CHAPTER 1

Time for a Real Conversation

What this book is about and the reason we are writing it now are inseparably related. This book offers financial advisors and their clients an alternative roadmap for the way they engage with each other. This alternative might not be right for all advisors or their clients; we suspect it won't. But for some it will. You might guess we are motivated to write this book now because of the financial crisis and the severity of American retirement under funding. That's partly true.

> *This book offers financial advisors and their clients an alternative roadmap for the way they engage with each other.*

The reason we are writing this book now stems from the single most valuable lesson we've learned in our combined five decades working in the asset management business, namely that the effectiveness of the advice you give is in direct proportion to the degree of receptiveness of the recipient. Most professional consultants understand that knowing how to defer giving advice until their client is indeed ready to receive it is as important as the advice itself.

In a sense, the crash of 2008 was the catalyst for this project, although not for the obvious reasons (asset losses, systemic shocks, collapse of confidence in the financial system—pick one), but rather because it created, in our opinion, this rare harmonic convergence allowing financial advisors and their clients the mutual recognition that it was time to do things differently. Our research indicates (in hopeful ways) that advisors and their clients are at least momentarily interested in a new and different framework for wealth management.

Another outcome of the global financial meltdown was its trivialization of the differences between segments of financial advisors. Whatever the points of differentiation prior to the meltdown, they faded in importance because client needs became nearly homogenous. There is a single

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overwhelming client concern that advisors today must be prepared to address: Will their clients be able to fund their desired lifestyles for as long as they live? Many people believe that the only thing worse than being broke is going broke. Individuals want to have real conversations with their advisors about how they can sustain their desired lifestyle for as long as they might live.

At the heart of this concern about sustainable financial security are three questions. First, "How much is enough?" The individual must first have a no-nonsense estimate of how much money they will spend each year in order to live the lifestyle they desire. Second, "Will my money last?" Knowing what they will spend and how much they have (or will have) saved, they need to know which they will run out of first, time or money. Third, "What can I do?" They need to know what they can to do to sustain their lifestyle; whether it's to save more, spend less, work longer, or invest differently, they want to know what they can do to improve their outlook on success.

This is what we mean by real conversations. Real conversations involve tough questions; the client staring at you from across the table expects answers. The good news is that there is a way to answer these questions. We call the framework for answering these questions the personal asset liability model, although we don't expect (and, indeed, discourage) you to describe it in this way to your clients, for reasons we enumerate in this book. The model is built around what we believe is the single most important metric individuals (and their advisors) should focus on: their funded status, the likelihood that the lifestyle they envision is possible. The funded status (a concept used for decades in institutional pensions) tells the individual if they have enough money to fund their desired level of spending. The model is explained briefly at the end of this chapter and covered in detail in Chapters 5 and 6.

THE GREAT EQUALIZER

Leading up to 2008, having experienced the greatest bull market in the history of modern capitalism, the financial services industry became an increasingly significant portion of the global economy. This had a couple of mixed effects: it created a broad democratization of investing whereby individuals gained unprecedented access to the capital markets, and it led to a cycle of product development and financial innovation, giving individuals a blinding number of choices about how they might participate in investing, banking, and insurance products. Advisors came to be seen as guides into that world of exciting capital markets and product complexity. In the face of that, advisors began to specialize; to develop patterns of advice that were consistent with their views (and the views they perceived to be their

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clients'). This led to the way the financial services industry talks about the segmentation of advisors, in terms of specialization.

If someone were to talk about segments of financial advisors 30 years ago nobody would know what they were talking about, but today it seems very natural that there are segments of advisors. The initial way that the advisors were segmented was according to their institutional affiliation: brokers, bankers, insurance, and so forth. Then along came the independents, and they confounded the definition of specialization because they could be any or all of those.

The next step in the segmentation progression occurred when advisors were seen to be either investment advisors or money managers. The investment advisors made up the larger segment. Their specialty was finding the highest returns for their clients. They were the putative experts on markets and products, and their objective was to find the most exciting capital markets products (namely returns) for the clients. The money managers made up the smaller segment. They were essentially no different than institutional money managers except that they had private clients.

Finally, the category of wealth manager emerged. What made the wealth managers different was that they were willing to accept a broader definition of success for their client. They did not focus on just returns but whatever their client's total objective or outcome was that they wished to achieve. They took a comprehensive approach to managing their clients' financial needs by understanding their clients' entire financial ecosystems. The clients' portfolios were one of many things that they cared about. The portfolios were often the central vehicles for creating satisfaction for the clients yet, other times, their satisfaction related to financial planning, budgeting, taxes, estate planning, and so forth. The point here is that the clients' abilities to achieve their overall financial visions superseded the portfolios themselves in order of importance.

