

# Digital Disruption for Retirement Income Security

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# Current State of Retirement Savings

## WHAT HAS CHANGED?

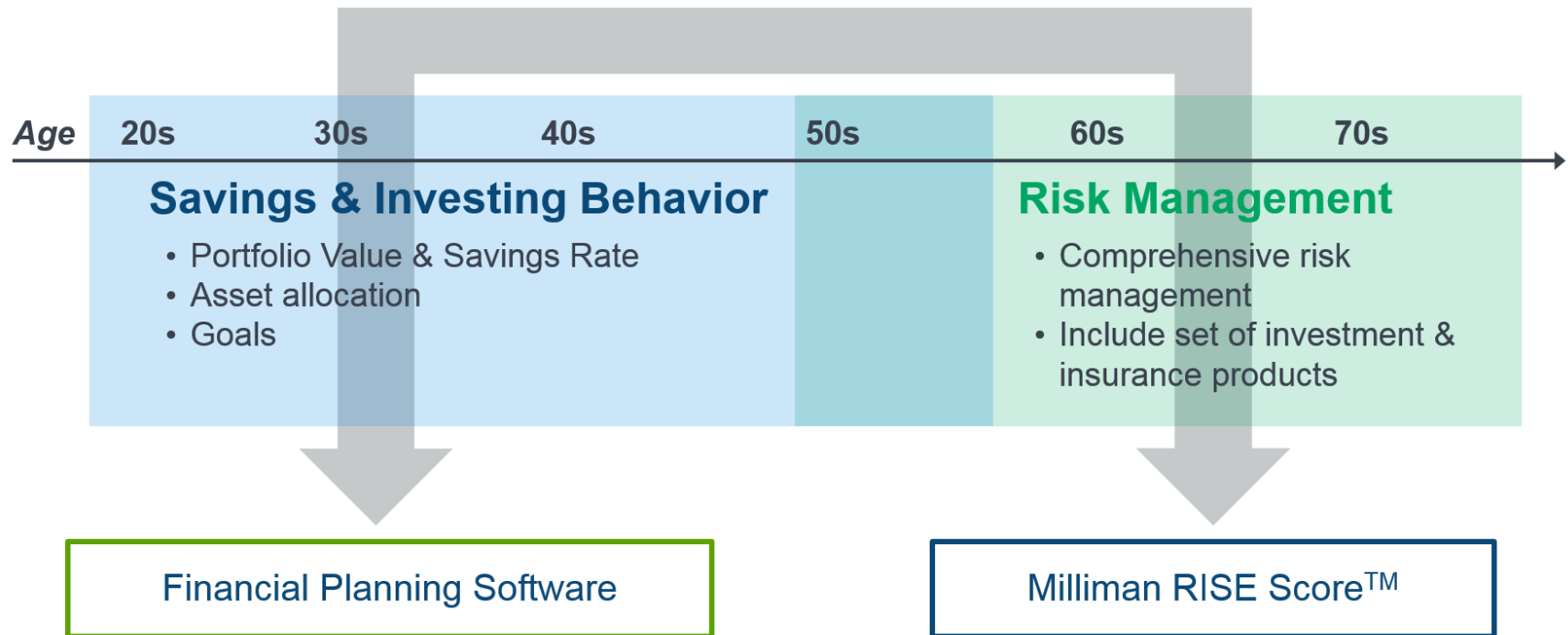
- Growth of DC plans, decline of Pension plans
  - Greater individual responsibility
  - Greater use of IRAs and rollovers

## WHAT ARE THE PROBLEMS?

- Savings rate is too low
- Early withdrawal from DC plans
- Investment complexity
- High fees
- Structural bias toward short-term liquid stocks and bonds
- Bias towards the wealthy and financially sophisticated
- Limited checks on financial advice
- Underutilization of savings conversion into lifetime income

# Financial Planning Process

Two Major Components of Financial Planning



# Milliman RISE Score™

- The Retirement Income Security Evaluation Score (RISE Score™) is Milliman FRM's financial advisory software module
- The RISE Score™ distills the complexities of risk management into a single score, interpreted like a credit score from 0 – 850, representing one's current or projected retirement income security.
- The RISE Score™ can help gauge how the addition of lifetime income solutions can improve retirement security.
- The RISE Score™ does not recommend a specific product.

# Milliman RISE Score – Risk Measurement

## Market Risk

Return scenarios developed for various asset classes (equity, fixed income, etc.)

## Inflation Risk

Inflation scenarios developed for basic living expenses and medical costs

## Longevity Risk

- Longevity scenarios developed from mortality tables
- Milliman's Intelliscript can be used for further refinement

## Vitality Level

- Adjustment for vitality level developed from Long Term Care morbidity tables
- Milliman's Intelliscript can be used for further refinement

## Liquidity Adjustment

Adjustment for liquidity of portfolio and products

## Behavior

Dynamic withdrawal algorithm

# Sample RISE Score Results:

**\$70K per year**

**\$90K per year**

<b>Portfolio 1:</b> Balanced Fund	676	535
<b>Portfolio 2:</b> + 20% in Income Annuity	700	550

*These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those being shown. Milliman does not manage the underlying fund.*

# Thank you

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