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PLANNING FOR 8,000 DAYS OF RETIREMENT

Advisor Value in Today's Longevity Economy

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Retirement has changed. Prior to our current era of longevity, life after career was typically short, characterized by a few years of leisure, if one was lucky, and then done. Today, the years spent in retirement are longer and entail a greater variety and complexity of life transitions. Moreover, today's retirees are likely to experience a context of living in older age unimagined by previous generations. Despite this seismic shift between what retirement was and what it has now become, the relationship between financial advisor and client, including the kinds of advice that the advisor provides, has changed little. Given advances in artificial intelligence are enabling financial advice to be delivered by algorithm, coupled with clients' need to understand the changing nature of retirement, it is imperative that today's advisory practices evolve from a near-singular focus on financial security to the new business of longevity planning.

Longevity planning builds upon the core business of financial management but includes new conversations, services, solutions, and partnerships that will deepen and enrich the connection between client and advisor. This necessary evolution in the advisor-client relationship will support the capacity of clients to live better in older age and enhance the value of human advisory services.

THE NEW MATH OF RETIREMENT PLANNING: 8,000 DAYS

Life expectancy has increased steadily over the past century. For those born in 1900, 47 years was the average lifespan. Advances in sanitation, vaccinations, and health care, as well as public awareness about the importance of healthful behaviors, have pushed life expectancy well into the late 70s and 80s. The steady increase in average life expectancy in the United States appears to be stalling, but this decline is largely—and sadly—confined to lower-income populations, which are experiencing declines in

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well-being and an increase in alcoholism, opioid addiction, and suicide (Woolf and Aron 2018). In contrast, people who are fortunate to be among the nation's top two income quartiles enjoy a life expectancy well into their 80s. Individuals in the top quartile are projected to have a life expectancy of more than 85 years (Chetty et al. 2016).

Increasing longevity introduces an entirely new math to retirement planning and advice. Consider this: If a

person retires at the traditional age of about 65 and lives to be 85-plus years old, that is nearly 8,000 days of retirement. To provide perspective on just how long that is, the amount of time from birth to age 21 is about 8,000 days. From college graduation to the age of what many might consider the time of the midlife crisis is nearly 8,000 days. And from midlife to traditional retirement age is about another 8,000 days. In short, as currently defined, retirement is no longer a short period of life. It is, in fact, one-third of adult life.

Think of the transitions, events, decisions, and emotional and physical changes that occur within each succeeding 8,000-day segment. Each segment includes family, friends, teachers, mentors, employers, real estate agents, lawyers, accountants, retailers, advertisers, and countless institutions advising you on what to expect and how to live during each life stage.

But in the 8,000 days of retirement there are fewer friends, family, peers, and institutions providing ideas about what to expect and what to do with all that time—a virtual vacuum of guidance for one-third of adulthood. The brochure-inspired imagery of retirement that most people have is a trite vision of their parents' retirement—trips with grandchildren, golf, beach walks, and a more recent fascination with bike riding and dinners at riverfront cafes. All of

these are somewhat attractive, and may even ring true for some, but they are punctuated moments in life, not daily life. None of them, even if clustered together, can fill 8,000 days or capture all the life transitions that are likely to occur in an entire and still evolving stage of adult life.

A NEW GENERATION GAP

Longer life alone does not characterize today's financial services client. A new longevity economy is rising. Tomorrow's new older consumer has more education, more buying power, and more technological experience than previous generations. These three factors together contribute to a marketplace of great expectations.

Over the past 50 years, each successive generation has garnered more formal education than the last. According to the Pew Research Center, only 15 percent of the silent generation (Korean War era) had a bachelor's degree, compared to about 25 percent of baby boomers, nearly 30 percent of Gen-Xers, and almost 40 percent of millennials (Pew Research Center 2019). A higher level of education often predicts a wider breadth of interests and activities that an individual pursues throughout life. Moreover, with far more education than previous cohorts, the next-generation retirees are likely to be more confident that they can find the information and tools needed to achieve objectives including financial management, making appropriate health choices, and determining where best to retire.

