

# SmartMoney

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RETIREMENT by Catey Hill (Author Archive)

## Retirement Advice: What You Get for Free



Say what you will about baby boomers being undersaved for retirement: They've still got an estimated \$8.7 trillion tied up in retirement savings plans, and banks and brokerages want their business. To that end, several firms have redoubled their efforts, promising free one-on-one consultations, rebates and discounts on services, and highly-produced online education. But critics aren't swayed, and they say would-be retirees should be cautious: Free, they warn, can be a code word for "sales pitch."

Just this year, financial companies have unveiled a slew of new, free retirement-planning offerings. On January 31, AARP and Charles Schwab announced that AARP members can now get a free consultation with a Schwab adviser, free seminars and, if they move their investments to Schwab, a rebate on advisory fees. The same week, Fidelity said it would host 200 free seminars across the country this month to focus on retirement income strategies, a series of webcasts and free one-on-one consultations included. And Bank of America/Merrill Lynch is planning at least 2,000 retirement-planning and financial seminars in 2011 and at least two webcasts—free.

Conference room investing seminars and free consultations aren't new, but the focus of these efforts is, says Keith Weber, CFP, founder of Weber Consulting, which trains financial advisors. The new campaigns increasingly zero in on retirement income strategies – how to tap retirement assets over time, without running out. And boomers freely

admit they want the advice. Just 10% of Americans over 50 say they feel prepared for planning and saving for retirement, according to a December 2010 Schwab study, and nearly four out of five Americans wish their employers would offer more advice to help them manage their retirement plans, according to a 2010 Wells Fargo survey. "The sheer number of baby boomers is a big impetus for offering free advice now," says Nick Barnwell, a CFP for Weiser Capital Management.

For the companies, the effort may not be exclusively altruistic. Advisories are betting that a free offer or service now translates into paying clients down the road, says Art Koff, founder of RetiredBrains.com, a financial and employment resource website for retirees. Schwab, for example, is offering discounts: AARP members who sign on to have their portfolio managed by firm will get a one-time rebate, which effectively waives the first year's program fee, depending on their portfolio's value. A portfolio with \$100,000 would garner a \$500 rebate ( annual program fees range from .5%-to-.25%). AARP also makes money from the partnership, getting a one-time royalty fee from Schwab for use of its [name, logo and mailing list](#) .

The firms insist financial motives don't drive these freebies. Bank of America's head of retirement planning solutions, David Tyrie, says they are "not trying to pitch" at their seminars, and Fidelity's Beth McHugh, vice president of market insights for the firm, says there's "no 'sign here'" pressure. Schwab financial consultant Casey Mervine says "there's no hard close" and an AARP spokesman says that the free consultations are just that—without any profit for the group: Schwab's offerings "complement AARP's longstanding work to help our members make informed financial decisions about their retirement."

And as long as you realize the drawbacks, experts say these seminars, consultations and webcasts are often worth your time, at least as an introduction. With that in mind, here's what to watch for:

## Planning-lite

Seminars sometimes don't get that detailed, and may not address your specific needs, says Weber. Participants may get a broad overview of asset allocation, but not a detailed analysis of how to handle the nuances of a bond portfolio. Even during a private consultation, participants will get a one-time diagnosis, say Barnwell, as opposed to an ongoing plan. Webcasts tend to befall a similar fate: The Merrill Lynch "Reinventing Retirement" webcast, for example, gives an overview of how and why older Americans are pursuing "encore careers" in retirement with examples of people who have done it, but you won't learn what encore career might be right for you, specifics on how to go about finding these opportunities or details on how to fund your own business. Merrill Lynch could not be reached for comment on this issue.

## Pressure to purchase

In spite of assurances from Fidelity, Bank of America and Charles Schwab that attendees won't face a sales pitch at their seminars, critics say it'd be naïve not to expect one. It may not be overt: The advisor or speaker might offer a first-time customer discount, spend a few minutes touting his success with other clients, or talk about how the company's approach is superior. Some of the Charles Schwab seminars, for example, focus on how and why the company overturns the "old" retirement rules – people need 80% of their pre-retirement income in retirement, for example, is out – to create retirement plans that are more individualized than others offer, says Mervine. That's in addition to the offer of a fee rebate for AARP members who sign on with the company. And even the fact that the seminar or consultation is free is a sales pitch of a sort. A 2009 study by researchers at Arizona State University found that giving people something free not only makes them want more of the item they got free, it also makes them want related items.

## **One side of the story**

These seminars tend to focus on the company's approach to retirement planning, instead of a broad overview of all the options available to consumers. At a Fidelity seminar, for example, participants learn about Fidelity's new income strategy evaluation tool and how to use it in their retirement plan, but aren't likely to learn about the perks of similar tools available from other big financial firms. "You won't learn about the products that other companies offer ... these might be better for you," says Marcia Wagner, principal and founder of employee benefits law firm Wagner Law Group. In effect: You're likely not going to hear that another company charges less, specializes in the advice you need or has offerings that make more sense for you. Plus, the companies may not tell you that what they're offering for free - like initial, one-on-one consultations - is also available for free elsewhere.

So what could you gain from these seminars? A glimpse into one company's retirement planning philosophy, its tools and other services that could help you with the process, and the chance to meet a potential adviser, if you're looking for a new one. Even if that's the case, experts recommend investors interview at least three advisers before they choose, to learn how they charge for their services and whether they offer an array of products. But with all the seminars banks and brokers have planned, there will be no shortage of opportunity.