Investment ADVISOR

The Right Match

To meet the needs of aging clients, advisors need to be educated and responsive

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By Maya Ivanova

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Like it or not, the first wave of an anticipated 76 million baby boomers nearing retirement is headed your way. Are you and your financial planning practice ready for it? We're not just talking about having sufficient staff or a large enough coffee pot. No, we're asking you to consider whether you and your partners and employees are up to speed on issues specifically related to the aging investor population.

Older clients will need your guidance on real, everyday issues beyond asset allocation and investment choices. Financial planners will need to take a more holistic approach and understand the broader needs, motivations, and conflicts that seniors grapple with.

Planners will need a deeper knowledge of the everyday needs of the older clients that will constitute a larger percentage of their practices, and to which they will increasingly cater. In fact, by broadening their knowledge base on longevity, the complexities of healthcare, senior housing arrangements, and the unique emotional needs of older clients, planners will be equipped to better distinguish their financial practices from a sea of others.

To gauge how well prepared RIAs are to meet the needs of the growing number of baby boomers approaching retirement, AdvisorBenchmarking surveyed online 326 RIA firms in November 2007 about their current practices and future plans.

Planners responding to the survey acknowledged that baby boomers make up

the largest percentage (48%) of their client base. Of those advisors with managed assets between $250 million and $500 million, 68% currently cater to a client base that is composed of a majority of boomers.

Previous AdvisorBenchmarking research has shown that advisors feel well equipped to handle the wealth retention and investment management side of the retirement equation. But when it comes to non-core financial issues, such as living arrangements for retirees and senior health care issues, advisors aren't as savvy. Right now, 63% of planners lack any training in the specific needs of elderly clients.

Where does your practice stand? How do you start to get savvy?

Assess Your Knowledge

Do you and your staff need to enhance your knowledge about various senior issues? The truth is that if you cater only to institutional clients or have focused your practice on a much younger set of clients who are far from retirement, you may not need to educate yourself, but even younger clients may grapple with the more complex financial needs of their longer-living parents and grandparents. If you're like many planners who serve a broad spectrum of clients with a bulging concentration nearing or already in retirement, then it may be time to enhance your knowledge.

Start with a candid self-assessment of your practice's strengths and weaknesses. Don't look to be critical, rather try to identify lapses and then find smart ways to fill those gaps in expertise or experience.

For instance, are you or one or more of your staff members well versed on the differences between Medicare and Medicaid coverage, long-term care issues, assisted living, or prepaid funerals? Do you or someone else at your firm understand the emotional challenges clients may face when dealing with failing health, chronic illnesses, the loss of a loved one, living alone for the very first time, or having to provide for their own parents while also hoping to give to their children and grandchildren? Do you and coworkers feel genuinely well equipped to deal with your clients' physical, mental, spiritual, and financial challenges, or know where or when to refer them to others?

Build Your Bench

If you yearn to expand your horizons and learn more about these issues, then

leverage that education to benefit your clients. Perhaps you don't want to bone up on every aspect of senior living, but prefer to delve into just a few topics of particular interest. Your customized plan of better serving your clients may instead include hiring one or more planners who have specialized training in a variety of elder care and retiree issues. Or perhaps you can use an elder training program as an incentive for a steadfast employee who's been asking to get more involved. Partnering with others who provide specialized senior services is also an option.

Either way, planners can see this as an opportunity to build a deeper bench of expertise and a more competent planning practice. It also adds credibility to the firm. That can be especially pertinent for those practices sporting even the most competent 20- and 30-something financial planners whose depth of understanding about seniors only traces back to Grandma and Grandpa, according to Neal Cutler, PhD, dean of the American Institute of Financial Gerontology and adjunct professor of the University of North Carolina at Greensboro's gerontology program. "Everyone has stories to tell about their mother, but clients value your specific expertise more than an ice breaker to a conversation."

Add Some Breadth

Only a small slice (9%) of advisors said that they have specialized certification or training—such as having earned the Certified Senior Advisor (CSA) or the Registered Financial Gerontologist (RFG) designation—in areas including physical, psychological, and social aspects of older clients' lives.