Although many baby boomers and Gen-Xers have not saved adequately for retirement, the population that is older than 50 as a whole accounts for the vast majority of the nation's buying power. Studies estimate that the 50-plus cohort may control as much as 70 percent of the disposable income in the United States. This older age group no longer can be characterized as staid and unwilling to spend what's necessary to live well. High-tech, high-style, and high-priced products, services, and experiences such as luxury vehicles, homes, dining,

and travel are more often the purchases of consumers older than age 50 than younger groups (Coughlin 2017).

Age once defined a virtual digital divide between older and younger adults. Younger people are still more active on social media and mobile devices, but older adults are now embracing digital lifestyles as well. According to Pew Research, internet use among Americans ages 65 and older increased from a mere 12 percent to 67 percent between the years 2000 and 2016 (Pew Research Center 2018). Smartphone use has increased steadily among older adults, growing from 11 percent in 2011 to 42 percent in 2016. Even social media is no longer a gated community for the young. Facebook has been referred to as social media's new retirement home; 53 percent of people older than age 55 are on the platform (Edison Research 2019).

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Taken together, these factors of more education, greater income, and growing technology-savviness create a new sort of generation gap for advisors: a gap of expectations—specifically the expectation that whatever the issue, there is a product, a service, or an app that can address it. The consumers of the longevity economy, who have experienced rapid technological advances and decades of improvements in nearly every aspect of life, along with more education and buying power, believe there must be a way to know and manage what lies ahead in their latter 8,000 days. In short, they will

demand advisory value that assumes effective financial planning and portfolio performance but that ultimately goes well beyond financial security alone.

NAVIGATING LONGEVITY AND CHARTING A CONTINUUM OF ADVISORY VALUE

Understanding what lies ahead and how to navigate the multitude of transitions within 8,000 days of retirement is today's opportunity for the business of advice. Previous research describes an advisor-value continuum model that bases advisory value on the depth of the advisor-client relationship and the breadth of discussions conducted between client and advisor (Coughlin 2014). The depth of the relationship refers to the advisor's relationship with the client and the degree to which the advisor has an equally intimate connection with the client's family. Breadth of discussion captures the range of issues beyond money that the advisor and client address while planning for financial security and living in older age.

TRANSACTION-BASED VALUE

As illustrated in figure 1, the advisor-value continuum model identifies three client-advisor relationship types. Transaction-based value is characterized by the provision of traditional financial services. Focused primarily on financial aspects of the client's life, the advisor relationship rests mostly with one member of a household. Discussions are limited to finance, investment transactions, and modeling abstract future costs, e.g., health care, housing. The success of the transaction-based advisor relationship relies most on the performance of the portfolio. That is, transaction-based value advisors define their value narrowly as financial expertise and the promise of investment growth. Moreover, the advisor's relationship with the principal client is paramount. If the portfolio or the well-being of the client is ever in doubt, so too is the long-term relationship with the advisor. The transaction-based value advisor is most vulnerable to artificial intelligence (AI) or "robo" financial

planning alternatives and, without a strong relationship with other family members, faces exceptionally high retention risk should the client become ill or can no longer serve as the primary family contact.

