Please note: This is a transcription so there may be slight grammatical errors.

Hello, and welcome to Revamping Retirement, a podcast brought to you by CAPTRUST, where we explore the opportunities and challenges facing today's retirement plan sponsors and fiduciaries. Our hosts, Jennifer Doss and Scott Matheson, lead the Employer-Sponsored Retirement Plan Practice at CAPTRUST, one of the largest registered investment advisors in the US and a thought leader in the retirement plan advisory and consulting space. We hope you enjoy Revamping Retirement.

Jennifer Doss:

Welcome back everyone, to another episode of Revamping Retirement. I'm Jennifer Doss, and I'm joined by my Co-host Scott Matheson. Today, we're talking to Shawn O'Brien, Associate Director of Retirement Research at Cerulli Associates. Cerulli Associates is a forward-thinking, research consulting and analytics firm that's focused on the financial services industry specifically and was founded in 1992. Cerulli publishes a lot of retirement research based on plan sponsor, plan advisor, record keeper, asset manager, interviews, lots of stakeholders and collected data from those to bring unique insights to our market.

Shawn specifically leads the U.S. Retirement Research Practice at Cerulli, which focuses on the defined contribution DC, and individual retirement account IRA markets. Prior to joining Cerulli Associates, Shawn worked as a research associate at Harvard Business School where he co-authored case studies on investment management for professional and personal investors and managing and innovating in financial services. And that is quite a mouthful Shawn, but thank you for joining us today.

Shawn O'Brien:

Thank you for having me, appreciate it.

Jennifer Doss:

Yeah. Great. Well, to start out, I just gave a very high level broad overview of Cerulli and what you guys do as a firm, but maybe, can you tell us a little bit more specifically about the work that you do at Cerulli and maybe tie that into how your work relates to our audience of plan sponsors?

Shawn O'Brien:

Yeah, sure. We are, as you mentioned, a strategic consulting firm in market research firm, focusing on the asset and wealth management industries, my practice, the retirement practice, focuses, like you said, mainly on the defined contribution market. So we're thinking about trends in this market, sizing this market quantitatively, and we're really, our clients are readership for our market research is largely asset managers and record keepers. And then I would say plan advisors as well, but asset managers and record keepers are our core readership for our market research.

So we want to gain the perspectives of all of the key stakeholders within the defined contribution market specifically. So we survey 401(k) plan sponsors, 401(k) participants, plan advisors, DC consultants, asset managers working in the DC space, target-date managers. We run a number of surveys in our practice to gain perspectives from both the demand side and the supply side.

We also, as I mentioned, we size these markets. So using our own proprietary data and third party sources, we're sizing all the various components of the defined contribution market from the 401(k) market to the 457 market, as well as the individual retirement account market. So we size the IRA market in a number of ways as well. So that's our value proposition. In addition to that, we conduct it.

We engage in strategic consulting engagements with asset managers who are trying to expand their presence in the DC market and that's been a big part of our business recently as well.

Scott Matheson:

Well Shawn, first, let me tell you, I love your research-

Shawn O'Brien:

Thank you.

Scott Matheson:

... even more so well, yeah. Even more so I love the way you guys distill your research into really usable conclusions and takeaways. And I know you guys are always working on so many interesting themes, topics, such that well, Jennifer and I were talking, it was admittedly hard for us to narrow it down to just a few topics. But recently you've published research on three. What we think are very timely and much talked about topics that we did want to focus in on with you.

The first is environmental, social and governance or ESG investing. The second is the super relevant right now, obviously topic of inflation and inflation protection. And the third is managed accounts. So if we could, love to start with the most straightforward of them all, ESG investing. I mean, it's really well defined and understood, why not? Kidding of course.

But ESG has been an increasingly hot topic recently, yet as an industry in the retirement space, it feels like we're in a little bit of a wait and see position with the Department of Labor as they finalize their financial factors regulation they first proposed last year, in the meantime, curious what you're hearing from plan sponsors about their intent to add ESG focused options to their lineup and would be interested if you're seeing any certain areas within the DC plan landscape, maybe plan sponsor types, or even geographies where you believe it will be more prevalent.

