IMPENDING CONVERGENCE

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Edward Shane: Baby boomer is defined by someone born through 1946-1964, so the first of the baby boomers, those born in 1946 reached 70 years of age in 2016. At 70.5, you need to begin taking these RMDs, and RMD is a required minimum distribution that must be taken from an applicable retirement plan once the account owner reaches the age of 70.5. The confluence of the large number of retirees hitting RMD status, and the massive amount of assets that they have accumulated throughout their lifetime, are going to cause a huge outflow of assets from retirement programs.

After many years of asset accumulation, this unbridled outflow of funds from these programs is going to have a material and adverse effect on the industry managing these assets.

Over the next 20 years, the cohort of individuals reaching RMD status will swell to 58 million people. During that time, billions of dollars of assets will be forced into retirement programs by RMDs. Upwards to $10 trillion of assets will be subject to RMD status over the next 20 years.

Creating and adapting new strategies to retain, redeploy, or otherwise slow the exit of these assets will be paramount to the wellbeing of the industry. Solutions such as debit card, checking account tied to an interest-bearing account is one option that is already used in the insurance industry. Another solution could be deposit of these RMDs into a virtual wallet for healthcare expenditure, since that is known as one of the key expenditures in retirement. Also, another debit card checking option to an interest-bearing account could be deployed using gift cards or stored value cards into which both RMDs and voluntary distributions could be deposited.

Those who solve for this issue by developing investor friendly solutions, they win the battle of asset retention and avoid the outflow of funds in the coming tsunami of RMDs.

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