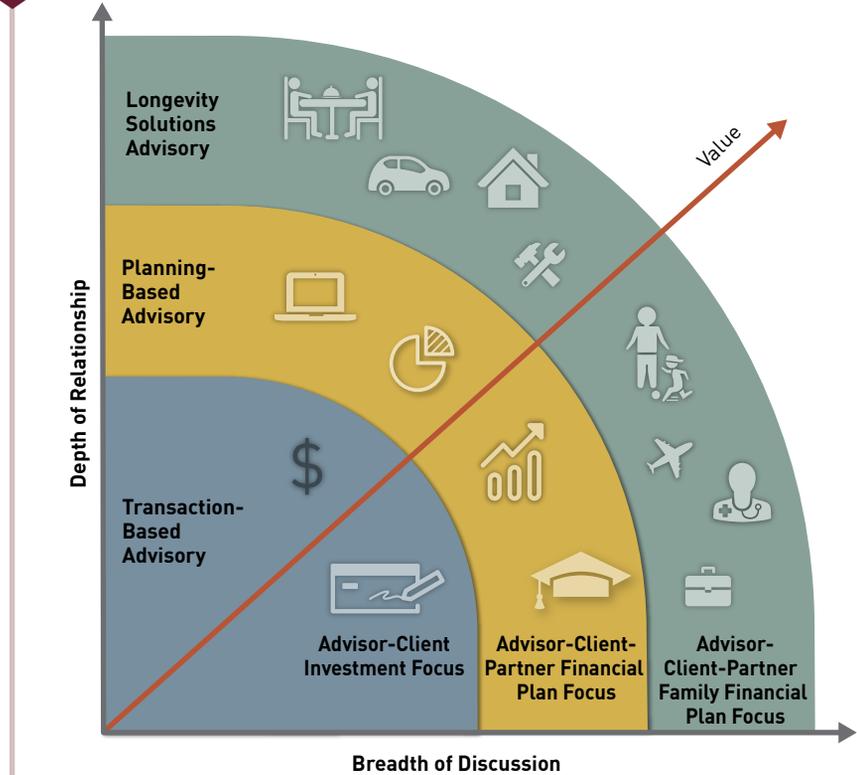
PLANNING-BASED VALUE

As the name suggests, planning-based value advisors offer planning and “the plan” as their primary value. There may be a primary point of contact, but the advisor’s relationship typically includes a married couple as a client unit. The breadth of discussions is greater than financial considerations alone and typically includes goal-based planning to formulate a financial strategy and ultimately a plan.

Because there is a broader discussion of life events, and a relationship that goes beyond the singular client (and spouse or partner), client retention probability is improved. However, the planning-based value advisor is unlikely to address the full range of issues beyond what is required for developing the formal financial plan, nor is the advisor likely to have developed the capacity to provide connections to services that may be needed in the client’s older age. In short, the advisor generally remains defined narrowly as a money manager and financial planner but not necessarily a client’s trusted guide across the life course.

The value of such a guide is partly demonstrated by research suggesting that few people have a clear vision of life in retirement. A nationwide survey asking respondents to provide five words that would describe their life in retirement produced a scant 47 words for more than 60 percent of the responses (Lee and Coughlin 2018). Given that the typical American has an average vocabulary of 25,000 to 30,000 words, the results indicate either great clarity in the respondent’s ideas about a retirement future, or a virtual absence of understanding of what may lie ahead beyond images of leisure and fears of declining health for a full one-third of adult life.

Figure 1 THE ADVISOR-VALUE CONTINUUM MODEL



LONGEVITY SOLUTIONS-BASED VALUE

As shown in figure 1, the highest level of client value is the longevity solutions-based value advisor. The longevity solutions advisor has the deepest relationship, not just with the client and the client’s partner, but with the extended family. This relationship is made possible through deeper conversations with the client about money as well as which issues likely will arise that will place demands on financial resources. The longevity solutions advisor provides transaction support and produces a formal financial plan, but the real value is helping the client anticipate and navigate longevity—identifying future challenges and connecting the client with trusted solutions and services that are required today or will be needed in the future.

The longevity solutions-based value advisor is likely to achieve the highest probability of client and asset retention.

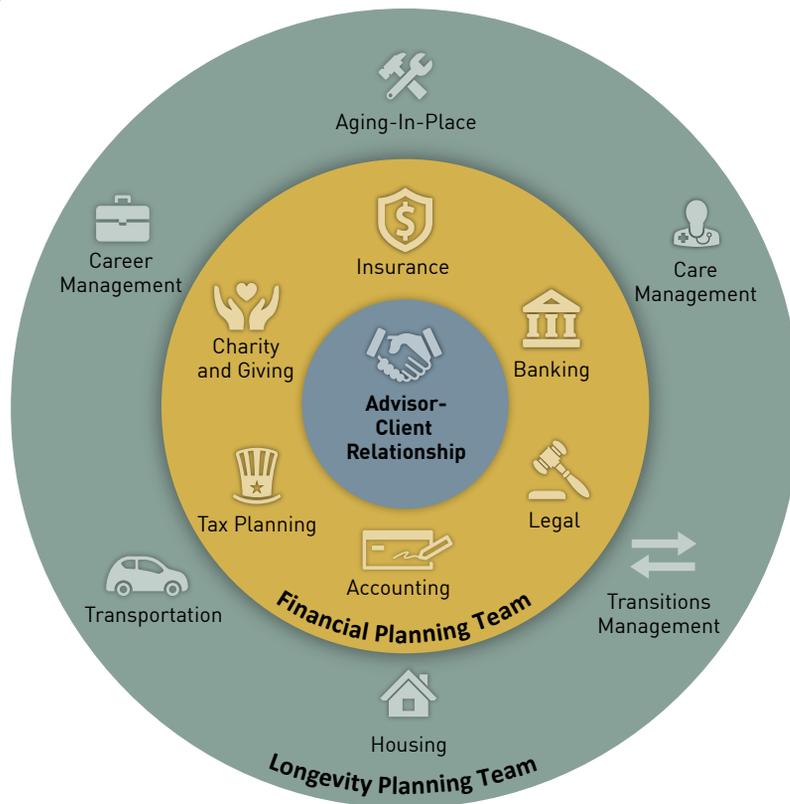
Although financial results are assumed, the relationship also rests on the advisor’s intimate knowledge of the client’s entire life, not just the client’s financial life. The longevity solutions advisor does more than provide the promise of financial security; the advisor is also an integral part of connecting the client with the trusted services necessary to successfully navigate the many events and transitions of later life. For example, rather than simply advising the client to anticipate the cost of long-term care for an aging parent diagnosed with Alzheimer’s disease, a longevity solutions advisor may work out the financing and connect a family to a trusted senior housing company with memory care services.