Shawn O'Brien:

Yeah, those are great questions. In terms of, from the plan sponsor side first, we do survey 401(k) plan sponsors as I mentioned, and our survey data suggests adoption of ESG branded strategies within 401(k) plans has ticked upwards over the last couple of years. It's by no means taking off, but it's a little bit higher than it was a couple years ago. We had at about 13% of 401(k) plan sponsors offering an ESG branded fund.

So adoption is not significant relative to other investment strategies. Where I think you're going to see adoption moving forward is not so much in the QDIA, but maybe more in the core lineup if we just put self-directed brokerage aside and assume that's not part of the conversation. And that really comes more from what I'm seeing on the product side. So we surveyed target-date managers halfway through last year, and this was after the DOL said that they weren't going to be enforcing the financial factors rule, but before the new guidance, which has not become a rule yet.

And none of the target-date managers we surveyed indicated they had plans to offer an ESG branded target-date series. And I don't necessarily think that is a reflection of target-date managers, not wanting or not having the desire to create those products. I think there's just that extra level of hesitancy and sensitivity with regards to the QDIA when it comes to offering something new and maybe perhaps slightly more expensive than what you might have previously been offering as a fiduciary.

On the other hand, when we survey DCI or asset managers about their ESG related product marketing and distribution efforts, almost all of them that are offering an ESG branded strategy indicate they're

going to increase those efforts in the coming year. None of them said they're going to decrease those efforts. So there's a lot of momentum from the DCIO community behind ESG right now. I do think that for fiduciaries, it's going to be a matter of one, getting the final ruling from the DOL before you start having those serious conversations about implementation. And then two, even after we get that final ruling, I do think the core lineup is going to be the more low hanging fruit when it comes to actual adoption.

Jennifer Doss:

And Shawn, I guess I'm just curious, you mentioned from an asset manager perspective that many of them are working, maybe not in the QDIA space, the target-date space, but in generally speaking, they all are broadening their ESG lens. We've talked to our plan sponsors a lot about the difference between having maybe an ESG specific option with maybe ESG in the name versus an ESG integrated strategy. So I guess, as you were talking to asset managers, I guess, is there a certain way that they're going more towards the like, yes, we incorporate ESG in everything that we do, or is it more the branded ESG option?

Shawn O'Brien:

Definitely more the former. One of my colleagues, Michele Giuditta, she heads up our ESG research within Cerulli, and she had some interesting data I was looking at recently that said that it was nearly all asset managers, employ ESG integration within their investment decision making processes. And I thought that was pretty telling that nearly all of them and the small percentage, single digit percentage that weren't, said they plan to. And when we ask, when you look at that in conjunction with what we saw from our target-date manager survey recently, we asked target-date managers about what the next evolution or their next generation target-date series is going to incorporate, what's it most likely to incorporate. The top response was ESG principles. So think about that in conjunction with the fact that none of the target-date managers indicate they're going to offer an ESG branded target-date series, or an ESG branded fund within their existing target-date series off the shelf.

So that tells me that ESG integration is definitely something that's being employed currently and will continue to be employed within the QDIA and throughout, because all of these asset managers are saying, "Hey, look, we're doing it or we at least have an ESG screen during our investment decision making and an analysis process." I think that there's just an extra level of fiduciary, I would say risk at this point for adding an ESG branded strategy within your lineup as well. I think if you take a step back and think about things through the lens of Schlicter or a class action plaintiff, I think the ESG branded strategy jumps out at you rather than the strategy that isn't branded, but has ESG integration. So from a litigation standpoint, if you're a larger plan sponsor, I think that has to come into mind.

So I do think that, that's the, again, if you're a planned fiduciary and you want to take ESG factors into account, ESG integration is probably the safest play and frankly it's already happening. I think that really opens up. The conversation I feel like, and this is maybe I'm getting to another question, but there are so many ways in which you can integrate ESG into the investment process. There are different methods for investing. There's thematic investing, there's ESG integration like we talked about. There's impact investing, there's negative and positive screening.

So I do think that, and this plays out in our data and I can touch upon this later if we'd like, but this plays out I think in those conversations between advisors and consultants and plan sponsors. When you're talking about ESG, what do you actually mean? What types of methods for investing are we talking about here? And there's not really that universal terminology that everyone's using and not everyone's speaking the same language when they're talking to each other.

