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# BlackRock, Microsoft partner on workplace platform; Guaranteed income products planned



Asset management and tech giants to join forces for new retirement savings offering including next generation retirement income products

Noah Zuss | December 13, 2018, 6:01 pm

**BlackRock** has struck a partnership with tech giant **Microsoft** that will see the fund group launch a new workplace savings platform alongside a range of lifetime guaranteed products aimed at capturing growth in an area of the market that has traditionally seen little uptake.

The high-profile move, announced today, is aimed at addressing the “shift in responsibility, from corporations to individuals” alongside increases in life expectancy, according to a joint statement from the firms.

**Microsoft** cloud and AI technology will be paired with investment expertise from the world’s largest asset manager, Microsoft CEO **Satya Nadella**, explained, with the new platform offering digital savings tools and access to a range of BlackRock products available to employers from next year.

“Retirement systems worldwide are under stress and providing financial security to retirees has become one of the most defining societal challenges of our time,” **Larry Fink**, chairman and CEO of the \$6.4trn New York-based money manager, said.

**Tim Neuvlle**, senior director with **Marcum Financial Services**, said BlackRock sees an immense asset gathering opportunity from DC flows as US firms have curtailed and shuttered traditional defined benefit pension programs.

“With the shift from DB to DC plans, more and more individuals are challenged with the responsibility of managing their retirement assets,” he explained. “There is a desperate need for simple tools that individuals can use to manage their portfolio risk and help ensure they have enough to retire on.”

Nearly \$8trn of retirement assets are currently invested in DC plans, 2018 Investment Company Institute data shows. BlackRock currently has no retail distribution channel for retirement products.

The asset manager is expected to launch guaranteed investments with lifetime income components similar to annuities, the Wall Street Journal reported, with the funds looking to increase their exposure to financial instruments such as annuities as participants get older. BlackRock was unable to give further product details by press time.

Many target-date fund providers have not included annuities in DC plans because of complexity and high costs. Additionally, plan sponsors are reluctant because of surrender charges, a lack of employer level portability if the recordkeeper is changed and poor participant education.

At the end of 2017, assets in variable annuities were \$2.1trn, fixed annuities held \$453.7bn and indexed totaled \$407.8bn.

Cerulli Associates expects fixed index annuities to grow the fastest going forward, and projects these vehicles to increase to 40% of the total annuity production by 2023, exceeding sales of traditional annuities by the end of 2021.

Despite the low levels of take-up, interest in retirement income products is greatly increasing, a 2017 **MetLife** survey found. In 2012, just 9% of plan sponsors agreed that lifetime income should be the core purpose of a defined contribution plan, compared with 85% in 2016, the firm's Lifetime Income Poll reveals.

"As a population we are getting older and the baby boomers are really driving that aging," **Roberta Rafaloff**, vice president of institutional income annuities at Metlife, said. "How long are they going to live, and do they have the income resources that they need? [This] is really making plan sponsors think about what the focus of their plan is."

**Phil Chao**, principal and CIO with **Chao & Company**, compared BlackRock partnering with Microsoft to **JPMorgan**, **Berkshire Hathaway** and **Amazon** tackling health care to lower costs for their employees.

"When you have the scale of somebody like Microsoft, if you have enough money you can cut out as many middlemen as you want and go direct using technology," he said.

BlackRock would likely first roll out guaranteed products to Microsoft's more than 101,000 401(k) plan participants, Chao said. The technology firm's 401(k) plan manages \$20bn in retirement assets, representing a large distribution opportunity, he argued.

"Based on my understanding Microsoft basically is their client," Chao said. "They want BlackRock to build out the whole infrastructure for them, of course using BlackRock investments and basically cut out the middleman."

Non-profit retirement recordkeeper specialist TIAA advocates tapping annuities to offer participants guaranteed income in retirement, **Diane Garnick**, chief income strategist, noted previously.

Nearly 10,000 baby boomers retire every day, **Pew Research Center** data reveals. DC plans are in outflows of \$1bn a year, **Bob Melia**, executive director, the Institutional Retirement Income Council, explained.

BlackRock has made a number of technology-led moves in recent times, investing in financial wellness app **Acorns** earlier this year, Fund Intelligence previously reported. The asset manager took a minority stake and invested roughly \$33m in London- and Munich based robo-adviser **Scalable Capital** last summer. It also acquired digital investor FutureAdvisor in 2015. It also took a stake in turnkey asset management platform Envestnet last month.

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