Advising BOOMERS

SAMPLE

Being On The Lip Of Retirement Can Be An Awkward Age

A career counselor profiles boomer executives

BY TREVOR THOMAS

HIGH-INCOME BOOMERS can be quite ambivalent about what they want to do once they retire, experts note. And boomer clients, who have been in the wealth-accumulation phase for most of their lives, may not always find it easy to switch to the retirement planning mode.

"As people begin to formulate more of a retirement planning mentality and see the financial implications of health care costs, of longevity, and so on, a lot find they are not in as strong a position as they had thought," says Mark Halverson, executive director of global wealth management services for Accenture Inc., Chicago. "It's an emotional switch from the wealth-accumulation phase."

The uncertainty many boomers have about retirement is reflected in results of a new survey by Gray Hair Management LLC, an executive career-counseling and job search firm in Chicago. GHM surveyed almost 1,000 senior-level corporate executives aged 40 or older. Income for participants generally ranged from $150,000 to $250,000 a year.

Around 75% of executives surveyed said they planned to retire after age 60, yet only about 50% think they are financially on track to retire when they plan to.

The career counseling firm also found that:

- 28% of execs surveyed plan to retire between ages 61 and 65.
- 31% plan to retire between 66 and 70.
- 16% plan to retire after age 70.
- Only 12% plan to retire before age 60.
- 12.3% said they were undecided about when they plan to retire.

In a "perfect world," 16% said they would retire now. Although 10.5% said they would rather never retire, 68% preferred to retire within the next 5 to 15 years.

Just 24% plan to retire at a younger age than their parents did, while 39% plan to retire at an older age, and 24% plan to retire at the same age as their parents. The remainder have parents who never retired.

The survey also found that 53% of executives believe they are on course financially to retire when they planned to. However, 34% believe they are not on course, and 12.4% admit they don't know whether they are on course.

"There's a lot of emotional content to retirement," notes Kane.

Kane's firm sees many senior-level executives who have either retired or expect to do so soon and realize they need to find another source of income.

If they do retire, they realize it would not be at the lifestyle they've been used to. They suddenly comprehend what it would mean to live without the $15,000 or more a month in income they had been used to, Kane notes.

"They're used to making a comfortable income, and their lifestyle has risen to the level of that income," he says.

If they had gotten another job while getting severance, they could be double-dipping and building a significant retirement nest egg, he notes. "Instead, they may be out of work 8 to 12 months before finding another job. So we meet a tremendous number of people who've had to tap into their retirement money just to weather the storm."

WHAT'S BOTHERING YOU?

What Is Your Biggest Concern Regarding Retirement?

	Percentage
Health Care	30.3%
Financial Security	30.1
Cost of Living	15.7
Long Term Care	9.0
Social Security Benefits	3.6
Political Environment	2.5

Source: GHM Retirement Survey

The main guidance an advisor can offer to such a client is to help them think short-range, Kane suggests.

"I don't think most financial advisors understand the emotional aspect of realizing that savings are not going to be enough. There have to be short-term solutions," he says. "Then you can look at the long term. Too many look down the road to retirement when they should really be trying to solve the problem that's in front of them right now."

One of the options to consider is getting another job. "Even part-time or contract work can help," Kane says.

"A lot depends on the wealth tier the boomer is in," adds Accenture's Halverson. "We have seen a lot who, as they plan for their future, found out they have a high risk of outliving their money."

For instance, advisors are hearing more and more boomers talk about concerns over burgeoning health care costs, Halverson observes. As a result, professionals need to be able to discuss financial options for health care and long term care, he says. And they should point out to boomer clients that as they age, they can expect health care needs to accelerate.

"That can turn a retirement plan on its ear," he notes. "One of the interesting challenges is to help the individual look at what the last days will be like. As you progress into the later years, spending will often be reallocated from life style to health care."

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NAIC REPORT

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Social Security numbers and have implemented, through NIPR, the use of a National Producer Number (NPN).

Additionally, the report says, 45 states have implemented the electronic, centralized Address Change Request system through which a producer may notify all appropriate states.

