



A New Retirement Management Profession is Emerging

Retirement Income Industry Association

By Francois Gadenne

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The shift from accumulation to distribution is changing the investment industry's dominant business model from gathering assets to writing monthly checks to clients. Clients who once sought probabilistic expectations of returns on their financial assets now seek reasonable certainties of payments from those assets. Success in this environment will accrue to those advisors who act as true retirement professionals rather than to those who take a technician-oriented approach, using tools that build upon but also go beyond modern portfolio theory to solve complex distribution problems.

The larger range and greater complexity of retirement advisory tasks, when compared to investment advisory tasks, is driving the emergence of a retirement management profession.

The Retirement Income Industry Association (RIIA), which was founded on a 2006 charter to help investors in the de-accumulation stage of retirement, has been at the forefront of this transition, designing its own curriculum and certification program to help advisors.

Retirement planning is different from investment planning because it is about responding to specific income needs, not managing probabilistic expected returns. Retirement planning also requires professionals to learn about their clients' human and social capital in addition to their financial capital. For more on the three types of capital, see [Understanding Your Capital](#).

Retirement planning is not an exercise in illustrating long-term perfection — instead, it is an ongoing effort to discover the most tolerable imperfections. The financial needs of clients will vary from one household to the next, and retirement planning requires far more diagnostic work than mere technical execution.

In the mid-1980s, David Maister laid the theoretical framework for differentiating between professionals and technicians. He was then an assistant professor of business administration at the Harvard Business School as well as the author of [Managing the Professional Service Firm](#).

Maister broke the service industry into three categories, which I have adapted below for the financial industry:



1. **Brains:** Advisors who perform client tasks that are at the creative edge of their practices and deal with unique projects that require fundamentally different customizations from client to client.
2. **Gray Hair:** Advisors who deal with issues that are similar to what they have seen before and consciously work to leverage and to scale up their past experiences.
3. **Procedural:** Advisors who with well-defined and well-specified client tasks seek to deliver services in the most timely and cost-efficient manners.

Where retirement planning practice falls on the spectrum of Brains, Grey Hair and Procedural tasks drives the organizational structure of any services firm. Consider the differences.

1. Brains services have very narrow organizational structures in which few entry-level people support top-level people who do the professional work. Strategy consulting services are the typical example.
2. Gray hair services are broader organizations with more entry-level people supporting top-level people. Engineering services provide a good example.
3. Procedural services have very broad structures with many entry-level people managed by mid-level people who support top-level people. Examples include accounting and tax preparation services.

For clients whose retirement is fully funded, retirement planning falls between a brains service and a gray hair service. For other client segments, planning tasks fall between the gray hair and procedural categories, particularly when such services are product driven.

Maister also presented a useful metric to differentiate professional work from technical work, based on how many of the services performed are diagnostic tasks and how many are execution tasks. The more diagnostic work required, the more professional the job becomes and the more the job falls in the brains category. The more execution work needed, the more technical the job is and the more the job falls in the procedural category.

A sound understanding of the range and complexity of the retirement planning tasks is critical for staying in business because of the recent business model change from collecting AUMs to paying monthly checks. Developing customized, diagnostic-intensive retirement plans to create monthly retirement income will lead to new forms of professional tasks, new demands for professionals and new categories of professional services firms.

As delivering reliable near-term outcomes becomes more important than managing longer-term probabilistic expectations, clients will seek retirement planning institutions and



individuals who are successful in managing professional and technical talent as well as client relationships. These firms and people, who will reflect Maister's definition of brain service providers, will have a reputation for customizing the right retirement plans and delivering reliable monthly checks.

Francois Gadenne is the chairman and executive director of the [Retirement Income Industry Association](#) (RIIA), an organization whose mission is to help investors in retirement.

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