The chief difference between the first two segments, investment advisors and money managers, and wealth managers was that, in the first two segments, the object of the advisors' focus was on the returns the capital markets produced by way of the specialty of the advisors' affiliated firms. The wealth managers, in order to be true to their claim of this more holistic advocacy for their clients, needed to focus primarily on the client-facing activities, such as fact finding, estate planning, and so on. This caused them to outsource many aspects of the investment function so they would have time necessary for these client-facing activities.

Those different types of advisors operating in those different platforms—brokerage firms, banks, insurance, independents—they were all attempting to address different versions of investment success that they perceived their clients wanted, and they were correct in doing so. The crash

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of 2008 in a way acted as an equalizer, unifying large numbers of people around a similar concern about their financial security. The calamity of the financial crash and the consequences were so severe that it made all of those previous distinctions trivial. What emerged as a unifying characteristic of all of the investors, regardless of what kind of advisors they were using, was the question of sustainability: "Will I have enough?"

Now, after that crash, it is predictable that investment advisors, money managers, and wealth managers will all find their own answers to this question of sustainability. They will all do that in a way that's consistent with their experiences and their focuses. The advisors we are trying to cultivate are those who believe holistic planning is the future for them, and is the basis on which they intend to build their client relationships, not those depending on either the ingenuity of the financial services industry to create exciting new products or the beneficence of the capital markets to produce huge returns. Rather, they spend time with clients and dig into the question of what type of sustainability might be possible for them and having sober discussions of what trade-offs that might involve. Finally, once they understand what kind of financial security is sustainable for their clients, they make their assets work as intelligently as possible in support of that goal.

IN SEARCH OF A REAL CONVERSATION

Before 2008, most people were focused on accumulation in which family wealth was assumed to rise based on rising values of primary residences and investment returns on assets. Many financial advisors built their practices consistent with this thought. Because their services were largely about producing superior market returns rather than the impact of those returns on personalized plans, clients had difficulty differentiating one advisor from another. As a consequence, clients often rotated from one advisor to the other, in serial monogamy, or they employed several. Indeed, today over half of affluent Americans (defined as those with over \$2 million of investable assets) report working with two or more financial advisors.[1] Over half of ultra-high-net-worth individuals (those with over \$10 million of investable assets) report working with five or more advisors.[2]

One way to look at the advice we are offering in this book is that we are trying to help advisors become their clients' surviving advisor, the one to which the individual consolidates all their assets. The future as we see it moves to a one-advisor-per-client model. The question for you is, "How do you be that advisor?"

Things are different now. The events during and since 2008 have created deep mistrust among individuals. They don't want to return to the way they

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did things before the onset of the financial crisis: to financial markets that jarred them, to financial advisors whose advice they seem to think did not work, to guarantees of security that were empty, or to a system in which players' interests were (and maybe still are) conflicted. They have an accurate intuition that they should be doing something different but are unable to articulate what that different something should be.

Financial advisors are keenly aware of their clients' dissatisfactions, and they have their own anxieties. Yet some see this scenario not as a threat but as an opportunity. They know they need to retool their practices in order to absorb new information from their clients, and they need a sensible process for managing their clients' wealth based on this new information. Finally, they need a new way of communicating with their clients. Into this scenario in which the individual and the financial advisor want and need a new way to work together, this book provides a framework for that new way.

Prior to the financial meltdown, an idea took root that free-market capitalism was universally good and had only good effects. This merged, disastrously, into the argument that markets were perfectly omniscient, and, therefore, market prices could never be wrong. There were no victims or at least no victims that didn't deserve it, and there was no need to regulate markets. Indeed, it was argued, doing so would impede their efficiency. The markets were so intelligent and efficient that the self-interest of the market participants would regulate themselves. However, taking the fact that the market is truly hard to beat and concluding that that means the market is always right is a whale of an error!

Yale University economist Robert Shiller had this to say in 1984—nearly 25 years before the crash: "This argument for the efficient markets hypothesis represents one of the most remarkable errors in the history of economic thought. It is remarkable in the immediacy of its logical error and in the sweep and implication of its conclusion."* Despite the dissenting opinions, this environment not only encouraged speculation to cataclysmic levels but also obscured a more fundamental thought that the purpose of modern capital markets was to maximize the value of assets.