Appointment and termination enhancements have also been put in place with 41 states using NAIC/NIPR to electronically process appointments and terminations. Six states, and soon to be more, electronically process appointment renewals. Only two other states require appointment and termination transactions, but do not leverage NIPR.

Consumer protection, an area state insurance regulators point to as a key reason that state regulation needs to be retained rather than relying on a federal system of insurance regulation, has been enhanced by a state tracking system, according to the NAIC report.

As evidence, the report cites the NAIC's 2006 Insurance Department Resources Report, which found the states took the following actions against producers:

- 1,694 license suspensions.
- 1,509 license revocations.
- 473 cease and desist orders.
- 1,108 license denials.

In addition, states levied fines of $19.8 million against producers and recovered $61.6 million in restitution for consumers, the report continues.

The team found that among non-compliant states, there was a willingness to move toward compliance. For instance, it reported 4 states, identified as not checking work authorizations for resident applicants who were non-U.S. citizens, indicated they would "immediately change their processes."

Twelve standards had low compliance—identified as less than 35 states being in compliance—but reasons were more complicated than just simply changing administrative procedures, according to the NAIC report.

Reasons ranged from legislative hurdles, the interpretation of uniform licensing and the lack of concern among local industry regarding non-compliance. As an example, continuing education standards fell into this category "where full exemption or fewer hours are required for producers who are over 65 or have been licensed for 30 years or more."

As an example of the complexities of determining requirements, 39 states were found to be out of compliance with fingerprint standards. NU

ON THE LIP OF RETIREMENT

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There is a growing awareness among financial advisors that they need to be more equipped to deal with such topics as diminished income, health care and LTC, Halverson says. Forward-looking financial firms are beginning to develop the skill development programs needed to help their advisors meet those needs, he adds

Another element that has to be factored in is debt, both as a burden and as a tool to maintain one's standard of living, he says.

For instance, someone with multiple mortgage payments may need to be guided into thinking about what they are prepared to do: Sell their home and move? Downsize?

Like many of their boomer clients, financial advisors, too, can find it challenging to switch their mindset from asset accumulation to retirement planning, Halverson says.

"In the retirement mode, income planning means truly understanding the full balance sheet of the individual and understanding their long-term needs," says Halverson. "The advisor who doesn't take that full balance-sheet view doesn't help with that decision point, and that could wind up being a large problem." NU

ONLINE TOOLS FOR BOOMERS

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coordinators that provide assistance both in finding a facility that offers the proper level of care and in negotiating a price for that care, Luker continues.

A lot of assessment is needed before consideration is given to placing a senior in a facility, she adds.

For planners, it is a big learning curve and "to really do the job right, you have to go and see the facilities and not just look at statistics," she says. "A gerontologist worth anything in a specific city will know those facilities."

Such a Web service would be more useful if the senior had to be placed out of state, but in that case, as a financial planner, "I would find a gerontologist in that city," says Luker.

Eve Kaplan, a certified financial planner who is founder and principal of Kaplan Financial Advisors, LLC, Berkeley Heights, N.J., says such sites can be valuable if they offer unbiased information. It can be hard to make comparisons because information available is often a comparison of "apples and oranges."

While Kaplan says she sees the value in such sites, she also notes that a certified financial planner has a fiduciary responsibility to a client and is required to seek out professionals who can make specialized decisions such as choosing a nursing facility if the planner does not have that specific expertise.

Although sites can help narrow the choice of facilities for a client, Kaplan says it is the planner's responsibility to examine how stable the facility is financially by looking at the institution's financials, information that may not be available on a website. "You don't want to put mom in a facility and have it go belly up 5 years later," she notes. NU

REDUCING MEDICARE COSTS

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Among the reforms Weems said the administration is seeking the implementation of a value-based purchasing program that ties a hospital's base payment for each discharge to a set of measures gauging their performance. "Hospitals would be provided an opportunity to achieve bonus payments for either improving performance on a set of measures or achieving a high level of absolute performance," Weems said.

Weems also said the budget calls for extending the Part B income related premium adjustment into the Medicare Part D prescription drug program. "This proposal would increase premium amounts for the Medicare drug benefit for high income Medicare beneficiaries in a manner similar to what is currently applied in the Part B program." NU