

# Conversations with CANNEX Q&A: John Faustino, Head of Broadridge Fi360 Solutions

Cannex’s Tamiko Toland discussed the future of guaranteed income solutions within retirement plans with John Faustino, Head of Broadridge Fi360 Solutions. Broadridge acquired Fi360 in 2019 and John is responsible both for that and Product Management at Matrix, a custodian that supports many recordkeepers.

Cannex is partnering with Broadridge Fi360 Solutions and Fiduciary Insurance Services on **The Lifetime Income Consortium**, a group that aims to address key challenges in the adoption of these solutions within retirement plans. With the participation and sponsorship of a diverse range of firms operating in the space, the Consortium is developing a validated independent framework to evaluate income solutions for implementation within retirement plans. Another key objective for the group in 2022 and beyond is education.

You can connect with John by email at [john.faustino@broadridge.com](mailto:john.faustino@broadridge.com).

## Q&A

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## Why is it important for Broadridge Fi360 Solutions to make a strong push into income?

For one thing, the Department of Labor recently stated that one of its goals for 2022 is greater access to lifetime income within 401(k) plans. But there are a few factors that are driving this need. Demographically, we know there is less access to defined benefit plans. At the same time, John emphasized that Social Security provides lower benefits on an inflation-adjusted basis than it did 20 years ago—while life spans have increased.

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*“There’s a real market need for lifetime income options to be included within retirement plans.”*

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## What is this the “moment” for in-plan lifetime income solutions?

The Secure Act makes it easier for sponsors to include annuities within 401(k) plans because of the safe harbor for selection of an insurer. On top of that, there is generally a “tailwind” that is positive since regulators are explicitly focusing on increasing access to lifetime income offerings.

That said, there is more going on, John explained. During outreach to product providers (insurers and asset managers) promoting the concept of working together to evangelize and facilitate uptake, “there was so much like-mindedness” generally recognizing the market need to help participants and to push the industry forward in general.

Earlier on, 10 or 15 years ago, there was more of an inclination for companies to go it alone with the hopes that a unique offering would differentiate them and allow them to gather significant assets. Given that that did not happen, there is broad acknowledgement of the benefits of coming together in this effort.

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*“There’s a recognition—and maybe some learnings from past experiences—that collaborating with peers will create a rising tide that’ll lift all ships.”*

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## Why is the Consortium sponsored by commercial entities and not a trade organization?

The Consortium is not endeavoring to compete with other organizations that have been and are increasing awareness and doing work on the subject of lifetime income broadly. However, they are not focused specifically on practical implementation concerns that are crucial for commercial success. Also, independent third-parties sit in a very different position to understand and make headway on the commercial challenges to implementation and adoption.

In addition to managing Fi360, John is also responsible for Product Management at Matrix, which is Broadridge's custodian. Through that relationship with the industry, he explained that the company has a keen understanding of the friction of adoption for all stakeholders. After all, a huge "challenge with the uptake of lifetime income is the connections between the product providers and the recordkeepers and a custodian."

The Consortium is able to take a product-agnostic view to evangelize lifetime income and assume a hybrid role between a trade or educational organization and the product manufacturers to facilitate the development of this market.

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*"I believe that, for lifetime income to really be successful, it has to be commercially viable. It has to be commercially viable for the providers and it has to be commercially viable for advisors."*

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## Why is the development of an evaluation framework so important?

John shared feedback from advisors who use Fi360 that they find the prospect of lifetime income solutions interesting, but they ask what they benchmark them against. "How do I get data to evaluate it not only for the initial selection but for the ongoing monitoring?" The development of reliable standard is "critical for these options to get used."

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*"There are a lot of fiduciary concerns that are driven by the lack of a standardized framework and also standardized data for that ongoing due diligence and monitoring."*

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## Why are advisors are expressing such interest in income solutions?

In the last five or 10 years, advisors have become much more active in plan placement than they had in the past, John observed. “We’re seeing more than 70% of plans being placed by advisors,” meaning that they’re assuming a role in the center of plan implementation conversations with sponsors more than they had been before.

Furthermore, advisors are moving away from the “broker of record” status and acting as a 3(21) or 3(38) fiduciary, which is a much greater responsibility (*401(k) Specialist* explains the difference in [this article](#)). However, they are winning business over advisors who don’t have as sophisticated an approach and relationship with the sponsor. This makes income solutions another opportunity for the advisors who want to up their game and deliver more value to pick up more business and be compensated accordingly.

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*“It provides opportunities for advisors to differentiate themselves from a plan design standpoint, and to show plan sponsors how they can better address the needs of the underlying participants.”*

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## Why is education front-and-center in the Consortium’s plans for Year One?

Though people find the concept of guaranteed income appealing, negative connotations around annuities linger and create some resistance, John explained. The plan for 2022 includes a series of webinars to educate advisors, consultants, and plan sponsors to help them understand the concept of guaranteed income and the role of annuities—and effectively evaluate them based on their costs and benefits.

Education will necessarily go far beyond the Consortium. For example, after the changes that came with the Pension Protection Act, advisors needed significant understanding to grasp both target date funds and managed accounts.

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*“There is still going to need to be a lot of one-on-one education with product providers and with advisors on this topic so that they can educate plan sponsors.”*

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## What is your biggest annuity pet peeve?

Despite a lot of changes in the marketplace, the reputation persists and annuities “get a bad rap in general,” John explained. As a result, misinformation about annuities—often based on outdated information—is rife.

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*“A lot of people haven’t gotten beyond questionable selling practices in the 1990s.”*

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## What do you miss from your early career?

John said that he has always enjoyed the experience of leaning into new challenges and added, “I would go over my skis often.” The process of adapting to the situation dynamically is satisfying and is part of why the Consortium and expanding into new territory for Fi360—for the benefit of the industry and participants—is so gratifying.

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*“I look back at a handful of experiences that I've had during my career where I've taken on projects that are green space, and then been successful sometimes (and not other times). That journey has been very positive and it’s what I’m excited about with the Consortium.”*

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## What do you most look forward to in the industry?

As a “results-oriented” person, John commented that he enjoys working on projects that produce tangible changes. He looks forward to prospect of reaching concrete milestones through the Consortium that will ultimately result in improved adoption and “doing better for the world, better for plan participants.”

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*“I'm looking forward to seeing greater adoption of these lifetime income options based on the work that we're doing.”*

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