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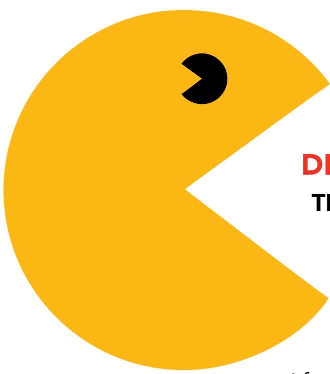
Letters To The Editor

TWO TOPICS



DEAR EDITOR,

THIS LETTER IS IN RESPONSE to the June/July article in *The Actuary* titled, "Retirement Software Eat Dots, Avoid Ghosts."

After examining 12 non-randomly selected retirement planning software programs, the authors of "Retirement Software Eat Dots, Avoid Ghosts" conclude that there are a number of issues that these programs fail to adequately address. While I agree with the authors, I don't think that retirees who chose to self-insure their retirement will necessarily be better served with more sophisticated software designed to address all the supposed shortcomings of the existing software. What is needed, instead, are applications by retirees of effective algorithms to periodically adjust the results developed by the existing software for deviations between actual and assumed experience to keep their retirement spending on track. In short, retirees who choose to self-insure their retirement need to apply accepted actuarial principles to better manage the risks involved.

I've developed a website to help retirees and soon-to-be-retirees develop a spending budget throughout retirement. The website contains a paper that discusses the risks involved in self-insuring one's retirement and includes two "unsophisticated" spreadsheets that can be used to develop an initial spending budget. As noted in the paper, more sophisticated calculation tools may be used for this purpose, but the most important aspect of determining an ongoing spending plan is to follow the general actuarial process described in the paper to "manage the risks like an actuary."

The website is: *http://howmuchcaniaffordtospendinretirement.webs.com/*

No financial gain inures to me from visits to this site.

It is my hope that this site can be of some value to individuals who choose to self-insure their retirement and want an idea of how much of their accumulated savings they can afford to spend each year. The spreadsheets can also be useful for individuals who may know how much they want to spend each year, but may not know how much savings they need to accumulate to provide such an annual income.

I know that the spreadsheet has already helped at least one family; my wife and I have developed our retirement spending plan for the next year. Our budget was based on a 4 percent investment return assumption, 4 percent inflation and a 40-year life expectancy.

Ken Steiner, FSA, EA, MAAA
Ken retired from Towers Watson on April 30, 2010 after 38 years in the pension field.

MIKE,

I JUST READ YOUR LETTER FROM THE PRESIDENT titled, "NO BOUNDARIES: The SOA as a Global Organization—Serving All Members," in the June/July 2010 issue of *The Actuary*. In particular I noted your comment on page 8 in the third column, second full paragraph: "Now that the CERA has been launched as a global risk management credential, the CERA will increase the visibility and influence of actuaries within the international ERM sphere, leading to a more diverse and prominent actuarial profession."

This statement got me to thinking. Every acronym referring to actuaries, like FSA, ASA, MAAA, FCA, FCIA, FIA, EA and so on, has the word actuary or actuaries in its title. However, the CERA (Chartered Enterprise Risk Analyst) credential does not contain the word actuary or actuaries, so I must disagree with your quoted comment. Instead, I believe the CERA credential will increase the visibility of analysts within the international ERM sphere.

May I suggest that the actuarial profession rethink the name associated with the CERA credential to Chartered Enterprise Risk Actuary?

Am I the only actuary who believes if one wants the actuarial profession to be more visible and influential in the global marketplace, one should at least use the word actuary or actuaries in any acronym referring to the profession?

There, I've had my say. Thanks for listening!

Warm Regards,
Howie Heidorn, ASA, FCA, MAAA

HOWIE,

WHEN THE SOA TASK FORCE was selecting a name for the new actuarial ERM credential, many options were considered. Some people preferred actuary in the name, because it was to be a credential offered by the Society of Actuaries. Others, including me, felt the word actuary was so closely tied to insurance and pensions, that it would reduce the appeal of the credential in broader financial services and other industries. This was a judgment call, but the task force and SOA Board have approved and support the use of Chartered Enterprise Risk Analyst. It's already gaining good recognition. In some countries, for example Australia, the word actuary already has broad appeal; hence the Australians will use the word actuary instead of analyst, and that is permitted by the Global Treaty.

Sincerely,
Mike McLaughlin, FSA, CERA, FIA, MAAA