In the modern world, financial assets have become among the most significant forms of private property: indeed, they are what human capital is exchanged for over the course of the modern lifetime. The idea that private property needs to be stewarded rather than exploited was a sacred tenet in the formation of America. It goes back to John

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Locke's idea that private property (as opposed to property held in common) should come about from the result of one's labor. And, no one should take more than that which can be combined with his own labor, lest it spoil from disuse. Locke also believed that no one should accumulate so much that it prevents others from having a share. This doesn't mean there shouldn't be winners and losers, but winning or losing should be the result of one's labor (or lack thereof) rather than randomness. If you choose not to work, your rewards should be commensurate. However, **speculation alone is not work, by itself it creates no value.**

By 2008, Locke's ideal was seemingly appropriated by a "grab as much as you can and screw everyone else" mentality. Unfortunately, or fortunately depending on how you look at it, this later mentality was a catalyst in the financial meltdown. As society reconsiders what are the appropriate levels of leverage, speculation, and regulation, it will be interesting to see if we move back toward that ideal. There are important champions wearing the white hats in the Fourth Estate; Gretchen Morgenson comes to mind. In government, Alistair Darling in the U.K. and Elizabeth Warren (President Obama's advisor to the Consumer Financial Protection Bureau) come to mind. Let us hope their points of view prevail.

*Robert J. Shiller, "Stock Prices and Social Dynamics," *Brookings Papers on Economic Activity* 1984(2), 457–510.

SUSTAINABILITY

The message of this book is profoundly simple. When a person's most precious asset was considered to be his soul, we knelt to the priests. As time progressed and a man's productivity became his badge to win bread, the physician usurped the priests. As time further progressed and people became capable of amassing more property than they could exhaust in their lifetimes, lawyers took the high priest role, as they were instrumental to the orderly transfer of property. Today financial advisors have the calling to take this place in the pantheon, but they must earn that place, as their predecessors have, by rising to the emergent dilemma. The dilemma facing

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financial advisors today is how to manipulate financial assets long after employment has ended in order to secure their clients' most central and emotionally vital goal: **to make their assets last longer than they do.**

The remedy to this dilemma, however, is not to be found in a miracle product. There are no magic beans to grow a stalk to the heavens. The remedy is not to be found in the likelihood that the market will produce returns so spectacular that they will cure all ills, because it may or may not. The remedy might, however, be found in a different approach for the advisor and client to work together, a different mutual recognition of their challenge. This should absorb their joint attention. That problem is how to be sure they can sustain the desired lifestyle for as long as the client lives: the achievement of sustainable financial security.

The object of this new approach for working together is not to enrich investment bankers, proprietary trading desks, and other generators of financial innovations. We need more of those products like we need a second belly button. The effect of those products all too often has been to surreptitiously shift risk from the innovator to the consumer of these exotic instruments. No, the purpose of this new approach is to put the focus where it always should have been, on sustainability—the sustainability of the client's financial security, the sustainability of the advisor's practice, and sustainability of the client/advisor relationship.

People today are universally concerned about sustainability. The specific edge that they bring to this concern in the domain of retirement planning is simply one form of a more pervasive question of whether X will outlast Y. Consider the possibility that the question, "Will my money outlast me?" is one avatar of a more dominant question that is a focus of central concern and source of significant public anxiety.

Will the ozone last long enough to shield me (and my grandchildren)? Will clean water hold out? Will the enormous budget deficits capsize the American dream? These questions are anchored in anxiety about what's happening to us, the answers to which require some insight into the future, forecasts. Although forecasting is credited with enabling western civilization to move beyond the dark ages by transforming "the perception of risk from chance of *loss* into opportunity for *gain* . . . and from helplessness to choice"[3] it fails us at times. When conventional assumptions about "reasonable" forecasts spectacularly fail, it engenders a doubt about forecasts in general. This partly explains the fascination with black swans and hundred-year floods. Our point is that the very first step on the path to working together to build sustainable spending plans (which are the essence of your clients' lifestyles) is noticing that the emotional intensity (anxiety) brought to the exercise may not be directly related to the task at hand, but attached to

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a more general fear about the future and doubt about the reliability of forecasts concerning it. A good question to ask clients that acknowledges this condition is simply "What keeps you up at night?"