LONGEVITY PLANNING: A NEW ADVISOR SCRIPT AND A NEW ADVISORY TEAM

Greater longevity would lead many to assume that the primary challenge of retirement planning is to ensure that a

Figure
2

LONGEVITY PLANNING ADVISORY TEAM MODEL



client’s lifespan does not extend beyond the client’s wealth span. Indeed, planning for lifetime income is certainly not incorrect, but it is incomplete.

In addition to a longer life, there is a new context of living in retirement that touches upon multiple complex issues, from career planning to caregiving. Even if clients have adequate financial resources, they are left with the task of identifying a wide range of solutions to solve the many challenges that accompany longevity, such as where to live, how to provide care, and what to do with one’s time in later life. Solving, not just financing, these challenges is a vast new value to be provided to clients by the longevity planning advisor.

Providing this wider range of expertise and services will require a new approach to advisory services. No one advisor, nor advisory firm as organized today, can provide the full range of longevity

solutions needed by clients. The following approach will advance steps toward the advisory industry’s transformation in today’s longevity economy.

LONGEVITY PLANNING ADVISORY TEAM MODEL

Figure 2 presents a longevity planning advisory team model, or LPAT, that suggests the development of an expanded advisory team approach to serving the longevity client. At the center of the model remains the advisor-client relationship. Finance remains critical to the relationship, but the longevity planning advisor fully leverages new technologies for plan development and portfolio construction. Rather than seeing AI and robo technologies as a threat, the longevity planning advisor uses these tools to efficiently perform traditional financial services, thereby freeing more time to develop a deeper connection with the client.

The longevity planning advisor will engage in a broader set of content-rich conversations that all involve but go beyond money. These conversations will deepen the relationship with the client. To act on issues raised during conversation, the next-generation longevity advisor will leverage a team of service providers to address the client’s longevity issues. The combination of conversations and services necessarily engages the client’s partner as well as extended family, thereby transforming the relationship from simply advisor-client to an advisor-client-partner-family business relationship, thus improving the probability of retaining assets should the client become ill or die. Such an approach helps the client anticipate, plan, and respond to issues that may go unaddressed or confronted in crisis.

An advisory team approach is not entirely novel. As figure 2 shows, many advisors have several formal and informal relationships with professionals that address the financial planning dimensions of a client’s life. Referrals often go back and forth between advisors and accountants. Lawyers provide guidance on trusts and estates; elder law attorneys are often a resource for advisors with clients facing a family member with cognitive impairment. Likewise, insurance agents and specialized tax services are routinely part of today’s financial planning team. The LPAT model, however, builds upon the advisor-client relationship and the established ring of financial planning partners by adding a new team of experts and service providers. This new capacity enables the advisor to engage, inform, plan, and serve the diversity of needs their clients will face as middle-aged adult children caring for elderly parents or as older adults living independently. Figure 2 identifies the following selected issues and prospective team partners for tomorrow’s longevity planning advisor.