So sometimes when we're speaking with asset managers about ESG, one thing we've heard from multiple asset managers is we feel like we're talking past one another when we're having conversations with advisors and plan sponsors. So I think that's something as an industry, we're already shoring up, but I think that will be an area where I feel like we need to shore it up a little bit more in order to have those really nuanced, really important, specific nuanced discussions around ESG.

Scott Matheson:

Do you find that, I guess we've heard this from our plan sponsored clients and even we have foundation clients and heck for that matter, even individuals that we work with. So you start talking about ESG and everybody loves the idea, but what you just said resonates so well with me because now I got to decide what. So what does environmental mean to me? Is it just climate change, governance? What's different from having just good corporate governance that you'd want out of a company that you're going to invest in to begin with, and then you get into the social issues and so on and so forth. So I do, I really like what you just said about integration being the trend, because it frankly precludes or prevents the planned sponsor from having to make that decision deciding which of those issues is most paramount to them.

And I think outside of some industries if you work for a clean water tech company and you have a 401(k) plan forum, obviously that decision might be easier for you than if you just work for a general services consumer company or professional services company. But I'd still hear and this is my question for you is if your research got into this is, asset managers continue to convey to us that, be at the SCCB whomever is not done an adequate enough job of mandating or standardizing reporting such that you can still look at the whole universe. Does that come through in any of the barriers to product innovation that you've heard from any of the asset managers at this stage or is that the next leg of this whole thing?

Shawn O'Brien:

Yeah, it's certainly, it's one of the top barriers to adoption from our, or at least that's what DCI or asset managers tell us. We survey them on this, asking the top barriers to adoption of ESG. We've been asking them that the past couple of years and it's year after year, it's not the top barrier. The top barrier has been regulatory issues. So the DOL financial factors rule last year and the year before was regulatory uncertainty or something along those lines. But it's up there. It's the regulatory environment, followed by confusion around terminology, and then third or fourth down the list is the last couple of years has been the lack of universal and reporting requirements around ESG and disclosures. So I think that, that's something, again, there's a lot of activity on that front, the CFA institute is been working on some things there, there have been some other regulatory bodies that have been working on that. And I think it's going to come. It just doesn't seem like it's there yet.

Jennifer Doss:

Yeah. All right, Shawn. So I hate, we could just keep talking about ESG because I think the other piece of this is you're taking something that's highly personal to an individual and you're trying to offer something broad at the plan sponsor level. And I think that in itself is just a huge challenge. It's like, how do I make everybody happy when it's such a personal individualized decision that you're trying to make. To Scott's point about, is it E, is it S, is it G, even within that, what does it really mean to you? So anyway, we could keep talking about that, but we're going to move on to our second topic that we want to talk to you about, which is inflation.

Inflation, I think is of paramount concern to retirement investors. It really can erode away their purchasing power over time. You may think you've saved enough and inflation can mean that what you

thought it would cost you to live, the retirement life that you wanted is really just not enough anymore. And it's particularly worrisome I think to those that are closer to retirement as they have much fewer years to make up for those higher costs with their future earnings. So with inflation, I guess, including food and energy really currently around eight and half percent, which is crazy, what are some of the ways that you're hearing maybe plan sponsors react to that rising inflation?

Shawn O'Brien:

Yeah, I think the easy response from the plan sponsor perspective is, increase your savings, increase your contribution rate. But I think it's really difficult to ask participants to increase their contribution rate when their cost of living has just increased by 8%. It's hard enough to get them to contribute more without a high inflation environment. So that's the, I think the easiest approach. I think that inflation and unexpected inflation is something that should be handled on the investment side.

So most target-date managers incorporate tips within their off the shelf target-date series. Tips are an arguably expensive inflation hedge, but they serve a purpose. We've also been hearing since some of the DOL guidance from 2020, a little more momentum behind private real estate, which could be another way to potentially hedge inflation within a target-date series about a quarter of target-date managers offer private real estate within an off the shelf series. So that's maybe a less discussed inflation hedge, but could be effective.

I think that's from an investment standpoint that those are the two that come to mind. Commodities are also something that are occasionally used with a target-date series. But tips has been the most prominent one. I think social security optimization or prudent social security choices are also really important when it comes to inflation, because you have to remember you have the colas built into social security. And when we survey 401(k) participants social security, retired participants, that is so retirees, social security is still a primary source of income for retirees.