Although this is far from irrational, it is not rational—strictly speaking. Recalling the insight provided earlier by Professor Shiller, difficulty in forecasting the future is not a legitimate excuse for tossing in the towel on the effort overall. That's like saying "curing cancer is tough, and most attempts fail, so let's quit and go have lunch." The fact that we cannot exactly forecast which event will be the catalyst for a next cycle of global economic expansion should not be confused with doubting there will be a next stage of global economic expansion. Moreover, as in the adage "my life might not be great, but consider the alternative" we need to make assumptions about the future as a fundamental means to discriminate between plausible expectations (and corresponding courses of actions to reach them) and implausible ones.

Nothing is worse than fearing the future; it is the one thing certain to unfold in front of you every moment of your consciousness. However, to begin an effective dialogue about sustainable financial security we might have to out the Jungian dragon of cosmic doom and put a lance in its fire-breathing mouth before we can advance to a more prosaic topic of budget estimates. How else can you refocus on a client's aspirations, unless you first allow room for their doubts?

THREE QUESTIONS

If you have any doubts about the level of anxiety people have over the sustainability of their lifestyle, you won't after learning this statistic. A survey by Allianz Life Insurance Company of North America released in 2010 found that 61 percent of those surveyed said they were more afraid of outliving their assets than they were of death.[4] This was a shocking statistic for us to learn considering (we presume) people are still very much afraid of dying. The first step to getting at a solution for their sustainability concern is to break it into its elemental parts. There are three questions that we believe are at the heart of an individual's financial security concerns.

How Much Do I Need?

So that we're clear, the long version of this question is, "How much money will I need to spend each month from now until I die to experience the lifestyle I desire?" Later we'll talk about how much wealth a person needs

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to fund their level of spending. In this book we refer to the client's budget as their spending plan.

Most people don't keep track of how much they spend during their working years, let alone know what they might spend after they stop working. Tim Noonan's advisor, Peter Rekstad, had this to say about people's ability to budget:

> *... they have a steady amount coming in but many households are running deficits even though they know what their paycheck is going to be. They do things like take home equity loans and become highly indebted with credit cards and everything else, and spend future money without restraint. So, that is what people do during their working years when their semi monthly paycheck is known. Now they go into this retirement timeframe and they have to keep spending money. But, if they couldn't understand how much they could spend when they had a $4,500 deposit twice a month into their bank account, how are they ever going to understand how much they can spend when they are staring at an IRA account worth $1.6 million that has to last them the rest of their lives?*

Will My Money Last?

Individuals need to know if they will be able to keep spending at their desired rate for as long as they might live. Our previous comment that the only thing worse than being broke is going broke hints at the fear behind this question. People don't want to find out that after years of living at a certain standard they will have to make huge cutbacks because they lived longer than they thought they would or because the markets decided to misbehave at the worst possible time for them.

What Can I Do?

There are a few key variables that determine a client's chances of success (financially) in retirement: how much they save, how much they spend, how long they work, and how they invest their wealth. (We recognize that there are other important factors such as protecting against loss of income due to disability and or the expense of long-term care. We discuss these topics in Chapter 9.) It is the combination of all these factors that determines people's funded status. Your answer to their questions should be guided by their funded status, because, we assert, it is the most concise way to encapsulate all the information available that can answer the client's question: "Am I on track?"

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THREE ANSWERS: THE PERSONAL ASSET LIABILITY MODEL

We propose the personal asset liability model as your new framework for answering these three questions. Your clients may not always like the answers, but you will be able to give them real answers based on sound principals on which they can plan their future. The model was, in part, a product of our experience with and understanding of how institutional investors solve conceptually equivalent financial problems. Not all of their methods apply directly to individuals managing their own retirement. We have taken what is useful from the institutional space and incorporated it into our model. See the sidebar "The Advantage of Pensions."

The Advantage of Pensions—Pensions have several advantages that individuals don't have when dealing with the challenge of providing income in retirement. Understanding how pensions work, how they are different, and what we can borrow from them to help the individual has informed the personal asset liability model we propose in this book.

One advantage pensions have is that they can pool longevity risk. Pensions promise to pay their members for as long as they live (and in some cases for as long as the surviving spouse lives). In this way, pensions take on the longevity risk of their members. However, pensions also *only* pay their members for as long as they live. Some members die earlier than average. The actuarial credit the plan experiences from some members dying early helps pay the benefits of those who live longer than average. This is called longevity pooling and it reduces the overall cost of longevity risk to the plan by spreading it over many members. By themselves, individuals are not able to pool longevity risk. The individual's inability to pool longevity risk is a key reason they need a process like the personal asset liability model. The process looks at the cost of purchasing an annuity to meet the individual's spending needs in the future—annuities are a form of private longevity pooling—and sets that amount as the target wealth below which we do not want the individual's assets to fall.

