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Optima Group, Inc.

We are consultants dedicated solely to the financial industry. Since 1979, Optima Group has stood apart in providing insight-driven expertise, real-world acumen and creative excellence.

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Summary of Key Findings

Optima Group, Inc. recently completed a study of the ways leading financial service organizations serve the mass affluent retirement market. Included in the study were national and regional banks, brokerages, investment management firms and insurance companies.

There is a movement by a select group of leading firms to make retirement a core business line. This has led to profound changes in how these firms manufacture, communicate and deliver their retirement offerings.

In transforming retirement to a core business, firms have created dedicated retirement units that employ holistic approaches to serving the multi-faceted needs of the retirement market. These newly designed units typically:

- Utilize a content- and functionality-rich interactive Web site as a Retirement Center. These centers offer product and account information, education and articles, and guides and tools.
- Position the Web site as a fulcrum around which key distribution outlets, including dedicated call centers, brick and mortar facilities, and in-person sales forces, operate to create a seamlessly connected lead management, sales and client service system.
- Create dedicated marketing programs and, in some cases, distinct branding.

The high degree of integration and coordination across the components of advanced retirement units offers several critical advantages over traditional marketing approaches including:

- Flexibility for clients in accessing information, sales and service.
- Consistency in message and approach across all client touch points.
- Streamlined and effective client management from lead generation through sales and service.

As the retirement race intensifies, competitive pressures are driving firms to decide what role retirement will play in their overall strategic plans. If the answer is an integral and pivotal role, we believe that firms would find it beneficial to evaluate the new retirement programs of market leaders. These programs should be instructive in helping firms develop competitive approaches that work effectively within the context of their own brand, market positioning and core competencies.

Introduction

Leading financial service organizations are creating dedicated units focused exclusively on retirement. These units employ holistic approaches to serving retirement needs that integrate several components including comprehensive product and service packages; coordinated, multi-channel distribution capabilities; dedicated marketing programs; and, often, distinct branding.

“Retirement Center” Web sites typically function as the centerpieces for these new retirement units. These sites serve as online information sources for clients and referral nodes for distribution outlets that include dedicated call centers and in-person sales forces. The coordination and interdependence of the Web sites with distribution entities is built into the new units, streamlining the client management process and adding both flexibility and continuity to the client experience.

These findings come from a recent study conducted by Optima Group, Inc., a premier strategic marketing and communications firm exclusively serving the financial service industry. Optima Group examined how leading firms are restructuring to serve the mass affluent retirement market. The primary focus was on the overall design of retirement programs, retirement product and service packages, approaches to distribution and delivery, and messaging.

The Urgency of Now in Retirement Marketing

There is a growing consensus among leading financial service organizations that the time to get serious about serving the retirement market is now. In 2008, the first wave of the baby boom generation turned age 62, becoming eligible for Social Security benefits. This means that over half of the 78 million boomer Americans are already in their peak savings years for retirement. These pre-retirees alone represent \$4 to \$5 trillion in financial assets, with total boomer assets likely to top \$10 trillion.

Tapping into this growing market, however, poses unique challenges. Retirement needs are not confined to a specific product or service. To the contrary, they are complex and varied, requiring a programmatic response integrating planning and educational services with portfolio structuring and management, specialized savings, investment and insurance products, and various levels of service.

Boomers retirement needs are also shifting. Boomers face fundamentally different risks involving investments, health care costs, and longevity, than prior generations. They also define retirement differently — as a gradual transition rather than a single point in time, complicating their financial planning and advice needs. As a result, Boomers are looking for new and more relevant financial solutions from financial service providers that combine an understanding of their specific needs with a firm commitment to meet them.

Finally, Boomers have come to expect choice in the way they access financial services. They want tailored advice accessible on their terms at their convenience, whether that means via the Web, through call centers or face to face with a banker or broker.

Optima Group's survey suggests that leading-edge firms are coming to understand and respond to these challenges, and that these efforts are resulting in profound changes in how these firms manufacture, communicate and deliver their retirement offerings.

Survey Methodology

Optima Group examined the approaches taken by leading financial service companies in serving the mass affluent marketplace for retirement products and services. Fifty companies were included, representing a cross section of large national and super-regional banks, brokerages, investment managers and insurance companies. These companies reflected a range of traditional core competencies and were chosen on the basis of size, market presence and sophistication of retirement offerings.

Each company was reviewed with regard to key aspects of their existing retirement programs including their products and services, delivery model, business structure and/or restructure, and integrated brand communications. The scope of the study included a review of each company's Web site, retirement help desk, advisory and planning services, sales presentations, and advertising and promotional literature. One-on-one test shopping was conducted for representative firms. Test shoppers visited regional bank branches, mutual fund investment centers and insurance agencies.