Career management: More people are choosing to work longer. One survey

suggests that as many as 20 percent of people older than age 60 do not plan to ever retire (AARP 2017). Some clients may plan to continue in their current professions, but others may choose to change careers or even start a new business. Career management professionals can be valuable sources of guidance for soon-to- retire clients or recently retired clients.

Transitions management: Retirement is a major life transition. It often affects a client's personal identity and sense of purpose. For some advisors, developing connections with volunteer organizations, social groups, and community organizations may be invaluable to clients attempting to develop a renewed sense of purpose or seeking their encore calling in life after full-time work.

Transportation: Transportation is the second-largest cost in retirement after housing. Few advisors see transportation as an issue for retirement planning, except when the client uses funds to buy a new car as a "retirement reward." Given the increasing technological complexity of today's new cars, connecting clients to automobile experts in a seminar can be both fun and engaging across the generations. Moreover, 70 percent of Americans older than age 50 live in suburban and rural areas where alternatives to driving are limited. Mobility counselors are transportation experts who can identify optimal transportation alternatives for those who no longer find driving a comfortable or safe option.

Aging-in-place: The vast majority of baby boomers say they would like to age in place. That is, they wish to stay in the community and home where they have made years of memories and paid off a mortgage. An AARP survey reveals that despite the desire of three-quarters of adults to stay in their homes, fewer than 50 percent believe they actually will be able to do so (AARP 2018). One reason is that home may not easily accommodate changing physical needs. Master bedrooms on the second floor,

bathrooms with narrow doors or difficult shower entrances, and kitchens with high cabinets are just a few potential barriers to aging independently in the home. Nationally certified aging-in-place contractors can provide advice and alternatives that turn a client's desire to remodel for cosmetic reasons into a makeover investment that enables them to stay at home and reduce the need for a costly move and the risk of a catastrophic accident.

What if senior housing is the appropriate choice for an elderly parent or a client in advanced years? How to choose?

Care management: At some point every client will provide self-care or care for a loved one managing poor health. Caregiving is an emotional and costly issue that nearly every middle-aged family with elderly parents is addressing to some degree. Care management is very complex. Managing one or more health conditions is difficult enough; however, identifying home care providers or coordinating medical specialists can be overwhelming for even the best-educated and resourced client. Geriatric care managers are a valuable resource for navigating the complexities of caregiving and the healthcare system. Often coming from the ranks of nurses, social workers, or other care professions, geriatric care managers can serve as a client's personal caregiving expert, assessing the safety of a parent's home, coordinating care services, navigating a maze of hospital appointments, identifying community social services, and more.

Housing: Like real estate, living well in retirement and older age is about location, location, location. But where to live may depend on a client's preferences as well as physical health. Is selling the

family home to downsize the right choice? A favorite vacation spot may be attractive, but it may not necessarily be a place that can support aging without adequate access to transportation, friends, and health care. What if senior housing is the appropriate choice for an elderly parent or a client in advanced years? How to choose? Identifying knowledgeable real estate agents who have helped downsizers and being able to recommend trusted senior housing providers are ways for advisors to aid in answering these questions.

SUMMARY

The LPAT model places the advisor at the center of the client's longevity planning. Although the advisor need not and cannot be an expert on all these issues, the advisor can serve as a trusted agenda-setter who identifies future issues and coordinates access to an extensive range of expertise and services that respond to a client's evolving needs throughout the 8,000 days of retirement.

The issues and expertise identified in figure 2 are an incomplete list of potential topics, but all have one common denominator: finance. Therefore, providing client value in today's longevity economy includes traditional financial services while also defining advisory value beyond economic security. At the most basic level, delivery of longevity planning advice includes coordination of client-expert meetings and convening client longevity planning seminars with one or more experts.

Today's advisors define their value too narrowly. Financial expertise is critical, but a combination of disruptive technologies and evolving client needs and expectations require a new type of advice. Tomorrow's longevity planning advisors will leverage the very technology that threatens their current practices to perform time-consuming financial management tasks, and then invest the time saved into developing deeper client relationships with new conversations and services. Financial advisors turned

longevity planning advisors will acquire a new generation of clients, deepen their relationships with existing clients, and greatly increase the probability of retaining family assets. ●

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