So for a lot of retirees that were former 401(k) participants, their social security income is their main source of income. So therefore if you are making better decisions around that and delaying that, you're essentially building a better inflation hedge than you may have previously had if you claimed earlier. So I think helping participants, particularly those who are nearing retirement and have to make those tough decisions around social security, if you're in your '60s, for instance, that's going to be really helpful to participants nearing retirement and entering that retirement phase who have high fixed income allocations, who don't have the time horizon and equity allocation to make up for periods of really high inflation. I feel like if you can help them around their social security decision making, that can be really effective.

Scott Matheson:

You mentioned that, first of all, I completely agree with you. That's a void, an area to continue to get better for how we're servicing participants as an industry overall. That's such a critical decision, but you mentioned real estate and private real estate more specifically than REITs. I know we've seen a little bit of usage there. I know a handful of target day funds off the top of my head that use it and deploy it today. It seems like that's the place to go use private real estate, where you can control some of those flows and things of that nature on a more total portfolio basis. But I'm curious, what are your thoughts on the future there? Do you see that as area where you'll see continued innovation, where you'll see more target-date managers looking to that as a real direct source of inflation hedge?

Shawn O'Brien:

I think there's some momentum behind private real estate. I think that, for target-date managers who are looking to differentiate themselves against the top five target-date managers who have such a dominant share of the market, I think it's an opportunity to add diversification for participants nearing retirement and perhaps in retirement that you're not going to get from your more traditional asset classes. I think the alts in DC discussion is always a forward looking discussion, but with private real estate, they've been used within DC plans for a number of years now. So it's not as nascent as say private equity, we'll say. So I think there's just a... I also think that they're a little easier to understand for plan sponsors and participants than private equity. Private equity is just mechanically a more complex sub-asset class within alternatives.

So I do think we're going to see continued somewhat stronger adoption of private real estate moving forward for those reasons. I think as you more broadly have that alts and DC discussion and how can we add diversifying asset classes to the target-date series or even more personalized solutions like managed accounts. You might have a situation where in an advisor managed account, the advisor wants to bring in certain asset classes that can provide a smoother ride for participants or who are nearing retirement. I think private real estate is going to be the first illiquid alternative that comes to mind and the easiest to implement because of the reasons I mentioned before.

Jennifer Doss:

Man, look at that segue Shawn. That was great. Thank you.

Shawn O'Brien:

[inaudible 00:22:06].

Jennifer Doss:

Our third thing we want to talk to you about was managed accounts. But I think you're right about it being mechanically easier to understand. Most of us own houses.

Shawn O'Brien:

Right.

Jennifer Doss:

We understand how rents work. We get this. So when we talk about private real estate and it's just a company and a firm owning these buildings instead of individuals. And I think people mechanically understand that a little bit more. I think you're spot on there. But the last thing we want to talk to you about was managed accounts. So to your point about social security optimization, people needing more help. I also think deciding what the optimal withdrawal strategy is, is going to be super important with inflation creeping up.

It's like, what can you actually afford to take out and what different decisions do you need to make? Again, can you incorporate private real estate into hedging for inflation within managed accounts? I think it's a very helpful tool for a lot of different reasons. I guess I'm just curious as you're gathering information from plan sponsors, how prevalent are managed accounts today, and when they're offered, I guess, what are the most cited reasons for offering them to their participants?

Shawn O'Brien:

Yeah, so a little less than half offer managed accounts of 401(k) plan sponsors according to our most recent survey data. And when we think about the top reasons that 401(k) plan sponsors offer managed accounts, it's to one, help with retirement income. And the second most common reason was that target-date funds are not customized enough for employees. So those were the top two reasons but, the other reasons which weren't too far behind in terms of reasons for offering a managed account were participants prefer the added service, or it was recommended by an advisor or consultant.

But if we stick with the top two retirement income and customization, I do think that, we've been kind of as an industry, getting at retirement income from a couple of different angles. One, you have a handful of target-date managers offering target-date series with a guaranteed income component. But there's also this cohort that says, "Hey, look, retirement is a very personal experience and everybody, by the time participants reach retirement, it's a very heterogeneous cohort." You have all sorts of different lifestyles and asset bases and expenditures coming up. It's a very personal endeavor and it really calls for a personalized experience.