Firm Segmentation: Market Leaders and Traditionalists

Overall, Optima Group found that with regard to retirement marketing, surveyed companies fell into two categories:

- Organizations that have built comprehensive, stand-alone retirement centers that serve as centerpieces for coordinated presentation and delivery of retirement products and services.
- Organizations that rely on traditional structures in which retirement products and planning remain secondary offerings, typically within securities subsidiaries and delivered ad hoc at the discretion of brokers and clients.

Of the top financial firms in the U.S., a handful of the very largest banks as well as fund and insurance companies fall into the first category. Most of the remaining firms reside closer to the second, although efforts are underway at several to build out new capabilities.

Organizations that have built retirement centers have tended to elevate retirement to a core firm competency. On firm Web sites, leading banks, for example, list retirement alongside banking and lending as a principal business line of the organization. Similarly, select mutual fund companies classify retirement on the same level as mutual funds or research. This is not simple window dressing. Some of the largest firms have even committed to significant internal restructuring to effectively support their retirement businesses.

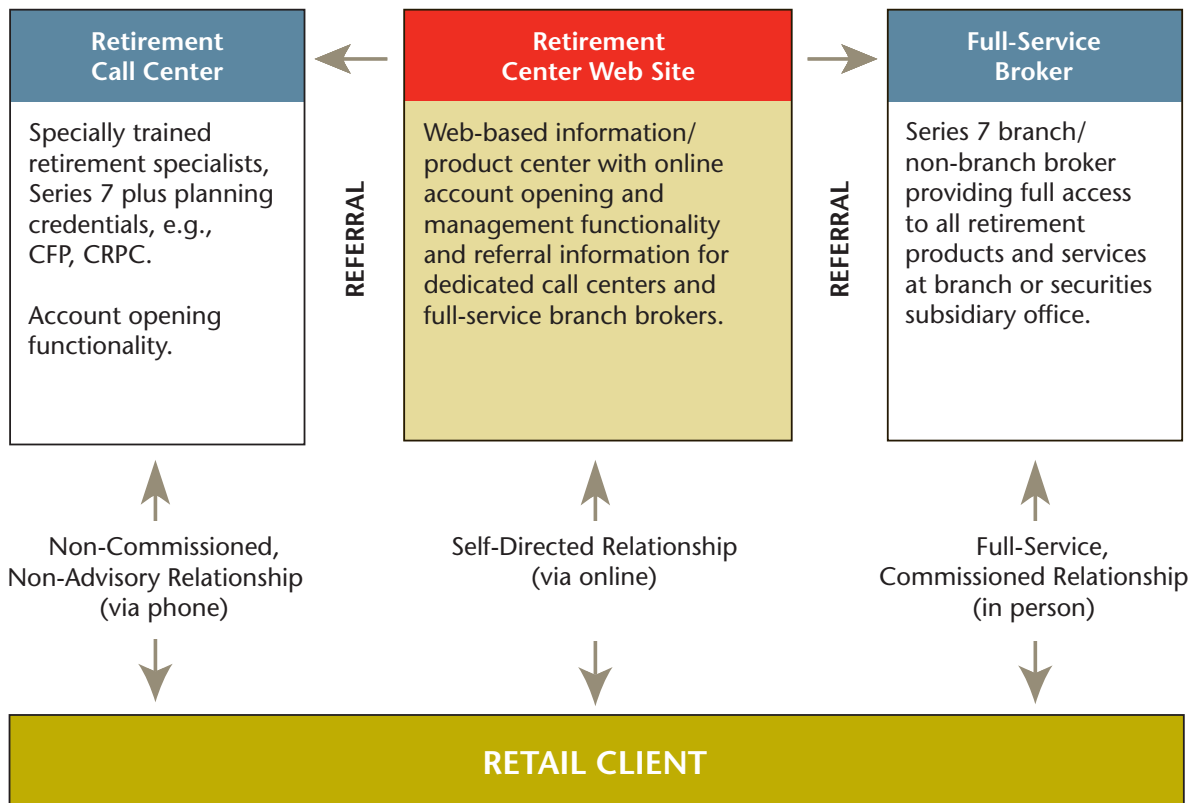
In contrast, traditional organizations typically position retirement services or planning as options under investing or general planning. For these firms, retirement remains a specific product or service choice, not a core business.

A Holistic Approach: Web Sites as the Hub

For market leaders, newly designed Web sites have become conduits for communicating information to clients regarding retirement. As de facto Retirement Centers, these Web sites reflect the way creative companies are restructuring retirement offerings in a coordinated and holistic fashion.

The schematic below represents the typical Retirement Program structure built by these market leaders. At its hub is the Web site, which serves multiple roles.

