

BY MITCH ANTHONY



# THE END OF RETIREMENT

**Advisors need to discard the traditional retirement planning process in favor of a new paradigm based on baby boomers' desire for self-actualization.**

Imagine being a blacksmith 100 years ago. You had prospered in your business for many years because you provided an indispensable service to your community's chief transportation system. One day you look up and see a loud contraption coming down the main street that people are calling the "horseless carriage." "Huh?" you think. "That will be the day!" and back to your work you go. Ten years later your business is half of what it once was and 20 years later it no longer exists. You, the blacksmith, failed to recognize one psychological key in succeeding with consumers: If there is a more efficient way to live our lives, we will choose it even if it presents a whole new set of challenges.

Many a blacksmith probably discounted the motorized contraption as too complicated, problematic and unproven for the majority of consumers to adopt.

Markets for popular products don't dry up overnight. The shift starts as a slow trickle, gains currency slowly, and years later, reaches a rushing torrent. Successful merchants keep flexible mindsets as they watch trends develop and adapt their goods and services to them. The wise merchant 100 years ago would have expanded his business to include repairing horseless carriages as well as shoeing horses. This expansion would have been accompanied by a new learning curve on the workings of gasoline engines. Those who simply

kept their nose to the grindstone with the same offering of goods and services were one day replaced by a new breed of mechanic.

Allow me to share a montage of recent observations and conversations around retirement as we no longer know it. The mosaic that emerges from these stories reveals a radical shift in the "third age" of life — formerly known as the "retirement years" — that provide an opportunity to position your practice for the boom ahead.

- I went out for dinner with Dick and Gail, a writer and an architect, respectively, in their 50s. Gail shared the story of how she transitioned away from a top firm to work for herself out of her home. Her reason for doing so?

"I can't see myself working 50 to 60 hours a week any more. By doing less of it, I enjoy it more. As a matter of fact, after two months it dawned on me that I love my work so much that I can see doing this when I'm 80."

Dick is a writer full of ideas and the idea of "retiring" sounds about as inviting to him as carbon monoxide poisoning. These two are into "rewiring"—not retiring. For them, work is not the problem. It's the hours and the company demands they want to prune away.

- A local merchant who ran a successful tire shop for three decades and retired at 65 opened a new store a year later. His back-in-business advertising campaign read, "I'm back in business because 'retirement sucks.'"

- Home Depot announced a national hiring campaign of "retirees" (coordinated with AARP). The rationale for the campaign? "They know more and they sell more."

Welcome to the dawning of the Experience Age where gray hair indicates gray matter and the capitalist marketplace realizes the errors of its youth-seeking ways. Home Depot's move is an initial flare in what will become a firestorm of exploiting the commercial value of experience and wisdom. This sort of value doesn't come in 25-year-old containers.

### REMOVING "TIRED" FROM RETIRED

Now, let's talk about your business. Are you a "retirement blacksmith" pounding out projections, or are you beginning to learn the modern mechanics of "rewiring"? Are the goods and services you sell today as progressive as they were 10 or 15 years ago? Do they resonate with the way people want to order and live their lives? Years ago, people bought into the idea of a compartmentalized life course:

The first part of your life you spend

learning; the second part of your life you spend working and earning; and, the last part of your life (retirement) you spend in leisure or journeying.

This model for living is being rejected and rearranged for a more tailor-made design on life. Consider current trends that are evidence of this paradigm shift in life-course navigation:

- Senior citizens are going back to college in record numbers. Thousands are "retiring" to university towns,



instead of the traditional snowbird destinations.

- Many "retirees" are becoming entrepreneurs and reviving shelved dreams and passions.

- Many people in their prime earning years are taking steps back to be able to be present in their children's formative years. They feel they can make up for lost earnings when their children are grown, and they are no longer willing to sacrifice parental influence for immediate material advancement.

- Many people are rearranging their living circumstances in order to shift into more meaningful and fulfilling forms of work and less hectic lifestyles.

- Over 50 percent of retirees are going back to work after becoming bored with full-time leisure.

- The idea of periodical "sabbaticals" from work are gaining popularity with high-achievers and earners. They

view these periods as necessary to reflect on their life direction.

- Adventure travel and learning vacations are popular with all age groups, especially the 50-plus crowd.

- The migration to the Sunbelt is declining as more people get more involved in their own communities.

Next, add up the following demographic and societal changes and ask yourself what it means to your business going forward:

- The average median age in the United States is 35, and is getting older every year.

- The workplace is facing a looming "brain drain" of managers and executives and is beginning to offer "phased retirement" packages.

- Reversing a 50-year trend, the number of Americans working past age 65 is now rising.

- With companies cutting pensions and health benefits, many aging workers will not be able to afford to fully retire.

- With the repeal of the Social Security earnings restrictions, a major economic disincentive to working past age 65 has been removed.

- Many baby boomers continue their expensive indulgences — not wanting to wait until they are older to enjoy them.

- 80 percent of baby boomers say they intend to continue work in some form in their retirement.

- Two-thirds of Americans say they feel stressed from working too much.

What conclusions can you draw from the preceding facts? What impact do you foresee in relation to the products and services you are selling, and the manner in which you are selling them? Is the traditional retirement planning process on the road to extinction?

### THE TIMES ARE A CHANGIN'

Many people feel the traditional con-

cept of retirement is hopelessly outdated and no longer applies to their lives. Many feel that the times have so radically changed that even the term “retirement” is no longer appropriate. If people no longer connect with the concept or even the term “retirement,” how long will it take before they reject the process that leads to the concept they no longer embrace?

