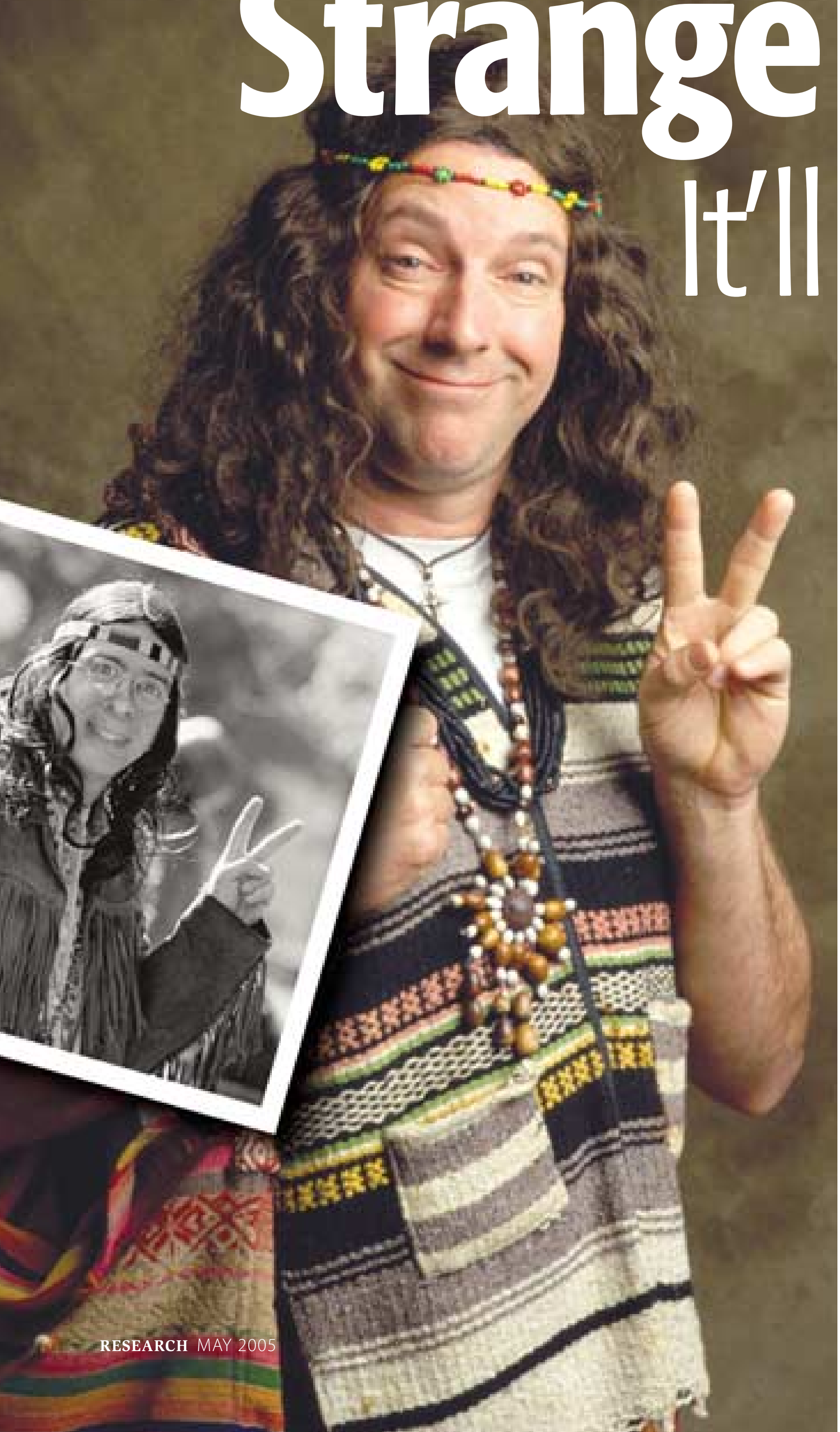
BY ELLEN UZELAC

What a Long, Strange Trip It'll Be



Just as they revolutionized American culture, baby boomers plan to revamp "retirement." Advisors need to adapt if they want to help this generation successfully structure and enjoy their later years.

Most advisors don't have to dig deep to come up with the two questions that have long served as "the retirement conversation:" When do you want to retire, and how much do you need to fund it?

But with baby boomers redefining retirement in ways that are only now taking shape, the conversation has changed — and, with it, the advisory engagement. Talk to any forward-thinking advisor, and the conversation is about the new paradigm, the new model and what amounts to a huge challenge.

With 76 million baby boomers headed toward retirement, leadingedge gerontologist Ken Dychtwald — who has just concluded a "New Retirement" survey with Merrill Lynch — foresees a revolution. And his firm, Age Wave, is already exploring what comes next.