So I thought that, that top reason for managed account providers really resonated with me, so retirement income. I think that as we move forward and we have that, there are maybe more larger plan sponsors offering retiree friendly plans down the road, and actually implementing retiree friendly DC plans, having the retirement income options and distribution flexibility and all of that good stuff. I do think the personalized approach is the one that's going to work. I mean, I think that you need that.

I think that the target-date fund with a guaranteed income component is nice. I think it's good for certain participants who are less engaged and with maybe in the mass market or lower end of the mass affluent who maybe don't have ready access to a financial advisor to help them through retirement. It's a good base solution. But I do think that something personalized is what participants are really going to need, because that's what they're getting in the retail markets. That's what they're getting in wealth management. They're getting a highly personalized solution that's tailored to their financial circumstances, that includes financial planning and a personalized investing.

So if you're thinking about in plan retirement income solutions, I think it has to be something personalized down the road that's going to win. And maybe that personalized solution does include the opportunity to annuitize. So maybe as we think about next generation retirement income solutions for in plan retirement income, we think about taking the best of both worlds. We have the annuitization option within a personalized solution where you're getting help from a professional to make prudent decisions around annuitization, because those decisions are sometimes difficult. And how much do I annuitize? Should I be annuitizing? Not everyone has those answers. And working with a financial advisor or who can help you sort out and reconcile those really difficult personal decisions is helpful. So I do think that ideally theoretically in the years to come, that's the solution that's going to work.

Scott Matheson:

Yeah. What you said about personalization so relevant, obviously. I mean, you go flip on your Netflix and it knows exactly what you want to watch. You go to Amazon, it predicts what you want to buy next, it's time. I mean everything else that's happening out there is tech enabled personalization. And the DC industry by large has been for the masses and one size fits all. I think we're ripe for continued disruption from technology like that to create mass personalization because we all know mass customization really isn't possible. So let technology drive our way to that and meet all these needs. And yes, we got to figure out this retirement income thing because people don't understand annuities and it's a bad word.

Shawn O'Brien:

That's right.

Scott Matheson:

... to be something that's driven to you by technology and feel personal. All right. So we have a few more questions for you Shawn, but first we're going to take a quick break for a Minute with Mike segment, featuring our own Mike Webb, who will give us a one minute overview of the taxation or on the taxation of Roth distributions. Take it away Mike.

Mike Webb:

Thank you Jennifer and Scott, Mike Webb here with another minute with Mike. This month's minute focuses on taxation of Roth distributions. One of the primary benefits of a Roth account is that it is not taxed upon distribution if certain rules are followed. Individuals can take a distribution that is completely free of federal income tax, also known as a qualified distribution, if it satisfies both of the following conditions.

First, the distribution must be made after the five tax full year period of participation that generally begins with the first Roth contribution. Second, the distribution must be made on or after the date the individual turns 59 and a half, is made to a beneficiary or the estate of the individual on or after their death, or attributable to an individual considered disabled under Section 72(m)(7). Note, there is no age 55 exceptions to this rule. This is a common misconception of participants who confused the 10% penalty tax with Roth taxation. Here it's 59 and a half in five years for a Roth qualified distribution.

Now let's talk about what happens if an individual takes a distribution that does not satisfy these rules. This is considered a non-qualified distribution and thus is subject to tax. However, the contribution portion of the distribution, which has already been taxed, is not taxed again. The earnings portion is taxed and is also subject to our 10% penalty if taken prior to age 59 and a half, unless an exception to that rule is met. Check out last month's Minute with Mike for more on these exceptions. Note, the penalty only applies to distributions of Roth 401(k) and Roth 403(b) earnings. Roth 457(b) earnings are not subject to the penalty as the penalty does not apply to 457(b) plans at all.

So could an individual only withdraw Roth contributions to avoid tax and a potential penalty on earnings? Unfortunately, the answer is no, as the IRS states that all non-qualified distributions from a Roth 401(k) or 403(b) account, must be taken pro rata with earnings taken in the same portion that make up the retirement plan account balance. For example, consider an individual with an account balance of $1,000 and $40,000 of that is Roth earnings. If that person takes a $10,000 non-qualified distribution, 4,000 of it must be in earnings. As always, individuals should consult with a tax professional before taking any retirement plan distribution, Roth or otherwise. For Revamping Retirement, I'm Mike Webb, and this has been your Minute with Mike. Now back to Jennifer and Scott.

