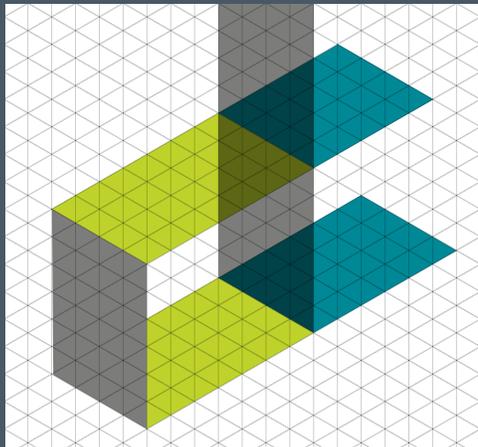
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# Upcoming Events 2020



## DC Annual Conference 2020

July 15

DC-focused advisors

July 16

Plan sponsors, consultants,  
academia, and service providers

Gleacher Center,  
The University of Chicago Booth School of Business

MARCH 8–10  
ORLANDO, FL

Pensions & Investments  
East Coast Conference

MARCH 17–19  
TAMPA, FL

Aspire EVOLVE Conference

MARCH 24–26  
NEW ORLEANS, LA

College Savings Foundation  
Annual Conference

APRIL 29–30  
WASHINGTON, DC

DCIIA Public Policy Forum

MAY 4–6  
AUSTIN, TX

Dimensional Fund Advisors Annual  
Institutional Conference

MAY 14–15  
NEW ORLEANS, LA

PSCA National Conference

MAY 17–19  
AUSTIN, TX

Fi360 Conference,  
CEFEX Meeting

JUNE 7–11  
LAS VEGAS, NV

AICPA & CIMA ENGAGE

JUNE 18  
OVERLAND PARK, KS

QPA Fiduciary Summit

JULY 15–16  
CHICAGO, IL

Dimensional Fund Advisors  
DC Annual Conference 2020

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