

A Tool for Inspiring Confidence to Stay Invested and on Plan



George Webb, CEO + Managing Partner

Problem: No matter their relative investing experience or sophistication, some of Pension & Wealth Management's clients are risk-averse, often to their detriment, according to the firm's Managing Partner and CEO George Webb. They are typically conservative investors, nervous about market volatility. As a result, they become overly focused on preserving their capital, often at the expense of long-term growth. How does his firm encourage clients like this to protect their lifestyle and spending in retirement by taking on more equity risk, when necessary?

Firm Details

Pension & Wealth Management Advisors (PWMA) is an RIA firm operating in Waltham, MA. Their approach to working with clients is highly relational and responsive, which enables them to adapt and modify financial plans to suit client needs. Learn more at pensionwealth.com.

Benefits

- Establishing income 'floor' gives clients confidence to stay in the market
- Transfer risk without transferring assets
- Coverage is severable

Solution: Pension & Wealth Management Advisors has found that insuring client retirement portfolios with a contingent deferred annuity (CDA) inspires his conservative clients to focus on the bigger picture by providing a guaranteed¹ floor of income. The certainty of income allows them to stay in the market and stay on plan. They have identified three client profiles who may benefit most: 1) Clients with large cash holdings, 2) 'constrained' clients, and 3) those looking for market upside who are nervous about taking on more equity risk.



Catching a Rising Tide

For most of his 30+ year career, Pension & Wealth Management Advisors CEO George Webb has worked with institutional and ultra-high net worth clients globally. Before acquiring the RIA firm during the COVID lockdowns of 2020, he was in senior roles at Northern Trust Global Investments and later at Nuveen Investments advising large pension funds, endowments, sovereign wealth funds, pension plans, and family offices.

At Nuveen, he ran global distribution which gave him a unique and privileged lens across all channels. He could see the demographics—which channels were growing, and which had matured. It led to a simple conclusion.

“Over the next 15 years, the demographic data makes it clear that only one channel in the entire investment management business is positioned to grow,” he says. George believes that as the American populations age, investors will naturally grow out of retirement plans and pension plans and benefit from a substantial generational wealth transition.

Those aging Boomers and Gen Xers will need guidance for this substantial asset migration at a time when advisors are also retiring in large numbers. He concludes that “wealth managers—and specifically the Independent RIA channel—will benefit the most.”

Serving Diverse Clients

Harnessing this rising tide, he purchased the Pension & Wealth Management Advisors RIA in Waltham, Massachusetts. In this and subsequent acquisitions, he acquired a diverse population of clients: from PhDs and business owners to nurses and teachers.

Recognizing that wealth management is a service business, the firm’s primary goal is to take care of the families they advise. The firm adds value by taking what he’s learned advising institutional clients and putting it to work for those families.

“I spend the majority of my time applying institutional best practices to the wealth management part of our business,” he says. “We are equally focused on the return of capital for our clients as we are the return on capital”.

George describes his firm’s approach as providing leadership for clients while also “advising and consenting” to client specific issues. The reality is, George’s team may provide top-notch guidance, but the client retains ultimate decision-making authority over their investments and financial plan.

He says their process works like this: “We evaluate the details of a client’s financial profile (assets, cash flow, age, goals) to develop a detailed financial plan. We also evaluate their personal risk tolerance. It is interesting that a clients’ risk tolerance often has little to

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do with their level of education, investment sophistication or even age. It is typically about their personal constitution and level of anxiety about the world around them in general.”

Some of his clients enjoy a very strong investment constitution and risk tolerance. They are comfortable with market volatility and the premium it affords over time. Others need encouragement through education, communication, professional trust and time. But sometimes, that’s not enough.

A Tool for 3 Risk-Averse Clients

1. Clients in Cash

“If you have a client who is risk averse, staying in cash is typically the greatest risk to their wealth over time and they usually do not realize it. Their savings won’t keep pace with inflation and their purchasing power will steadily erode,” he says. In cases like this a client may need more than advice and proof. Sometimes they need tools to give them the confidence to make better planning decisions.

For retirees and near retirees, the prospect of taking on more equity risk can be daunting. Conventional investing wisdom encourages a more conservative glide path as folks age. More equity risk may be prescribed, but it can seem counterintuitive. His team has found that deploying a contingent deferred annuity in client portfolios gives some of his clients the confidence to get their assets off the sidelines.

This “Portfolio Income Insurance” unbundles the insurance from the underlying investments so a client can wrap his firm’s asset management models. Unlike traditional income annuities, they are able to transfer the risk without transferring the asset.

The CDA then provides a stream of retirement income that is guaranteed to be based on the initial investment at least, no matter how the portfolio performs. If markets rise, and the portfolio performs well, so does the client’s income. It’s a simple message: Income can go up, but it won’t go down.

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“The CDA is a tool that can give them the confidence to get out of cash. And we’re doing that with some of our conservative clients until they get their sea legs,” George says. “You can drop the insurance wrapper when they get more comfortable with market-

based fluctuation because the CDA is fully severable, without surrender penalties.”

2. Constrained Clients

He also finds the pension-like structure appealing to constrained investors. “Clients who are on the cusp of having their fixed income needs met with their spending, can sometimes become overly dependent on that asset to generate a prescribed amount of income. Say they have \$1 million dollars in savings and need to generate \$50,000 a year



in income. If the market were to decline by 40%, they may be forced to liquidate holdings at a disadvantageous time to support their household.” He says that the CDA structure works great for constrained clients like this who have assets but could be stressed with living expenses in a market decline.

3. Clients Who Want Market Upside, But Are Nervous About Taking on More Equity Risk

George finds that CDA can also be valuable for clients who want to participate in market upside but don’t want to put more capital at risk. “We view this as a fixed income proxy with potential upside,” he says, describing this client as the type who don’t want their equity exposure to increase.

Controlling What Can Be Controlled

The goal for Pension & Wealth Management Advisors is to make it easy for a client to have intelligent and actionable information to improve their financial situations. Even though they present a high level of sophistication with their PhDs and professionals in their newsletters, they tailor the message to resonate with the needs of each client.

“Some clients are very emotive and just want the high level, ‘am I going to be, okay?’” he says. “Our goal is to keep it simple with a confident: ‘Yes, you are right on plan.’” For

the latter, simplifying the story is key and a CDA helps his team keep it simple.

“We can’t control the markets. They’re going to do what they do, but history tells us that over time they are going to drive our client portfolios to where they need to go.

The CDA helps them focus on long-term outcomes. Their income is all set, they have a guaranteed floor, and are clear to more confidently allocate to a broadly diversified portfolio. We manage the portfolio for long-term capital appreciation, and they receive the guarantee on the portfolio.”

As fiduciaries, Pension & Wealth Management Advisors is focused on providing clients with the tools and solutions that are required to

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achieve their goals, with the least amount of risk required. George and his team work with clients to focus on a long-term plan and have the confidence to stay with it over time because they only succeed when their clients achieve their goals.

“Transitioning to wealth management has been a great opportunity to help people from all walks of life improve their financial security. Our mission as a firm is to provide the best possible advice for our clients by continuously seeking out the most effective investment solutions and implementing them with knowledge and expertise. The clients we serve engage us on a foundation of trust. Placing their best interest first is the most important part of that bond.”



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