Scott Matheson:

All right, thanks as always Mike. Okay. Jennifer and I are back with Shawn O'Brien from Cerulli Associates, and Shawn, before the break, we talked about three of the most popular investment related topics in the defined contribution world right now. But as we know, you are always busy working on new research with your team. We're very curious from your perspective, what is the most interesting research that you guys are working on right now?

Shawn O'Brien:

Yeah. What we're working on right now is I would say what's most top of mind for us is the convergence of wealth and retirement. So I could talk about this for a very long time, but there's a lot of players in the retirement market. So record keepers, a lot of plan advisors, retirement specialists advisors for instance,

have been looking at this convergence as a market opportunity. So capturing IRA rollovers is a big part of the defined contribution strategy for a lot of record keepers and a lot of plan advisors.

We're seeing an emphasis on wealth management amongst a lot of players in the retirement markets and you have to ask yourself, why is this something that's... It's always been a trend. We've always had record keepers, major record keepers in this space who have been capturing rollovers, the big part of their business. But now you're seeing a lot of aggregator firms that are building up their wealth practices and you see a lot of other firms that are playing in that space between DC and wealth.

And I think when you think about the economics of it, if you are a record keeper, you're facing intense fee compression. If you're an asset manager, you're facing intense fee compression. And even if I would say, if you're a planned intermediary, there's a level of fee compression. In the wealth management space, you're still getting a pretty good basis point fee for your services. So it's a really attractive space for providers in the retirement market. The question is, how do you make that work within a DC context?

So we're seeing a lot of... I think it starts with becoming that provider of trust within the DC plan. So participants they want to work with someone who they trust and is demonstrated that they can provide them with a level of service that is acceptable to them. So engaging participants earlier on in establishing that level of trust and familiarity is really key. And we're seeing that if you think about working with a DC plan, you're working with participants who are in their early '20s to retirement or past retirement, and you have to address if you want to become that provider of trust for that participant, you have to address their needs as they move along their financial lives. So how are providers addressing those needs earlier on in life and in the mid stages of life and how are they anticipating the needs of participants?

So within that conversation is this conversation on participant data and something that is more readily available to retirement plan providers than before, and it ties into our personalization discussion we were having earlier. Record keepers they already have a certain subset of participant data right off the bat, but they're gathering more and more through financial wellness engagements and through conversations with participants. And in a lot of cases that's being passed on to the managed account provider and perhaps other parties working with the retirement plan.

So there's a lot of opportunity that comes with that as if you're a retirement plan provider and you have access to all this data, you have to be able to use it to create participant profiles that are reflective of reality and comprehensive and accurate, so that when you engage participants, you're engaging them in a germane manner. You're providing them with communications that are going to resonate with them, that they're going to act upon.

I think it's all part of this broader conversation we're having around wealth retirement. If you think about the financial needs of the participant along a spectrum, what the earliest stage of the spectrum being financial wellness, that second tier being financial planning and that third tier being wealth management. I think if you're a retirement plan provider and you're trying to be that provider of choice for the participant, you have to be engaging them on all three areas of that spectrum in order to win them over. So that's an area we've been focusing on a lot recently.

Scott Matheson:

That's super interesting and obviously strikes a core with us because I can remember, not even that long ago of my 16 year 15 and change year tenure here, we would go in and presenting our services to retirement plan sponsors, and because we had wealth management had to explain around the fact, not out of the fact we were in it but, around having wealth and why that was okay and now there is much

more awareness and acceptance of the fact that at the end of the day, you're working with people, as you said on an individual basis, you're just aggregating them up that way.

And unload the way you laid it out to the financial wellness. You start to build good budgeting habits, push them through to the point where they're talking about retirement income projections and then more holistically, all the other things that go along with financial planning to the point where there's wealth management, where they need wealth management and I think that some of the mass personalization technology enable managed accounts and having plans that can actually hold participants through retirement stage. Those are ways to really not just serve the upper echelon of traditional wealth clients, but really serve all working Americans as they continue to be so reliant upon these defined contribution plans for the primary source of their retirement income outside of social security. So that's good stuff. We'll be anxiously waiting to read your future research on that from our perspective.