Additionally, only a tiny 1% of respondents now have a geriatric specialist on staff. But more than one in four planners say that they are attending seminars and courses and/or reading articles and books to help them prepare for their clients' broadening needs—making some effort to become a retirement expert.

Like any other professional, financial planners may find they've fallen into a narrowly defined area of expertise in which they're comfortable. Moving beyond that comfort zone can prove to be exhilarating and give a boost to a practice that's fallen into a rut.

"It's important to understand the psychological, physical, emotional, and medical issues that seniors deal with," says Rosanne Grande, managing director of client services at R.W. Roge & Company, Inc., a Long Island-

based planning firm. Grande is a CFP certificant, but has also earned both the CSA designation from the Society of Certified Senior Advisors and the RFG designation from the Institute of Financial Gerontology. “Having a CFP is great, but I needed to know how it worked into Medicare, Medicaid, long-term care, and assisted living issues.”

If you’re not ready to step over that threshold and participate in a formal senior specialist program, then try learning on your own, Cutler suggests. “Learn everything you can about a particular aspect of senior living, or read the annual Medicare booklet explaining the program. There is voluminous material in the public domain to self study,” he adds.

Developing the Tools

More than half the advisors surveyed (57%) are developing tools and resources to assess their clients’ readiness for retirement and to identify key areas where clients will need additional support and guidance. Additionally, some advisors see the wisdom in partnering with third-party professionals such as long-term healthcare specialists or elder care attorneys, but a sizeable 56% have not fostered these external relationships. For those planners who wish to focus more on investment management, building strong partnerships with outside experts can be critical. Relying on third-party expertise may make it easier for advisors to broach “non-financial” topics with their clients—something that many planners struggle with.

Among the most difficult topics to broach with clients, 25% of advisors surveyed pointed to discussions related to health care and long-term care insurance. Funeral planning and memorial services were also tough topics to discuss, according to 20% of survey respondents. Talking about the prospect of having to move in with family members or choosing to live in an independent paid facility later in life was difficult for 18% of advisors, as was discussing how to spend or liquidate clients’ assets after they’re deceased.

Another way to ready your firm for the boomer burst is by making it a family affair. A significant 44% of RIAs surveyed acknowledged that they are building strong relationships with the children of boomer clients. Almost three-quarters (73%) of advisors speak with their clients’ children about their parents living longer. In fact, one in three RIAs proactively initiates longevity discussions with the kids, while a smaller 17% don’t discuss this at all with their clients’ children.

Adding Children to the Discussion

Involving clients' children in discussions can prove to be a slippery slope, says P.J. DiNuzzo, CIO of DiNuzzo Investment Advisors in Beaver, Pennsylvania. The firm manages a collective $235 million in client assets, with the average client having $750,000 of investable assets.

"There are often conflicting objectives between clients and their children," DiNuzzo says. Mom and Dad may be in their 70s, the children in their 50s, and behavioral science issues can come into play. "Kids often assume it's their money eventually anyway." But children frequently provide their parents with self-serving or poor financial and investment advice, many times due to their lack of knowledge or assuming that what's worked for their own portfolio will work just as well for their parents', DiNuzzo adds.

So what do you do when the kids want a hand in their parents' financial planning because they assume they are the heir apparent? "I've never had cause to mention to parents that their kids are giving them bad advice," DiNuzzo says. "You have to do the right thing for the parents. We have a fiduciary responsibility to the parents, not the kids. And you may not get the children eventually as your clients, but that's not our concern for now."

It often pays advisors to remember that while your clients may be responsible for their children, those clients may simultaneously be looking out for the welfare of elderly parents.

Grande says that one of the most important questions she asks her new clients is: "Do you have anyone dependent on you?" As longevity has increased, so has the age of those stuck between the proverbial rock and hard place of caring for an elder. Even very old clients may still need to supplement the income of even older living parents, she notes.

Cutler refers to this as the "senior sandwich" and acknowledges that family aging—not just an individual's aging—is a real phenomenon.

Maya Ivanova is the research manager for AdvisorBenchmarking, an affiliate of Rydex Investments and a free practice management program designed to help RIAs benchmark, better manage, and grow their firms. She can be

reached at mivanova@rydex.com.