



The Parental Pension

BY MITCH ANTHONY

Financial advisors are in the unique position of facilitating an idea whose time has come: matching affluent boomers' financial means with aging parents' financial needs.

"Honor thy father and thy mother, that thy days may be long upon the land..." The Fifth Commandment (Exodus 20:12)

My brother and I were nervous as we sat down for lunch with Dad on his 65th birthday. We had rehearsed this moment in conversation, but really didn't know how to begin with Dad now sitting before us. We knew we were about to enter a strange phase of life involving some role-reversals that would put both children and parent in uncharted waters. My brother and I had decided to pool our assets and give our father a "parental pension."

Our father is a hardworking man who spent a career in broadcast journalism. He was a loyal company man whose company did not return the fidelity. In the course of working with one station for over 25 years, that station experienced ownership changes five times. The net/net to our father is that he now receives a pension check for \$52 every three months for those 25 years of dedicated service.

In addition to Social Security, he was working two part-time jobs (not grudgingly — he knows he would be miserable sitting around watching his navel grow), which allowed him to have a fragile but acceptable lifestyle, even without receiving the proper pension. What he didn't have was a margin of comfort, or of safe-

ty, for that matter. A modest pension would have given him that.

My brother and I had discussed Dad's situation many times. Our emotions ranged from outrage over what had happened to guilt over the lifestyle we were able to enjoy to gratitude for all our parents had done for us. It was then that we realized that it was in our power to provide this margin of comfort so critical to quality of life in our father's autumn years.

My brother and I carried no illusions about the level of material blessing that had come to our lives. He, as an insurance professional, and I, as an author, were keenly aware that a large degree of our material blessing could be traced, not to us being special or smart, but to living in an unusual era of material opportunity (the '90s). A grateful sense of obligation began to creep into our conversations about our parents. We knew it was time to honor them. In Dad's case it was not only an opportunity to honor but to right a wrong as well. We sensed that all the moral lessons our parents had taught us as children were now coming full circle.

We decided to pool some assets and place them in an investment that would distribute a few hundred dollars each month to Dad, and that would continue for the rest of his life. We had also decided to do the same for our mother when she turned 65. Now, here at lunch, on his 65th birthday we had to find a way to tell a self-sufficient man what we had done.

I began by talking about his pension and how it grated us that something like that was allowed to happen in corporate transfers. My brother then began to turn the corner by saying, "Dad, we have decided to do something. We want you to listen to us, and we're telling you now that we won't take no for an answer." Dad's eyes looked puzzled and a bit unsettled. My brother went on to

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describe the arrangements.

Nothing could have prepared us for that moment. How do you prepare yourself for the sight of your father weeping into his lunch? "I don't know what to say," he choked out. "No one has ever taken care of me."

Indeed, no one truly ever had. Abandoned by his father at age two, his natural mother shipped him off to five different foster homes by the age of seven. When she finally attempted to raise him, she was ill prepared and often drunk and harsh. He fended for himself from age seven by selling newspapers and running errands for two bits to be able to afford a baseball glove. As an adult, he had sacrificed for his family — raising five kids on a lean salary — and had learned to be content with little. Now, suddenly, he was on the receiving end and didn't quite know how to take it. But we insisted he take it.

We'll never forget the look in his eyes that day. "I'm a rich man," he said. We all embraced and went on with our lives — my brother and I with a greater appreciation of what it means to be a son, and our father with a greater degree of comfort in his day-to-day living.

Two years later we did the same for

our mother. We experienced the same joy and the same sense of role-reversal. Her situation also involved investing some money so she could build a retirement home near her lifelong friends (studies show that a strong social network is key to successful aging). Now both parents are receiving their parental pensions.

In both cases, it took the help of a financial advisor to advance this family drama.

POCKET MONEY

A leader in Asian financial services recently informed me that helping parents is one of the first issues that surfaces between clients in Asia and their financial advisors. They call it "creating pocket money." This helps parents not to feel so constricted in their retirement lifestyle; they can have the liberty to go out and enjoy a meal without regret.

