Appealing to Your Affluent Clients’ Retirement Planning Values

by Robert Bloink, Esq. and Prof. William H. Byrnes

Appealing to your affluent clients’ retirement planning values means connecting with their deepest desires and helping them navigate around their deepest fears. The most recent Merrill Lynch Affluent Insights Quarterly will help us do that, providing a glimpse into the minds of investors with $250,000 or more to invest. This quarter’s Affluent Insights focuses on investors’ concerns about living longer and how increased life expectancy will impact their retirement planning.

Here’s a breakdown of their values and priorities and how you can appeal to them.

# 1. Retiring on Schedule

High net worth clients looking towards retirement place incredible value on an “on-time retirement,” and greatly fear the prospect of being forced to extend the twilight of their careers, or the less likely prospect of working as a Wal-Mart greeter. They need to be assured that on-time retirement is possible, but reminded that it’s not a foregone conclusion. To reach their goals and live the kind of retirement lifestyle they desire, they’ll need assistance to make thoughtful financial decisions now. Those who can add value to their decision making process now will undoubtedly remain the trusted advisor to the next generation of affluent seniors.

The good news is that the Affluent Insights Quarterly reports that a majority (60 percent) of respondents who are already retired said that they were able to retire when they’d planned. But 27 percent were unable to meet their timeline. That’s a big enough failure rate to spark most people’s concern.

# 2. Clients Want to Be Prepared for the Worst

It’s easy to make a portfolio pop in the best of times, but what is your client going to do when the proverbial rug is pulled out from under the markets? Whether your client knows it or not, he or she wants to be prepared for the worst possible tomorrow without sacrificing phenomenal gains today.

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This value ties directly into the first. If you want to retire on time, you need to be prepared for the next financial crisis. Anyone who’s more than 10 years from retirement will likely suffer through yet another recession.

The Affluent Insights Quarterly survey backs this point. Of those surveyed who were unable to retire on time, “the recession” was cited as the primary reason for their delay. Twenty-one percent said that they “did not realize how much they needed to save for retirement,” 18 percent “started too late or did not save enough,” and 14 percent were unable to retire when they planned because of a medical emergency. Sadly, the recession hit jobs so hard that 23 percent cited supporting adult children as keeping them in the workforce.

Your clients want to know what you’re doing to ensure that the next great recession won’t pull them out of their deck chair and put them back behind a desk.

# 3. Protecting Principal—A Treacherous Trap

Clients instinctively will default to options that provide greater principal protection, but often don’t know what they’re sacrificing by staying in this safety mode.

Almost half of the survey respondents characterized themselves as “conservative” investors. Perhaps surprisingly, more younger (18-34) (59 percent) affluent individuals described themselves as conservative as compared to the 41 percent of individuals between the ages of 35 and 64 who described themselves as conservative.

Although 66 percent of these conservative investors believe that their conservative investing habits will protect them during market fluctuations, only 25 percent of conservative investors recognized that they may be sacrificing opportunities for the security they believe their investing choice engenders. And only 10 percent of self-described conservative investors believe that they may be sacrificing their retirement goals by pursuing an unnecessarily conservative investing tact. Fifteen percent said that they did not know the potential long-term consequences of their investing habits.  As market shots inevitably cause clients to fall back into reactionary bunker mentalities, advisors must maintain vigilant in coaching clients out of what is too often a simple savers default mode and back to that of active engaged investor.

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# 4. Help Clarify Your Client’s “Clear Vision” for Retirement

As many as 50 percent of your clients don’t have a clear idea about the lifestyle they want to live during their retirement. How will you work with them to develop 20/20 vision?

The survey asked respondents who had already retired what their advice would be to those who are planning for retirement. Almost half of retirees believe—in retrospect—that “having a clear vision for how they want to live during their retirement years, as well as knowing how to manage retirement income to ensure it lasts throughout their lifetime (52 percent), was more important than they had originally expected.”

They recommend that those who have not yet retired start the planning process early. Most (78 percent) say to starting retirement planning no later than your 30s, with 58 percent recommending starting in your 20s. Many (28 percent) recommended utilizing a financial advisor and 27 percent counseled taking “a more hands-on approach to their investment portfolio.” The most effective advisors will help clients translate their financials into a vision for the next chapter of their retirement reality.

# 5. Meet Your Client at the Gym or Community College

Baby boomers—defined by the survey as those between 46 and 64 years of age—expect their retirement to differ from that of their parents, with a large majority (86 percent) believing they will be “more active” than their parents during retirement and that they will have a “better standard of living” than their parents.

Your clients would love to tell you how they plan to spend their active retirement. Without taking their head out of the clouds, you’re going to have to find a way to keep their feet planted firmly on the earth. An active retirement with a high standard of living is an expensive proposition and they need you to show them how to get there.

But keep in mind that “active retirement” means different things to different people. Many (72 percent) affluent individuals plan to continue working during retirement to remain “more active and engaged.” Other than working, Baby Boomers plan to stay active during retirement by: pursuing additional professional success (32 percent), continuing their education (26 percent), learning a new trade (24 percent), or starting or furthering their own business (20 percent).  As affluent seniors increasingly trade live style options and continued growth for past generations’ concepts of rest and relaxation, advisors need to be prepared to meet clients at their new found playgrounds.

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# 6. Clients Really Do Want Your Help!

Two-thirds of respondents who are working with a financial advisor say that their relationship has “given them confidence in their ability to meet their long-term financial goals.” Respondents said that the most valuable advice offered by their financial advisors is:

* helping to ensure that their investments were properly allocated to meet long-term goals (60 percent)
* knowing how much I would need to live the life I want in retirement (22 percent)
* knowing how best to incorporate Social Security into retirement planning (18 percent)
* helping to define how I want to live in retirement (15 percent)
* how to convert investments into an income stream and manage spending (14 percent).

How will you emphasize the value of your advice in these areas?

# What does it all Mean?

Now more than ever, clients and potential clients are concerned about how they’re going to continue to enjoy the lifestyle they’ve grown accustomed to pre-retirement. Most clients are still looking for the same basic retirement advice from their advisors—advice on how to define and meet their retirement goals.

Following the recent financial crisis, your affluent clients are more likely to gravitate to conservative investment strategies that will preserve their hard-earned principle. But many of them are not clear on the risks of that strategy—they aren’t aware of the opportunities they’re missing. You can help them reach the retirement they want and find the level of risk appropriate to their long-term goals.