Retirement Program Structure

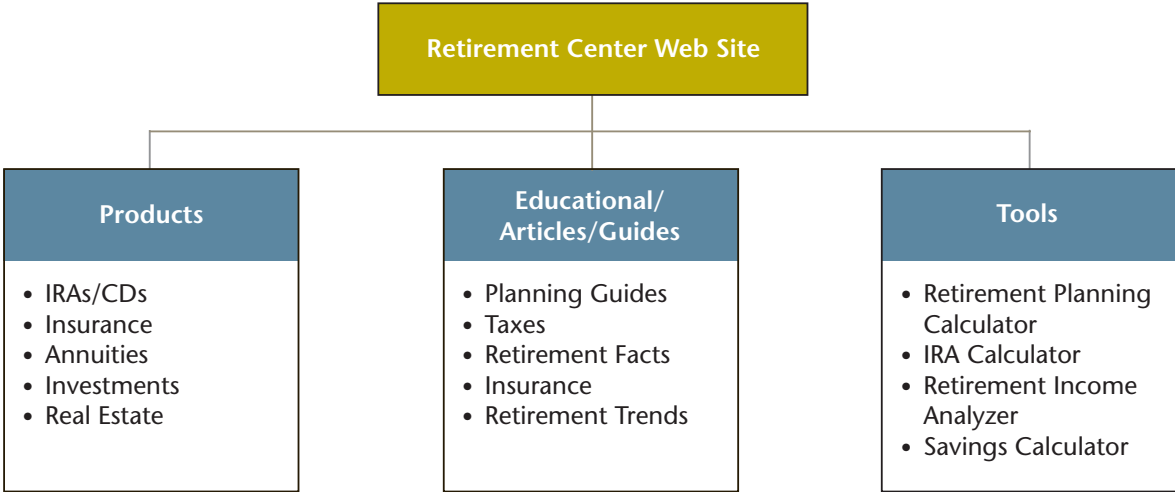


The Retirement Center Web Site Roles:

- Resources for information and education and access points for online distribution and account management
- Referral sources to dedicated call centers promoted in call-to-action banners on Retirement Center Web pages
- Referral sources to full-service brokers who operate in bank branches or securities offices

Retirement Center Web sites are evolving rapidly. The diagram below outlines key areas of focus in the more robust Retirement Center Web sites existing today. These sites provide product and account information, education and news, and rudimentary tools for planning. Content on leading sites is exhaustive, with information updated regularly.

Summary of Web Site Content



Retirement Center Web sites vary with regard to how information and products are positioned. Banks with more developed retirement offerings typically use a life stage approach to best align appropriate planning, actions, tools, product selections and guidance with clients' specific retirement needs. Life stages may refer to age or to position relative to retirement such as Early Planners, Pre-Retirees or In Retirement. Investment management companies typically break retirement servicing into steps, e.g., Plan, Invest, Monitor. Other firms take a more basic approach, segregating information as either planning or product related.

Delivering Retirement: A Coordinated Multi-Channel Approach

Leading firms are combining legacy delivery capabilities with newly created units to effectively deliver retirement products and services.

These Retirement Center Web sites provide online account opening and servicing. Recent surveys have shown that Boomers have an increasing comfort level with the Internet, and that when it comes

to retirement issues, retirement sites are often the first step in initiating a client relationship.

For prospects preferring more personal interaction, firms have created dedicated phone centers typically promoted via Retirement Center banners. These call centers are manned by specially trained reps often with securities licenses and retirement planning credentials.

Finally, many firms have “on the ground” financial advisors that are enlisted to provide face-to-face service for retirement clients.

Firms are designing these channels to be increasingly interdependent. The Web and phone centers both function as prospect qualifiers and referral sources for each other and for the full-service reps. Both phone and full-service reps, in turn, can refer clients to the Web for information and education as well as account reporting and management. The goal is for the retirement messages and service package of the firm to remain consistent across all client touch points, providing the client maximum flexibility, convenience and continuity across their relationship with the institution.

Brand Communications

Optima Group found that there appears to be no consistent approach to branding retirement programs across the financial companies reviewed. In some cases, parent brands are more closely tied with retirement offerings, while in others, the connection is not so immediate.

Insurance companies tend to most closely tie retirement programs with corporate brands. Indeed, insurance-based financial service companies which provide planning and security as a core competency have a natural connection with retirement to the point that the corporate brand is often synonymous with retirement. For example, Prudential integrates its corporate “rock” logo with retirement using the extended taglines “Rock Solid Retirement” and “Let Prudential be Your Rock for Retirement.” Mass Mutual’s corporate tagline is “The Retirement Company.”

For banks and investment companies, the alignment with retirement is not so close. Most chose to imbed retirement as part of a product or service package within the framework of broader investment or banking services. Bank of America represents another category

of financial service firm that provides a separate banner logo with the phrase “Retirement with Bank of America” to suggest obliquely that the bank has a separate unit to deal with retirement issues.