This issue is not at the forefront of financial conversations in America. You would think that the fact that we are not pursuing this conversation, as a culture, ought to cause us some chagrin. Or should it? According to a recent study by the AARP, baby boomers are not talking much about "sandwich generation" issues, but are quietly attending to them. Is it possible that the "me" generation is becoming the "us" generation?

A glance at the statistics seems to suggest that is the case:

About 50 percent of boomers ages 45 to 55 have children still at home and living parents.

25 percent are caring in some way for their elders.

80 percent are "doing something" to help but don't identify themselves as "caregivers."

25 percent think they may one day need to leave their jobs to attend to a parent.

This is not to say that, with some

boomers, there is an absence of aloofness from and neglect of their parents. This distancing exists for many who wonder what they (in their present financial state) could really do to help.

Whatever the case may be, I think the time has come to become more purposeful about a parental dialogue in the business of financial services. Many baby boomers would welcome the opportunity to formalize an arrangement on their parents' behalf. The dialogue can start with a preface as simple as:

"When talking about financial planning, a lot of my clients want to talk about their parents' needs even before their children's. How is your parents' situation, and are there any steps you would like to take on their behalf?"

A financial services executive recently shared with me the fact that he sometimes feels a bit guilty making the kind of money he does and comparing it with how hard his father had to work to make what he did. He grew up in a large family and never had much and felt as a parent that he never wanted his children to experience that feeling. Now he's second-guessing that sentiment. "I hate to admit it," he confessed, "but so far I have managed to raise two children who feel a sense of entitlement. It's funny how I never had much, yet I never felt like the world owed me anything."

This emotional two-generation dialogue will soon become common when dealing with the "sandwich generation," who are pondering the prospects of contributing to generations on both sides. Some clients who are facing the dilemma of having to choose whom to support might consider the advice of an advisor friend of mine who opines, "You might just ask yourself which party has better earning prospects for the future."

Last time I checked, there were student loans available. In my home, our children are responsible for half of their own college expenses. We want them to

have some "skin in the game," as opposed to going through school on the "Budweiser scholarship" (which my wife and I have observed of so many of our peers).

A LITTLE GOES A LONG WAY

Financial planner Bruce Bruinsma informs me that studies show that most seniors say they would feel a greater level of comfort with just an additional \$300 to \$400 per month. Many of these individuals feel the compression of rising health-care costs, household and lifestyle maintenance costs, rising utilities and static income. In this equation, a little bit goes a long way — a long way towards going on a short trip or a special night out once in a while; a long way towards some entertainment and fun and a little peace of mind and quality of life.

There are a number of innovative approaches to addressing parents' quality of life. Briggs Matsko, CFP, tells me that some retirement community developers are building homes with "casitas" behind them on the same property. These small guesthouse-type floor plans with independent kitchen, living, bathing, and sleeping rooms are designed for people who want to help their parents but respect their need for space and their desire not to "become a burden." This way, they can come and go as they want and not feel like they are suffocating or being suffocated.

I have met folks who bought their parents' home from them and adjusted the rent. I have met others who purchased long-term care policies for their parents, protecting both their parents' estate and their own. I have met still others who have hired retired parents to work part-time in their businesses, thereby meeting both an economic and an emotional dilemma (the need to feel useful and engaged) related to retirement. I have met many others who are paying the monthly bills as their parents

abide in assisted living circumstances.

Demographics and longer life expectancies portend a world where parents and mature children's lives are physically, geographically and materially intertwined. If this possibility is not in the forefront of your clients' conversation, it is almost certainly in the back of their minds.

Not every client will want or need or be in a position to make a financial move in favor of a parent. But engaging in the dialogue is a smart thing to do for your business when one looks at the demographics ahead.

It is also an honorable thing to do.

You have an opportunity to help many in this generation meet real needs and show gratitude. The gift that many baby boomers give may one day circle back to them through their children. After all, what greater gift could we give to our children (and to ourselves) than the example of how to honor our parents?

There are few moments in my life that can compare to the parental pension conversation on Dad's 65th birthday. I don't ever remember a moment where so much was said with so little spoken. It was communicated from the soul through the eyes. We saw something memorable in Dad's eyes after the initial stun of gratitude had sunk in — a look like he had just received the greatest payoff of his life. Not in material terms, but in knowing that he had raised his children right. **IR**



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