Rather than retiring, the 77 million baby boomers who begin turning 59 1/2 in 2005 are looking to “rewire.” Are you prepared for the great reirement boom that is ahead for your business? Once 2005 is upon us, one baby boomer will turn 59 1/2 every seven seconds for the next 20 years. If you are still starting your “retirement” conversations with, “how old are you and how much do you have,” you are going to miss the opportunity of a lifetime.

### LIVING WELL

What does the reirement conversation look like? I offer the acronym Living W-E-L-L as a guide; the new “rewiring” conversation needs to query:

**Work.** What I enjoy most and want to continue with. Things I do well bring value and meaning to my life.

**Equilibrium.** The need to keep a sane pace, create space for breathing and thinking, and to design a life in balance.

**Leisure.** Not full-time, but enough to keep fun and adventure in my life.

**Learning.** Not only does mental acuity make today more interesting, it offers hope for my aging years as well.

To quote my friend, Steve Smith, at SEI Investments, the advisor of the future is the person who can fulfill the role of WELL-TH advisor. To fulfill that role in your clients’ lives, you’ll need to abandon the hackneyed “retirement” worksheets and become lucid in the conversation outlined above.



### WORK WITH ME HERE

The extended working life is being made possible by a confluence of factors that are physical, psychological and intellectual in nature:

- People live longer today and many feel younger at older ages as a result.
- People are beginning to view early retirement years as a “middle-escent” stage where they can chase dreams in a childhood without supervision. Many retirees desire “re-creation” as much as recreation in their retirement years.
- “Knowledge capital” and experience, rather than physical labor, are the modern bargaining chips in the marketplace.
- Studies report on the importance of intellectual stimulation and purposeful pursuits in regard to successful aging.

None of these factors has escaped the attention of the baby-boom constituency. This is a group that has often frustrated the financial services industry with their free-spending, “live now” mentality. But this group, by and large, looks traditional retirement in the eye and sees it for what it is — an outdated concept that no longer fits.

Historically, retirement programs, as first instituted in the 19th century, were designed to last for two to three years tops, not for 20 to 30 years. If a person only expected to live to the age of 63 or

so and retired at age 62, it might make sense to indulge in a life of leisure and rest. But such full-time pursuits make no sense at all when faced with 20 to 30 years of “retirement” living.

### LIFE DOESN'T BEGIN AT 62

If your retirement planning process is simply about “having X dollars at X age,” you are doing nothing more than hammering horseshoes at the anvil. That conversation does nothing more than prepare clients for the “artificial finish line.” Life does not end or begin at age 62.

Many clients are working in careers they don’t enjoy with the hope that they can put away enough money to “do what they want” at age 62. These people must believe that life begins at age 62. Others are preparing only in fiscal terms for retirement from their work at age 62 and are making no preparations for their time, knowledge and energies past that point.

The conversation clearly needs to move from how much money our clients will need to reach the artificial finish line to the kind of life they hope to live once they reach that line. Even better is the conversation that helps clients remove the artificial finish line and start work on transitioning to a life that helps them pursue interests they love — at a pace they can live with. Tomorrow’s “rewiree” will have little interest in being “finished.”

For the conversation to move past a “pot-of-gold” artificial finish line, the conversation between the advisor and client needs to move to the realm of self-actualization, which is how the majority of prospective retirees are beginning to view the period of retirement. This redefinition of retirement raises a number of issues. Consider the following:

- Retirees are living longer, more active lives. How long should we plan

on you living? How active do you want to be, and what costs are attached to those activities?

- Many people are extending their retirements into many phases — education, entrepreneurial pursuits, charitable giving, adventure trips, etc. What phases do you foresee for yourself, and what financial arrangements will be necessary to make these phases possible?

- Do you see the cost of your retirement lifestyle being the same as, less than, or more than what it is today? What adjustments need to be made?

- Will part-time work be one of your income sources in your retirement years?

- To accomplish your goals in your retirement years, you will need tax and estate planning and insurance to protect your plans. Are you aware of how to utilize these various services?

Ross Levin, CFP, of Accredited Investors in Edina, Minn., tells a retirement transition story that fits quite well with the model of self-actualization as the target, rather than just a set amount of money at a certain age. He tells of a 53-year-old client who sold his business but had concerns about his investment assets supporting his lifestyle. Rather than going back to work in the same industry, Ross' dialogue with this client led to this man taking a position in the public service sector, which was something he had always wanted to do. Despite the cut in salary, he is "in the black"—both at the income and self-actualization levels. How many advisors (when faced with this scenario) would have simply told the man the number of years he would have to work to reach his retirement?

It is important for advisors who want to stay in step with the times to allow clients to offer their own definition of retirement. If you look up the word "retire" in the dictionary, you will see that it means to "withdraw."



Suffice it to say that today's retirees are not the withdrawing types. They aim to squeeze everything they can out of life. In the late 1960s, labor economist Seymour Wolfbein wrote that people of the baby-boom generation would have at least five distinct careers — not jobs, but careers. Wolfbein prognosticated a time of retraining and reinvention and placed no upper limit when and where that training would end. It would seem that Wolfbein's crystal ball was crystal-clear regarding the "rewiring" boom ahead. Years previously set aside for reclining will now be used for redefining.

Advisors who understand this and begin the redefinition dialogue with their clients will find themselves deepening the connection with their clients.

It's time to leave the anvil behind and begin studying the mechanics of the "reirement" engine that will drive this society for the next 30 years. **IR**



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