Others have opted for brand-specific, retirement-related programs in lieu of a more immediate connection with the parent brand. For example, SunTrust has branded their retirement services program “Retirement GamePlan,” delivered via their call center and SunTrust investment consultants.

Most companies have not been overly successful at differentiating their retirement programs from those of competitors. Typically, firms distinguish programs with reference to broader, firm-level characteristics. Banks refer to breadth of product, market size and convenience as primary advantages while investment companies default to investment expertise and resources, number of clients, and targeted products. Insurance companies refer to longevity, strength, stability and trust.

In terms of advertising, many firms segment their messages based on the investor’s life stage. For example, Fidelity advertises products and tools to help current retirees manage their retirement income withdrawals. Wachovia emphasizes their branded financial plan for retirement and drives the prospect to a financial advisor. Others have chosen to highlight the emotional aspects of retirement, including financial freedom to pursue a passion or leave a legacy.

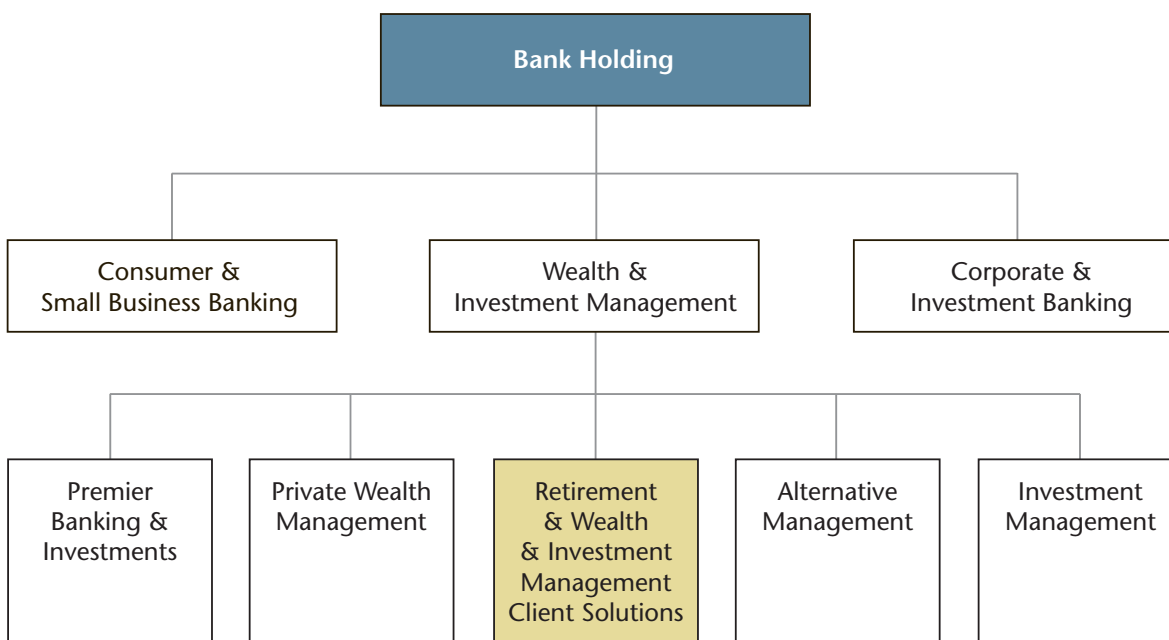
Internal Restructuring: Moving Beyond Traditional Silos

Select financial service firms have undergone internal organizational changes to help them better serve the retirement market. These changes reflect a recognition that traditional product and distribution silos are not adequate to address the constellation of needs driving retirees and pre-retirees.

The schematic, below, shows the approach taken by a leading national bank that recently created a new business unit encompassing all product, sales and service, marketing, and distribution activities related to the firm's enterprise-wide retirement strategy.

The new business unit acts as a unifying thread across product development and delivery silos. In doing so, it helps to facilitate the integration of all retirement-related functions from product development to sales and servicing.

Corporate Restructuring With New Retirement Unit



If you are interested in a more detailed analysis, including insight by Optima Group's test shoppers and a competitive assessment of your firm's core competencies, please contact us to schedule a meeting:

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Conclusions and Further Thoughts

Optima Group's survey indicates that at least a handful of leading financial service firms have made retirement a strategic priority and are taking significant steps to build more effective programs for serving retirement-focused customers.

The more advanced of these programs promise to offer several critical advantages over traditional marketing approaches. These include:

- Consistency in message and approach across all client touch points.
- Greater flexibility and choice for clients in accessing retirement information, sales outlets and servicing.
- Streamlined and effective client management from lead generation to sales and service across multiple outlets.

In light of these advantages, Optima Group believes these programs may represent a paradigm shift in meeting the needs of the retirement market. If so, competing firms should closely examine these new programs and evaluate their relevance as models for building their own offerings in the increasingly important retirement space.