

Observer

Different Questions Produce Different Longevity Answers

How long you expect to live depends on how the question is asked. That's the conclusion of a team of researchers in a Columbia School of Business research paper. The authors suggest that beliefs about longevity are constructed at the moment a respondent is asked. Answers are influenced not only by the individual's age, gender, and health, but also by the way the question is framed.

Over the course of three studies, respondents were asked how likely they were to survive to age 85. The answer: 55 percent. But when individuals were instead asked the likelihood of their dying by age 85, they answered 68 percent. The estimated mean life expectancies ranged from 7.29 to 9.17 years longer for those who responded

to the "live-to" question, compared to those who were given the "die-by" framing.

The authors compared estimated life expectancies to the Social Security Administration life tables and discovered that the expectations of individuals in the live-to frame more closely reflected the actual life expectancies for ages 65 and 75. By contrast, respondents to the die-by question were more accurate for older ages, such as 95. The authors found that the framing effect on judgments is partly influenced by the relative number of thoughts in favor of being alive at that age. The research also established a correlation between respondents' life expectations and their varying preferences for life annuities.

How Secure Is Your Password?

This year, more than 90 percent of user-generated passwords—even those your IT department considers "strong"—could be compromised by hackers, according to Deloitte.

A popular misconception is that hackers work by first discovering a username, then going to a login page and guessing the password. But most websites freeze an account after a few unsuccessful attempts. More commonly, organizations store usernames and passwords in encrypted master files, which can be leaked or stolen. Hardware and software for hacking and decryption have become more sophisticated and less expensive.

A password containing at least eight characters, with upper and lower case letters, at least one number, and one non-alphanumeric symbol, has long been the standard. Longer passwords would be more secure, but computer users find it difficult to memorize a series of more than seven numbers. Complex passwords also are hard to enter on smartphones. Consequently, users often

create passwords containing common names or words, using very few symbols. These tendencies weaken password effectiveness. Even worse, individuals reuse passwords for multiple accounts. A security breach on a less secure game site or social network can give hackers access to the user's high-security financial account.

To boost security, examine your firm's rules regarding password expiration, minimum length, use of the full symbol set, and password resets. Don't store unencrypted usernames and passwords. Password vaults and new software can make passwords harder to hack. Avoid obvious passwords that use names, common words, and number/letter sequences. Avoid obvious password reset clues, such as "mother's maiden name."

Expect many technology and telecommunication companies to implement multifactor authentication, augmenting the security of account names and passwords with fingerprints, iris scans, USB plug-ins, and other features.

STAT BANK



1,541...Number of disciplinary actions brought by FINRA in 2012, 53 more than the prior year. (FINRA)

\$68 million...

Fines levied by FINRA, which also ordered \$34 million in restitution in 2012. FINRA expelled 30 firms from the securities industry, barred 294 individuals, and suspended 549 brokers from association with FINRA-regulated firms. (FINRA)

\$6.6 trillion...

The retirement income deficit—the difference between what Americans have saved for retirement and what they should have at this point. Half have less than \$10,000 in savings. (U.S. Senate Committee on Health, Education, Labor & Pensions)

>One-third...

Percentage of adults, age 40 and younger, who agree with the statement “money can buy happiness.” Only 18 percent of investors 61 and older agree. (Spectrum)

43...Percentage of American youth (grades five through 12) who say they are “very likely” to have a better standard of living, better homes, and a better education than their parents. (Gallup)

30...Percentage of U.S. small business owners who fear they may not be in business 12 months from now. (Wells Fargo/Gallup Small Business Index)

70...Percentage of CFP professionals whose firm or company has a formal social media policy in place. (CFP Board)

\$5.4 trillion...

Combined net worth of the world’s 1,426 billionaires, up from \$4.6 trillion last year. (Forbes)

11.2...Percentage of annual post-tax income spent by the average U.S. household on food in 2011, compared to 16.8 percent in 1984. (Bloomberg BusinessWeek)

9...Average percentage of a borrower’s monthly disposable income that goes toward mortgage payments in the United States, compared to 30–50 percent in China. (Bloomberg BusinessWeek)

35...Percentage of those under age 30 with student loans at least 90 days late in Q4 2012, versus 26 percent in Q4 2008.

(New York Fed)

Investors Trust Advisers more than Firms

Although investors expect that their financial advisers are obligated to put their interests first, only 28 percent of investor households believe financial firms regularly do so. According to Cerulli Associates, that 28 percent is unchanged from 2008.

“Less than 30 percent of investors believe their interests come first at the firm level,” said Scott Smith, director at Cerulli Associates. “Fortunately, investors have a higher level of expectation when it comes to the individuals handling their accounts. Two-thirds of investor respondents indicated that the adviser assigned to their account must put client interest first at all times, which results in a significant gap in trust

between what investors believe about advisers and their firms.”

Cerulli finds that deepening client trust is essential for firms that want to maximize the value of their client relationships. Only by truly aligning their business models with investors’ interests and expectations will firms be able to increase their addressable opportunities, according to the global analytics firm. Cerulli believes that firms that fully embrace and promote their roles as fiduciary providers are most likely to increase their opportunities among retail investors.

For more on building trust, see FPA Retreat 2013 keynote speaker Judith Glaser’s article on page 20.

“The elevator pitch is so 20th century. Best these days seems to be the one-word pitch, one-word equity, global ownership of one word in the public mind. When people say that word they think of you. When they think of you, they say that word.”

—Author Daniel Pink, in an interview with Knowledge@Wharton