"We're trying to figure out what it is people are looking for in financial advisors. What does this generation really want? I think we all realize you've got a revolution in behavior and expectations without a commensurate revolution in the profession," says Dychtwald. "That's where we are heading next."

Planner Jonathan Guyton, one of the top thinkers in the field today, makes a compelling case for where we've been and what lies ahead. "The auto-pilot [advisory] approach just doesn't cut it anymore. Clients today see this next phase of their life as one where they want it to be meaningful, fulfilling; they want to keep growing; they want to keep learning; they want to explore and deepen relationships. Their need for money is greater for a longer period of time — and it's also more sporadic.

"This creates a new challenge for advisors," says Guyton, who is based in Edina, Minn. "This is the first generation that's realized what's possible in their retirement is very different from what they saw their parents do. This is the generation that's really creating the new model and future generations will do even more things."

What's different? Hold on to your seat.

We all know boomers are going to live longer than past generations, and for financial advisors that will likely mean a new colleague at the table: a health care expert. As Michael V. Glowacki, a wealth advisor in Los Angeles, notes: "Most clients when they come to talk are concerned about their finances and their health. I can see the potential for integrating a health advocate into the financial planning team.

The Merrill Lynch study points out that 76 percent of boomers intend to keep working in retirement. They expect to "retire" from their current job and then launch into an entirely new endeavor.

"As you get older, who's going to help you make all these medical decisions? They are going to be just as important as the financial decisions," Glowacki says.

The most profound change, though, involves the boomer generation's choice to work in retirement. The Merrill Lynch study, released earlier this year, points out that 76 percent of boomers intend to keep working and earning in retirement. On average, they expect to "retire" from their current job or career at around 64 and then launch into an entirely new endeavor.

"It's something I've suspected but never seen supported," says Dychtwald. "This is a rejection of the permanent leisure model. Yet all the financial projections, Monte Carlo simulations and advisory warnings on how prepared a person needs to be are based on the assumption of the cessation of work. This renders yesterday's financial planning models obsolete."

What's caused such a seismic shift in lifestyle choices? Among other things, boomers are more educated than previous retirees, and their thirst for knowledge and learning experiences is only expected to expand in retirement.

"We've gone from being a culture of survival to a culture of choices, if we want them," notes Howard Stone, founder of the popular website, 2young2retire.com. "That's what's opening up this new set of conversations."

Boomers also anticipate a bonus of extra years, and they want to "live young" longer. "Usually when we think of people living longer we assume those extra years are tagged on to the end," says Dychtwald. "If anything, boomers are quite comfortable postponing old age until their 75th or even 80th birthday. Rather than being old longer, they're going to take those extra years and distribute them along the way."

And, of course, there's the money that's needed to fund this new retirement. It's got to last, too. With pensions blowing up and Social Security's future unclear, it's likely many

boomers will have to self-fund their later years.

"Retirement planning used to be pretty straightforward, a pretty vanilla thing. With the new paradigm, it's not like that anymore," stresses Jim Johnson, a planner in Sacramento, Calif. "There's greater uncertainty in people's minds about their future, the future of investments and the future of the economy. So it isn't black and white."

THE NUMBERS GAME

It used to be that advisors could ask clients when they wanted to retire and how much they needed to fund it — and then throw the numbers into a computer to get a retirement plan. Now, Johnson says, the software can't even keep up with the planning process.

"Boomers have changed financial planning like we've changed everything else. You used to run the software and move on. Now, you're having to run three, five, seven scenarios because life options are so great," Johnson adds. "It's much more of a conversation than it used to be. It's much more of an engagement about what's important in their life and how they want to live their life. "Before, you could do the plan, invest their money, get their finances structured, send out your reports and meet once a year. It was a routine thing," he notes. "It's not that simple anymore."

WHERE TO BEGIN

With the rules changing, where does the advisor start? By asking questions — lots of them.

Glowacki, for instance, has begun asking clients to list 50 things they'd like to do before they die. Roy Diliberto, a planner in Philadelphia, asks clients how they visualize their lives in their 60s, 70s and 80s. He then builds financial solutions around the answers.

"The best thing an advisor can do is not only help clients identify their goals, but also encourage them to dream and to help them validate that their goals and their values and what's possible can really come together in a way maybe they had not imagined," adds Guyton.

"A line I use increasingly with clients is this: 'The future is always oversold and underimagined.' The negatives are also underimagined. The stakes are high and clients are looking to us to provide a stamp of reality," Guyton explains.

Increasingly, advisors are also talking to clients about a topic that is likely to rise in prominence: the concept of "enough."

