

ACCOUNT RETENTION MAXIMIZER

Longevity Risk Exposure Education & Preparation Platform

Executive Summary

Medical breakthroughs and advances in pharmaceuticals have led to Americans living increasingly longer lives. Between 1950 and 2000, life expectancy improved by 12 years to 79.1 years of age. As a result of these improvements, one out of every 3 newborns today are expected to reach age 100.

The population age 65 and older is nearly 55 million and is the fastest growing segment of the population. They have the highest net worth of any age group; this is a market not many advisors can afford to ignore.

Although much of this is good news, with it comes new challenges for full-service Broker-Dealers and their financial advisors as they attempt to manage clients' portfolios to ensure those clients lead a comfortable post-retirement life.

More specifically, the challenges facing Broker-Dealers results from two byproducts of longer lives.

1. As people live more years in retirement, their nest-egg needs to last longer.
2. Longer lives are not necessarily healthy lives. In fact, data shows that one out of every two retirees will require some level of costly custodial or extended medical care during retirement which can quickly erode the nest-egg.

To be effective, portfolios must be managed to produce income for longer than originally planned for and potentially cover unplanned expenses for medical and custodial care should it become necessary, without exceeding the client's risk tolerance or depleting the client's portfolio.

The challenges facing the firms and their advisors are further exacerbated by the fact that tech-savvy millennials and Gen-Xers, who ultimately assume control of family assets, seem to prefer the less costly and simpler virtual services available on-line and see less value in the traditional way investment services have been delivered to their parents. As a result, it's more important than ever that advisors

showcase their value proposition not only in amassing wealth for the client but also in preserving and maximizing assets for the heirs as well. Otherwise, the advisors' book will not only shrink due to the aging-related factors mentioned above but will be further eroded as fewer and fewer heirs keep their inherited assets with the advisor.

ARM is an advisor specific financial modeling tool designed primarily as an education/customer service tool that enable Financial Advisors to easily determine and visually demonstrate the financial threat longevity related risks pose to client portfolios and their overall financial security.

This tool provides advisors with the capability to protect portfolios from the financial implications of aging thus minimizing book shrinkage. It does this by:

- quantifying aging-related risks
- graphically projecting the threat posed by those risks to invested assets
- offering options to mitigate those risks including insurance with specialized features.
- Visually projecting account values with or without mitigation.

It is also an effective tool to further solidify relationship with the client and demonstrate advisor's unique value proposition to their heirs.

ARM is an e-commerce program in 2 independent parts.

Part 1 - Risk Assessment Module

This tool allows advisors to compare their clients projected future account values under four different scenarios.

- Scenario #1 - Where risks are assumed by the client and the client lives a long healthy life, never needing extended care.
- Scenario #2 - Where risks are assumed by the client, but the client does require extended care at some point.
- Scenario #3 - Where the risk mitigation is purchased but, fortunately, the client lives a healthy life, never needing extended care.
- Scenario #4 – Where the risk mitigation is purchased, and the client does require extended care at some point.

For each of these scenarios, the highly flexible and robust modeling capabilities of **ARM** interactive platform, can quickly develop, visually illustrate and compare account values at any targeted point in time (the advisor-only, view option includes projected account revenue under each of the scenarios). This process can be highly instrumental in assisting clients to easily make informed decisions regarding their financial exposure to aging related risks, even for those with financial resources to fully assume all related risks. Incorporating ARM in one's practice enables the advisor to deliver a level of sophisticated service not easily replicable with Online or Robo-Advisor capabilities. A unique service that preserves and maximizes assets not just for the client but for the heirs as well further showcasing the advisor value proposition.

Advisors who can protect their client's assets from aging related risks not only maximize the likelihood their clients will achieve their financial goals but engender enhanced customer satisfaction and loyalty as well. That in turn, will help preserve their book and increase the probability of continuing the relationship should there be a change in control of the account due to incapacity or the death of the investor.

Part 2 – Risk Mitigation Fulfillment Module Utilizing Insurance

This optional tool simplifies the insurance sales and application process for advisors who have historically been reluctant to use insurance due to the product and administrative complexities. With this capability, advisors can engage clients directly without the fear of tarnishing their professional image for lack of adequate expertise in insurance.

The traditionally cumbersome and time-consuming purchase and acquisition process of insurance is streamlined to more closely parallel the process used by advisors in positioning their core products. This is accomplished through a simple and quick electronic pre-qualification screening directly between the client and the platform that determines suitability and qualification for this module.

The platform also includes additional tutorial modules that enhances advisor comfort with addressing personal risks as well as other critical capabilities related to investor concerns that makes **ARM** even a more useful tool for the advisor.

ARM is a results-based solution that enables advisors to identify and mitigate risks to clients' portfolios resulting from improved life expectancy. This will safely protect current assets and potentially result in additional revenue from gathering new assets from clients that are not just concerned with investment risks but personal risks as well.

THERE IS A GREATER PROBABILITY FOR ACCOUNT SHRINKAGE FROM PERSONAL RISK TO INVESTORS THAN FROM MARKET RISK TO THE INVESTMENTS