



Retirement Income Solution

How investors allocate wealth during and approaching retirement, and what products are used, can have a significant impact on the ability to meet retirement goals. Filling the gap in available guidance on such decisions will be the key to helping investors craft winning retirement strategies. To meet this challenge effectively, a retirement income solution needs to combine an overall asset allocation with product-specific features into a framework that is dynamic but easy to understand.

The Investment Strategies Division at Mesirow Financial has developed a retirement income framework that optimizes both the product allocation and asset allocation for traditional investment products and advanced retirement income products. Mesirow Financial is targeting four types of firms with this solution:

- Defined contribution providers targeting rollover assets
- Defined contribution providers offering in-plan guaranteed products
- Institutional guaranteed product manufacturers
- Financial advice providers

A Rigorous Approach to Retirement Income Products

Our retirement income framework provides guidance as to “how much” and “when” to allocate to guaranteed products. While some products are designed to accrue benefits during accumulation, many only make sense for investors at or near retirement, with the appropriate amount depending on the product details. To account for these considerations, the framework generates product and asset allocation solutions that reflect the following aspects of guaranteed income products:

- Opportunity cost of product fees and illiquidity.
- Specific features of the guaranteed income product category, such as market outcome-dependent increases of the benefit base and income payments.
- Custom features of the particular guaranteed income product, such as actual fee levels and mechanics of fee assessment.

How It Works

The solutions the framework produces are tailored to provide easy to understand guidelines regarding allocations to both complex guaranteed products and traditional asset classes. By modeling key product features within a Monte Carlo simulation setting, our optimization process takes into account the performance of guaranteed income products under a wide range of potential future market outcomes. This allows us to construct product allocations that account for the impact of important product features on the total portfolio, as well as income-generating asset allocations that account for the presence of the guaranteed products.

Investment Strategies

Mesirow Financial has developed a framework that optimizes both the product allocation and asset allocation for traditional products and advanced retirement income products.

Products Supported

Because of the wide variety of features that retirement income products offer, we have built in the flexibility to model virtually any type of income-generating product. Currently, the framework can support the following:

- Variable Annuity (VA)
- Fixed Annuity (FA)
- Equity Indexed Annuity
- Immediate Fixed Annuity
- Immediate Variable Annuity
- Immediate VA with GMIB Rider
- VA with GMWB Rider
- VA with GLWB Rider

A Rigorous Approach to Investor Concerns

Mesirow Financial's solution for a particular investor is based on responses to a risk and preference questionnaire. In addition to traditional risk tolerance, the retirement income questionnaire assesses the following investor preferences and risk characteristics:

- Wealth/Bequest Goals
- Longevity Expectations
- "Income Risk" Tolerance/Desire for Income Guarantees
- Age and Retirement/Rollover Scenario

Retirement income solutions for a range of such investor characteristics are generated using the asset classes and guaranteed income products available, and investors are mapped to appropriate solutions through the questionnaire.

Recognized Industry Leaders

With 85 years of collective experience in the investment industry, our team has earned a reputation for integrity, service and performance as an independent, third party consultant that provides robust asset allocation strategies and fund selection to insurance companies, defined contribution providers, broker/dealers and mutual fund companies. In addition, Mesirow Financial is a comprehensive institutional investment management firm. From equities and fixed income to private equity, hedge funds and currency management, Mesirow Financial is continually at the forefront in creating innovative and effective investment solutions for institutions all over the world.

About Mesirow Financial

Mesirow Financial is a diversified financial services firm headquartered in Chicago. Founded in 1937, it is an independent, employee-owned firm with approximately 1,200 employees globally. With expertise in Investment Management, Global Markets, Insurance Services and Consulting, Mesirow Financial strives to meet the financial needs of institutions, public sector entities, corporations and individuals. For more information about Mesirow Financial, visit its website at mesirowfinancial.com.

The information provided herein is for informational purposes only and should not be construed as a recommendation to purchase or sell any particular security or investment vehicle(s) offered by Mesirow Financial

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