As Dychtwald notes, boomers are comfortable with the idea of "downshifting." A fast-track CEO might be quite happy to coach the town baseball league, teach school or join the Peace Corps. "It's not critical in the minds of this generation that they continue with more and more responsibility, pressure and status," he says. "Rather, in these retirement years, they'd like to be doing what they'd like to do on their own terms."

Going forward, it will be the advisor's role to facilitate conversations that ask the question: How do you want to live? What does that mean to you? What does "enough" mean to you?

"'Enough' means different things to different people," says Stone, who has clients develop a list under the headings 'I want' and 'I need.' "Money is absolutely essential. People need to see themselves getting to a state of financial freedom. The choices come after we reach that point, which is different for everybody. But at least this begins to create a consciousness and conversation about what that distinction is."

At its most basic, according to Dychtwald, the financial planning

model will have to change to accommodate the new retiree. "There has been this standard retirement model, and the average financial advisor sits with clients and assumes that's their dreams. It's not. It's sort of like I'm a travel agent, and you keep telling me you want to go snorkeling, and I keep sending you to Montana," he says.

"You've got to realize you've got a generation now with a diversity of retirement dreams," he notes. "Some of them involve no work, but mostly they involve work with reinvention, relocation and downshifting. I feel more clear than ever before that retirement is about to be transformed. The next major block and tackle is: What is the future role of the financial advisor?"

One of the early challenges is how to create income streams that fit the new model.

"We're going to see 50-year-old retirees who start a new business or take time off and go back to work at 60 or decide to work part-time into their 70s. They're in and out of the job market," says Johnson. "Your income streams are going to vary a lot from year to year. There's a lot more flexibility needed in cash flow and investment strategies to meet those needs."

Dick Vodra, the author of "Enough Money" and an advisor in McLean, Va., is advising clients to pre-pay what they can; to invest in capital expenses that will reduce their future energy bills; to pay off their debt — basically "to have as small a footprint as you can."

"The key is being flexible and having a good compass to get you through an uncertain path," he says. "The challenge with financial planning is you have to make a decision today that will have an impact in a world you cannot predict. But you still have to make that decision today."

REAL RELATIONSHIPS

With the advisor-client engagement on the cusp of what promises to be significant change, one thing appears certain: an unprecedented deepening of the relationship.

Jason Reesey, director of retirement for Commonwealth Financial Network, looks for advisors to become active in client decisions involving health-care, relocation, vacation planning, car buying and home building.

"The financial advisor is now a partner in the rest of that person's life. They are looked to as the sounding board by that client for what they should do — what's good and bad. I'm even seeing reps use psychologists to go out and talk with clients about spending habits and the emotional changes that come with retirement," he says.

"It's not just about mutual funds, stocks and bonds anymore," adds Reesey. "It's about the well-being of the client from health to finances to emotional stability."

Looking ahead, Guyton views his role in a whole new way.

"My job is much less to sit in a place and gaze out into the future with a client and say, 'I project if you do this and this and this, the following things will happen.' The idea is that the relationship with the client is more of a journey than a projection. It's a distinction that's becoming more and more important," he says.

"Far more, we are helping equip clients financially, emotionally and intellectually to deal with the unknowns they instinctively know they are going to encounter on the journey," Guyton adds. "Much more, we are saying you're going on this trip, you're going to carry a backpack with what you need, and I'm going with you. That's the key change: The advisor is going with you."

The "New Retirement" Survey From Merrill Lynch

■ **Boomers reject a life of either full-time work or full-time leisure.** When probed about their ideal work arrangement in retirement, the most common choice among boomers would be to repeatedly cycle between periods of work and leisure (42 percent,) followed by part-time work (16 percent,) start their own business (13 percent,) and full-time work (6 percent.) Only 17 percent hope to never work for pay again.

■ **It's not about the money.** While 37 percent of boomers indicate that continued earnings is a very important part of the reason they plan to keep working, 67 percent listed mental stimulation and challenge as their motivation.

■ **From "me" to "we."** The "me" generation has grown up with deep concerns about the well-being of their children, parents and communities. Boomers are now 10 times more likely to "put others first" (43 percent) than "put themselves first" (4 percent.)

■ **Boomers' big fears.** They are three times more worried about a major illness (48 percent,) their ability to pay for health-care (53 percent) or winding up in a nursing home (48 percent,) than about dying (17 percent.)

■ **Boomer women up ante.** Boomer women are better educated, more independent, are simultaneously juggling more work and family responsibilities and are more financially engaged than any generation in history. In fact, they are more than six times more likely to share responsibility for savings and investments compared to their mothers' generation (33 percent now, 5 percent then.) They also view the dual liberations of empty nesting and retirement as providing new opportunities for career development, community involvement and continued personal growth.