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Reaching Boomers

by Stephen D. Gresham and Glen E. Gresham

The following letter, based on a real life situation with a friend and the friend's financial advisor, offers a peek at issues concerning boomer clients (*all names are fictitious*):

Dear Roger:

Thank you for spending so much time counseling our niece, Amanda, about how her recent inheritance should be invested. I had told her to listen carefully to your advice, as I have been most favorably impressed by your management of my wife's portfolio (which, of course, is similarly based on an inheritance).

Amanda came over to our house last evening to review what you had advised and get our reactions and input (she is a thoughtful lady and doesn't want to make any mistakes with this nice opportunity).

We shared her enthusiasm for your discussion of risk tolerance, portfolio balance (growth versus preservation of capital), hedging against inflation, coordination with "fringe benefits" and projected entitlements, life insurance and the vagaries of buying real estate.

When she had finished her review, I asked her a few questions and concluded that there were some other important areas that you had missed, assuming that you wish to be her comprehensive financial advisor.

First, job security. Amanda is a well-trained professional but her field is not high paying and she will doubtless be changing employers several times during her career. This will impact her health insurance, retirement plans and other employee benefits that are no longer as secure as they were during my work life.

Second, entitlements. If you've been reading about this topic, you know that Social Security and Medicare will be in jeopardy as the baby boomer generation ages. People like Amanda can probably manage with later and less Social Security but, as I can attest, a major reduction in Medicare benefits could be financially devastating. Therefore, I think you should have discussed long-term care insurance with Amanda. She might still be able to afford it at her age and should certainly consider it.

Next, "thrift." This seems to be passé with the younger generation and I think it's unfortunate. I happen to know that Amanda carries considerable credit-card debt, paying high interest rates, and, in addition, she has no systematic savings plan. In the long run, she might have to invade her capital just to pay expenses.

Finally, there was not a hint of planning for philanthropy. Amanda cares deeply about the environment, social justice, education and other worthy causes. She needs to know how planned giving can be accomplished in ways other than out-of-pocket cash gifts.

Well, that's quite a list from an old curmudgeon of "The Silent Generation." I do, however, think these are areas where baby boomers, such as yourself and Amanda, need to become more knowledgeable.

Thanks again for all your good advice and I trust my comments will be received in the spirit in which they are offered.

Cordially,
Edgar Whitfield

THE AUTHOR RESPONDS

What starts out as a fan letter turns very quickly into a warning. Edgar's main point is that while Amanda and Roger are working well together, they're not focusing on the big picture. As Edgar has learned the hard way, there is a lot more to financial planning than just investments and if Roger doesn't provide Amanda with all the services she needs, then Edgar will find her someone who will.

Roger can consider himself lucky, though. I recently conducted a regional workshop for the top managed-account advisors of a national brokerage firm. The advisors complained that they were not connecting with the boomers, and that their clients were dying and the kids were taking the money elsewhere. But, they didn't want a representative like Edgar from the previous generation still around to tell them what they were doing wrong.

Stop for a moment and take in Edgar's message. While he's now on the spending end of retirement, he realizes what services are required to protect and build wealth, and if his niece does not necessarily know what she's missing, some advisor will fill her in and win her business.

Consider another aspect of Edgar's letter. Whatever his criticism of Roger, he was very pleased with the way the advisor managed his wife's portfolio.

The Edgar Whitfield example symbolizes the challenges — and opportunities — for many financial advisors: How to transform a business serving an older generation, often requiring little assistance beyond investments, to advising a typically less-prepared boomer generation, forced to accept declining retirement benefits and a shrinking social safety net, while living longer lives and clinging to higher lifestyle expectations.

To access boomers — and Gen Xers — you may do well to enlist the help of their parents and other relatives (a.k.a. your current clients). Parents who want the best for their children will appreciate the fact that you belong to the same generation and have the same financial concerns as they do. But you will need to prove yourself to the boomers themselves. My favorite tool for bringing generations together is a very simple chart that lays out the family's future, objectively and without editorial. Most everything you need to discuss with this family will reveal itself during this simple exercise.

First, have the clients individually list the 10 most important people in each client's life. This part of the exercise is revealing in itself, typically identifying the most important dependents, as well as possible obligations and risks. Then have the clients list each person's current age. Have the clients add columns on their charts and list at the top, 2011, 2016, 2021, 2026, 2031. Drop down to each person listed and adjust their ages to match the future dates. How old will each person be in 10 years, 15, 20? Consider the relationship dynamics at those future points. Have the clients talk about what they think will be going on. What family issues surface? Who is providing, who needs care?

Most boomers haven't counted on the simultaneous demands of aging parents and adult children. Important: Let the chart do the work. Resist the temptation to editorialize. Ask only questions — you'll reveal powerful information needed to help your next generation clients take their future seriously.

WHAT'S NEEDED, WHEN

Mapping the future one family member at a time.

		2004	2009	2014	2019	2024	2029	2034	2039
<i>Client's Name:</i> Charlie Smith	<i>Client's</i> Age:	41	46	51	56	61	66	71	76
<i>Spouse's Name:</i> Lisa Smith	<i>Spouse's</i> Age:	38	43	48	53	58	63	68	73
<i>Relative's Name:</i> Jessica Smith (child)	<i>Relative's</i> Age:	8	13	18	23	28	33	38	43
<i>Relative's Name:</i> Joseph Smith (child)	<i>Relative's</i> Age:	6	11	16	21	26	31	36	41
<i>Relative's Name:</i> Barbara Jones (mother-in-law)	<i>Relative's</i> Age:	63	68	73	78	83	88	93	98
<i>Relative's Name:</i> Patrick Jones (father-in-law)	<i>Relative's</i> Age:	65	70	75	80	85	90	95	100

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