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# Voya Aims at Rollovers With New Managed Fund Portfolios

By Andrew Greene, May 27, 2016

Voya Financial Advisors is taking its fund wrap business downmarket, launching 20 new model portfolios with bare-bones minimums and fees.

The new Voya Wealth Portfolios will include four different series of portfolios, each made up of funds from a single asset manager. Each manager's series will include five risk-based models and have a $5,000 minimum.

Andre Robinson
Head of Advisory Solutions
Voya Financial Advisors, Inc.

The move allows Voya's network of 2,100 advisors to target clients with smaller balances and will be offered through qualified accounts including Roth and Simple IRAs, says Andre Robinson, head of advisory services for Voya Financial Advisors. The idea is to offer a low-cost product that provides an efficient way for Voya's reps to service smaller accounts, he says. Minimums for the broker-dealer's other fee-based programs tend to start at $25,000, disclosures show.

"This allows us to come downstream and capture assets that would not normally qualify for other parts of our platform," says Robinson. The additions also follow the release of the Department of Labor's fiduciary rule, which has put a spotlight on commission-based sales and fees for products within retirement accounts, including retail IRAs.

Rollovers from Voya's defined contribution recordkeeping business are a large source of new business for the broker-dealer, and one that the wealth management unit could draw from more, one consultant notes.

With $112 billion in retirement assets under administration as of the end of March, Voya is a significant player in the defined contribution retirement space. It reports that it has 47,000 institutional accounts and administers accounts for 4.5 million individual investors.

Executives at the broker-dealer unit declined to name the four initial fund managers being offered on the new Wealth Portfolios, and say that the firm is in ongoing discussions to add series from other fund complexes to the platform.

Voya picked its initial partners based on historical levels of assets and sales of their products industrywide as well as through the broker-dealer's platform, says Robinson. The four firms represent an even mix of active and passive products, he says.

The new portfolios will feature an online account setup and the models will be created and overseen by turnkey platform provider Folio Dynamix.

Voya has revenue-sharing agreements in place with 17 outside fund complexes including Allianz, American Funds, BlackRock, DWS, Fidelity, Franklin Templeton, Hartford Funds, Invesco, John Hancock, J.P. Morgan, MFS, Navigator Funds, Oppenheimer Funds, Pimco, Pioneer, Prudential and Putnam, an April 29 regulatory filing shows.

Funds included in the new Wealth Portfolios will have no 12b-1 or administration fees and there will be no revenue-sharing agreements tied to the new portfolios. The portfolios do carry strategist fees, which Robinson declined to specify.

Fund shops with portfolios included on the new platform will assign a dedicated wholesaler to work with Voya and its reps to provide marketing support and education, Robinson says.

The new Wealth Portfolios are the latest development in Voya Financial Advisors' build-out of its fee-based account business, which first launched in late 2013.

Since then the independent broker-dealer has made a concerted push to develop its advisory network by adding resources including systems and software that made using the platforms simple for advisors, and a broader array of products and services.

As of the end of 2015, such programs represented $12 billion in assets, or about 28% of the firm's total client assets. That's up from $9.9 billion one year earlier.

The new low-cost portfolios help address advisors' requests for services that free up their time to spend with clients on financial planning, rather than building portfolios, says Tom Halloran, president of Voya Financial Advisors. "That was a big reason these make sense," he says.

A series of factors are driving a migration of assets from commission-based brokerage accounts into fee-based advisory. That includes the Department of Labor's fiduciary rule, the growing prevalence of digital advice in the form of so-called robo-advisors, and multi-generational wealth planning, says Dennis Gallant, president of GDC Research.

"The big challenge for advisors is always capacity, and managing assets always takes time," Gallant says.

"The idea is that they want to capture the assets and keep it low-cost and have low-cost solutions that can achieve scale," he says. The DOL's rule has also driven scrutiny of investor fees that could be misconstrued as leading to biased advice, he says.

Risk-based model portfolios like Voya's new offering make it easier for advisors to serve a greater number of clients. And many investors have become familiar with it through target-date funds and target-risk funds in 401(k) plans, he notes.

From 2012 to 2015, $1.9 trillion in retirement assets rolled over into an IRA account, according to estimates from research firm Hearts & Wallets. In response to questions concerning why they chose to roll their assets over into a Voya account, 66% of investors indicated that they did so in order to consolidate their assets for better retirement planning, says Laura Varas, founder of that firm.

Still, the Hearts & Wallets data shows that 53% of investors in Voya-administered retirement plans roll their savings into an IRA and another 47% cash out.

Voya retains less than a quarter of their rollovers, according to Hearts & Wallets data. By comparison, firms such as Merrill Lynch and B of A retain close to 50% of rollovers, which is the upper limit of IRA rollover retention rates, she says.

As it launches the new portfolios, "it looks like Voya has a big opportunity to stop cash-outs," Varas says.



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