Shawn O'Brien:

Yeah. And I think just to add to that, we survey participants and most participants don't have access to professional financial advice. And in a lot of cases, they need something more than what's being offered within the plan. We talk about this next generation of retirement tiers and retirement friendly DC plans. But in a lot of cases, in a lot of situations that's still not the case. So a lot of times participants are going to need something. They're going to need that higher touch advice. They're going to need that access to a wider array of investment options. They're going to need that distribution flexibility that they may or may not be getting in plan. So I think there's just a recognized opportunity that participants sometimes need something more. And I think that's where it all stems from really.

Jennifer Doss:

Yeah. And I think your point about we're seeing a lot of plan sponsors turn now 401(k) programs into actual retirement programs. Where it's like, again, you could get some of those services and those things within the plan. You don't necessarily have to leave. So I think that's really important and I hope that becomes more pervasive. But to your point right now, maybe there's this disconnect between what participants want and need and maybe what they're getting from their employer and again, I hope that equals out over time but, that maybe leads me to a broader question, which is, you talk to, you think you said this earlier, you talk to the demand side of this industry. You talk to the supply side of this industry. So I'm just curious when you talk to these groups, I guess, where do you often see that disconnect or the biggest disconnect between maybe what a plan sponsor and the advisors want and then what record keepers and asset managers think those stakeholders want?

Shawn O'Brien:

Yeah. I think that ESG frankly is an area where I think that's happening a little bit. I think there's a little bit of a feedback loop with ESG in a sense. We hear all the time that participants are clamoring for more ESG in their lineup. And I think that when you survey participants, it's really how you frame the question. We ask participants about their desire for ESG within their 401(k) plan and their level of interest in ESG, and half say they don't have an opinion. And then there's only a certain percentage that say they don't have access to it and they want it, or this is something that they're looking for.

I think if you frame it differently and say, "Hey participant, would you like to invest in products or solutions that are aligned with your social, environmental and governance values?" Most of them are going to say yes. But that's a very narrow way to look at the conversation of ESG because you have to

take in consideration cost and performance and all these other things that the participant hasn't been asked about in that question.

So I think that the idea that there's this universal demand from participants or near universal demand, or very ubiquitous demand from participants for ESG branded or ESG investment options is, it's not something we see in our data. Again, I think it comes down to how you frame the question. I think there are definitely participants who want this, the more engaged participants that want this. And there are plan sponsors that want this. And there are plan sponsors that adopt these solutions. But to the extent that you hear about it, I guess in the headlines and anecdotally, I don't see it play out in our data. I think that's one maybe, one disconnect we see. I think the other one, well, I wouldn't say that's disconnect. I'll pause there. Yeah.

Scott Matheson:

Okay. I have some. I'm just kidding. All right. Well, you've been really generous with us today and we're unfortunately have saved the, what might be the hardest question of all for last. We ask this, so if everybody comes on our podcast and we want to know, our listeners want to know what retirement looks like for you, Shawn O'Brien?

Shawn O'Brien:

Like what my lifestyle will look like in retirement?

Scott Matheson:

What are you working for? What's retirement look like for you? What's ideal retirement? And you're too young. I'm staring at you here and you might be younger than me.

Shawn O'Brien:

I do have quite a few grays, so I have to start thinking about it. I mean, I thought about it. I think about in terms of age, like what's my target retirement age. I think a realistic one for me is mid '60s, I'm shooting for roughly. A retirement life for me would be, God one of, I don't want to worry about money. I think I want that to be something that doesn't stress me out at all. And I want to just enjoy life with my family and do the things I'd like to do, but not have to think about money too much because working in this industry and being a retirement saver, I think about it all the time. So I think that would be a nice phase to just think about it a little less.

Scott Matheson:

Sounds pretty good.

Shawn O'Brien:

Yeah.

Jennifer Doss:

Yeah. Fair enough. All right. Well Shawn, thank you so much again for being here, for spending all the time with us, for answering all of our questions, we appreciate your insights and for taking the time and thank you everyone for listening to another episode of Revamping Retirement. Don't forget to like and subscribe wherever you get your favorite podcast. And if you have suggestions or comments on the program, we would love to hear those as well. And then until next time, thank you guys for listening.

VO Artist:

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