



reddi's IUM-Based Fees for Decumulation Plans

Why fees on investments under management, not assets under management, align reddi with client interests

While the traditional Assets Under Management (AUM) fee model makes sense for investors during the accumulation phase of wealth building, it may not translate as well for decumulation. As investors transition into retirement, their primary concern shifts from growing assets to generating reliable, sustainable income. This fundamental change demands a new approach to both measuring success and the fees they pay for income plans.

Introducing Income Under Management (IUM)

IUM shifts the focus from asset growth to income generation, directly aligning with retirees' primary goal: maintaining their desired lifestyle through reliable income streams. This metric measures the actual income being generated for clients, providing a more relevant structure for platform fees that are based on retirement planning success.



Why IUM Works Better for Decumulation



Aligned Incentives: When platform fees are tied to income generated rather than assets managed, the focus naturally shifts to optimizing sustainable income streams.



Clear Success Metrics: Clients can easily understand and track their progress against specific income goals.



Risk Management: IUM encourages strategies that protect and stabilize income, rather than simply maximizing returns regardless of risk.



Transparent Fee Structure: Fees based on income generated are more predictable and intuitive for retirees, who are primarily concerned with their take-home amount.

reddi: IUM in Practice

The reddi platform exemplifies how IUM can work in practice. By basing its fee structure on income generated rather than assets managed, reddi solidifies alignment with client interests:

- Fee structures are transparent and predictable
- Success is rewarded for income delivery rather than asset growth
- Everyone benefits when client income is optimized

The Impact of IUM on Clients, Advisors, and the Industry

Benefits for Clients:

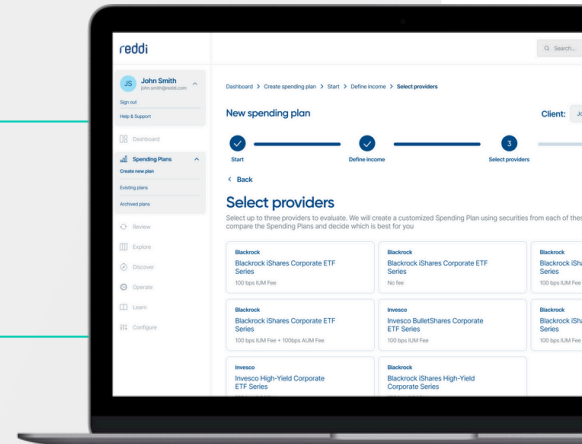
- Clear understanding of fees relative to income received
- Alignment of platform incentives with their primary goal
- Focus on income sustainability rather than asset maximization

Benefits for Advisors:

- Fee structure that rewards successful income planning
- Alignment with fiduciary responsibilities
- Clearer value proposition for decumulation clients

Benefits for the Industry:

- Evolution toward more appropriate retirement success metrics
- Better framework for evaluating decumulation strategies
- Increased focus on income sustainability and risk management



The Future of IUM

As the investment industry continues to adapt to the needs of retiring baby boomers, IUM represents a crucial evolution in how we measure and reward success in retirement planning. Aligning platform fees with client outcomes is a better way to serve the growing number of investors transitioning from wealth accumulation to retirement income generation.



About reddi

reddi is an income-driven investment solution providing pension-level predictability. It's powered by a first-of-its-kind technology platform developed by NISA, a leader in institutional liability-driven investing.

Powered by:

NISA Connect

reddi

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