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Sink or Swim

by Steve Gresham

I was watching a TV documentary recently about a middle-aged man who was preparing to swim the English Channel. A reporter asked him why he had chosen to undertake this particular challenge — especially since the man, a popular TV comedian, was not known to be a swimmer or even much of an athlete. The man said that when he was a boy, he saw a television program about a man who swam the Channel, and decided then and there that it was something he too would like to do. “It became a goal of mine,” the man explained. “Now seems to be the perfect time, because I don't have much else going on at the moment.”

He didn't make it. He hadn't trained properly, he'd underestimated the physical effort required, and I think it's safe to say his heart really wasn't in it. As he climbed into the boat less than halfway across the Channel, he smiled and shrugged. “I tried,” he said sheepishly. Asked if he would make another effort after further training, he said, “Maybe.”

You probably expect me to use this example to illustrate why so many people fail to reach their retirement goals: They wait too long to start saving, they underestimate their post-employment financial needs and so on. Those are valid points, to be sure, but hardly revolutionary or insightful. No, what struck me most about this swimmer's failed attempt was his repeated use of the word “goal” as if it were synonymous with whim or fancy — not something to be taken too seriously, but something to think about when there aren't other more pressing concerns; a luxury, not a necessity.

Now comes the part about retirement planning and wealth management. How many of your clients and prospects think of their retirement goals in much the same way, as a sort of future wish list that has little, if any, bearing on their present life circumstances? Probably more than you realize. Pundits often note that putting a goal in writing is the first step toward its fulfillment, yet the *2007 Phoenix Wealth Management Survey* found that only about a third of affluent households (defined as those with net worth over $1 million, excluding debt and primary residence) have a written financial plan. Do these affluent families have goals? Undoubtedly. Are they serious about achieving those goals? Maybe. Maybe not.

Many advisors suggest to their clients a wide range of very desirable retirement possibilities: playing golf or tennis every day, dining out with friends every evening, traveling the world or getting involved in philanthropy. Who wouldn't want to claim these lifestyle options as goals? The reality is that few will achieve these things unless they rethink what it means to set and work toward a goal. Until specific interim objectives are established, the goal is nothing more than a fantasy-something that may or may not eventually happen.

Rather than instructing clients to think of retirement goals, we should emphasize the inevitability of retirement, and instruct them to think now in terms of future retirement liabilities. “Liability” is an unfortunate term given its negative connotation, but negative associations can spur positive results. In fact, sometimes the fear of negative consequences is more powerful than the hope for positive outcomes.

The start of a new year is traditionally a time when people take stock of their lives and vow to make changes: lose weight, get in shape, finally finish *The One-Minute Manager*, start saving — really saving — for retirement, etc. But numerous studies have shown that the overwhelming majority of people abandon their resolutions before the New Year is very old. “I tried,” many of them will say, echoing the statement of the would-be Channel swimmer who waited too long and failed to properly train. Life may be a journey, but retirement is a destination. Make sure your clients have everything they need by the time they arrive.