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Another advantage pensions have is they are able to assume they will be in existence for a very long time. In human terms they can be considered to be unending. This assumption provides them with two advantages: They are able to invest assuming a consistent and long-time horizon and they can assume they will have a perpetual source of funding from their sponsoring organization. Both of these assumptions form the central advantage allowing pensions to weather the most turbulent market conditions. They are able to keep their asset allocation focused on the long term rather than reacting to the gyrations of the market. Individuals cannot assume an endless time horizon or source of funding. This is why the personal asset liability model recommends an adaptable asset allocation methodology for those who are close to having just enough assets to meet their future spending needs.

Finally, in the United States, federal statute (ERISA) dictates that fiduciaries of pension plans sponsored by corporations operate under a standard of prudence. This is an advantage because it ensures (conceptually) that pensions will be managed in a skillful manner. There is an old saying that, “prudence is process.” Individuals are not held to a standard of prudence nor are they required to follow any particular process for managing their wealth. However, there is nothing that says they can’t adopt some of the best practices used by pensions to adopt a more procedural approach to the management of their wealth.

The basics of prudence for plan fiduciaries are to establish and follow rules, determine what information is relevant and gather the information, analyze the information and understand the implications (risks), maintain records, discuss options and make decisions, document those decisions, and, most importantly, when it is clear they don’t have the skill or knowledge needed to make a prudent decision, seek expert advice. These steps form the foundation of the personal asset liability model proposed in Chapters 5 and 6.

This framework may not be right for all your clients. After reading the descriptions and examples in this book and testing the model with select clients, you will be in a better position to determine for whom it best applies, including you, foremost. This framework does not work well for an individual who has their money spread across many advisors. Also, it relies on the individual not hiding things (assets, liabilities, objectives, motivations, and so forth) from their advisor. It requires trust.

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Chapters 5 and 6 describe the model in its entirety. Here we give you a brief overview. The best way to do this is by explaining the steps of the model as they apply to the three questions we just discussed.

How Much Do I Need?

In part one of the model, we determine a person's funded status. The funded status is the result of dividing the present value of future liabilities by the present value of assets. (Later in the book we explain how to do this, provide an example, and give you the formulas so you can do it yourself.) The numerator of the funded status fraction, the present value of liabilities, is based on the individual's spending plan. This is central to the success of the model because without a solid valuation of future liabilities you cannot determine if your client is properly funded.

In some cases, your client will already know how much they will spend in retirement. In those situations you can help them check their assumptions and move on to the next step in the model. If you need to help them build their spending plan, we describe several ways to do this. You can start with their existing paycheck and, working from this reference point, determine how much they will need to replace it. You can build the plan from scratch using their current spending patterns and their description of their future lifestyle. Or, you can solve for their spending plan and investment plan simultaneously showing them the trade-offs between standard of living and certainty that each spending plan/investment plan combination yields.

Will My Money Last?

An individual's funded status is, in our view, the best indicator today of whether their money will last far into an unreliable future. We can answer this question with relative certainty because we use as our basis the amount it would take to purchase an annuity that would meet their spending needs for the rest of their life. We call this the *annuity hurdle*. We are not suggesting they buy the annuity, only that they use this amount as a persistent reference point for how much is enough. A 100 percent funded status means they have just enough.

However, there is a bit of a catch. Having enough to buy an annuity to cover their future spending is not the same as having enough to self-insure their longevity risk for the rest of their life. It simply means that if they wanted to completely offload their longevity risk they could (at that moment), because they have enough wealth to buy the annuity. (Keep in mind, they would be giving up control of their assets, subjecting themselves to counterparty risk, and likely be paying a high cost for the protection

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afforded by the annuity.) If the 100 percent funded individual decides not to buy the annuity (and, therefore, self-insures their longevity risk), then they must consider the risk associated with the withdrawal rate they plan on taking from their portfolio. (We define this risk as the product of the probability of success and the magnitude of failure. Success is defined as not running out of money before they die. Again, all this is explained in detail in Chapter 6.)

The catch is that individuals close to 100 percent funded may find that they are not comfortable with the risk of self-insuring but are also not comfortable giving up control of their assets by buying an annuity. This is where you come in. There are ways to help your client make these decisions and manage their wealth that give them the best compromise between their desire for spending and desire for certainty. It is for individuals who are close to 100 percent for whom you can deliver the greatest economic value in helping them reach and maintain their desired lifestyle. For people outside this range, we have other suggestions that are covered in Chapter 6, bearing in mind that fewer assets tend to result in fewer options.

What Should I Do?

For individuals who are well below 100 percent funded, they lack sufficient financial assets to rely on as the means to solve their problem, as it is currently framed. Assuming their frame is immovable, their best course of action involves obvious noninvestment-related adjustments such as save more, spend less, and work longer. If they cannott correct their situation with these adjustments, they may have to take on significant investment risks as their only recourse. By definition, they don't have enough to annuitize, and a conservative investment approach will not get them to 100 percent funded status. Helping clients avoid this condition is a noble objective in and of itself, but bringing clients into your practice already in this condition is inviting you and your team to participate in the chaos and confusion of their financial future.

Individuals who are well above 100 percent funded have better choices. Depending on how great their funded surplus they may well be able to adopt any reasonable investment approach and still have high certainty of meeting their spending needs. These individuals will make their investment decisions based more on their risk preference rather than their funded status (because their surplus creates the risk budget to do so).

It's the giant group in the middle, those slightly overfunded or underfunded, who need the most surveillance of their funded status, and need from you the higher level of precision in teaching them their trade-off truth or consequences. Their wealth needs near constant surveillance. We say these

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people are in the adaptive zone because their portfolio (in our opinion) is best managed adaptively. By adaptive we are not suggesting you attempt market-timing investment decisions based on what's happening in the capital markets. The adaptive process we are suggesting is that **as these people's funded status gets closer to 100 percent, you invest their portfolios more conservatively in order to defend their surplus**. If, instead, their funded status increases, then you might also elect to take more risk with their portfolios. This is what we mean by adaptive.

So, the answer to your clients' question about what they can do is conditioned on their funded status. For clients in each of the three categories—underfunded, overfunded, and everyone in between—you must be prepared to have a different conversation about what they can do. The model provides you with answers for all three conditions. In Chapter 3 we talk about client segmentation and suggestions for how to conduct those three different conversations.

FOCUSING ON THE RIGHT THING

There is some portion of the investor population that is disengaged and cynical about the future, including engaging in financial planning for a future they essentially dread. There is also a portion of the advisor population that is innately cynical. Obsessing over facts about the macroeconomic environment, such as housing prices, unemployment rates, the likelihood of interest rates going up, the pressure on the U.S. currency due to government debt, and so forth is causing people to further disengage. They are so focused on the negatives that are out of their control they are unable to imagine things happening in the future that may counteract these issues, and this is a problem.

The problem for you is that you are spending a lot of your time explaining to your clients why they shouldn't fear the future. For your clients, worrying about the future prevents them from being receptive to any message you have about managing their future. Now, what should you do about that? You should focus your clients' attention on one thing that bridges the present and the future: their funded status, and what they can do to improve or maintain it. In the end, this is the most abbreviated diagnostic of their potential for financial security—with or without you—and it encompasses decisions and behavior in their actual circle of influence, today.

Concerns about reductions of living standards or diminution of purchasing power in the future are rational, whether they are caused by insufficient wealth, the inability to control spending, the loss of purchasing power due to long-term inflationary effects, or probable reductions in both the certainty

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and absolute value of government sponsored benefits. What is irrational, given the amount of anxiety this engenders, is that these concerns have not brought about a more universal recognition for the need for precision approaches to matching assets to liabilities (hence personal asset liability model). In the next chapter, we make the case for the emerging retirement crisis in America and how it's causing a need for greater precision in managing individuals' funded status. Maybe this will become a new standard of prudence? We earnestly hope it will.

NOTES

1. Cogent Research, "Investor Brandscape 2010" study (copyright 2010); used with permission.
2. James R. Hood, "Wealthy Investors No Longer Content With a Single Financial Advisor," ConsumerAffairs.com, interview with Katharine Wolf, Cerulli Associates, March 24, 2011.
3. Peter Bernstein, *Against the Gods* (New York: John Wiley & Sons, 1996).
4. "Reclaiming the Future," Allianz Life Insurance Company of North America contracted Larson Research and Strategy Consulting, Inc. and DSS Research to field a nationwide online survey of 3,257 U.S. adults, aged 44–75. The online survey was conducted in the United States between May 6, 2010 and May 12, 2010.