

Practice Management—Boomers: Beyond Retirement

Most everyone has heard that the population is aging. For most advisors and financial services companies this has meant gearing up to help Baby Boomers transition from accumulation for retirement to decumulation during retirement. Advisors have acquired technical expertise in income planning and reallocation of portfolios to reflect changing risk profiles and time horizons. They've learned about products like long-term care, annuities, and Roth conversions.

So far, so good.

But a survey of the research suggests that especially for Baby Boomers, and particularly in light of the recent economic downturn and the financial scandals that followed in its wake, retirement is only a part of the financial equation. The research indicates that aging Boomers display distinctive cognitive and physical characteristics and whether you're marketing and selling dentures or financial services, the way you structure your business to respond to those characteristics will impact your success.

How Many, How Old?

Born between 1946 and 1964, there are an estimated 77 million Baby Boomers. Leading Edge Boomers were born between 1946 and 1955, while Late Boomers were born between 1956 and 1964. According to the Administration on Aging, the Late Boomers alone numbered 38.9 million in 2008. They represented 12.8 percent of the U.S. population, about one in every eight Americans. By 2030, there will be about 72.1 million older persons, more than twice their number in 2000. People 65+ represented 12.3 percent of the population in the year 2000, but are expected to grow to be 19 percent of the population by 2030.

Not only that, these older folks have money, and need and want financial advice—they are the “sweet spot” of the financial services market. According to a U.S. Consumer Expenditure Survey, consumers age 50+ have accumulated more wealth and have more spending power than any other age group in history. In addition, they spend more than \$1.7 trillion on goods and services each year; control 50 percent of all discretionary income; are responsible for 75 percent of all prescription and drug spending; own 65 percent of the net worth of all U.S. households; and are responsible for 60 percent of all health care spending. Other analysts say that the numbers for this particular consumer category will only grow exponentially in the years ahead.

Source: “No Age Limit: Advertisers Craft Pitches to Appeal to Over-50 Boomers,” *The Dallas Morning News*, Oct. 31, 2004.

What the numbers suggest is that your Baby Boomer clients aren’t going away anytime soon. They’re not a wave, they’re more like a tsunami. For the next twenty years, or so, their presence and the demands they place on your time and energy will be front and center. In fact, if you don’t like “aging Boomers,” because you think they’re too self-centered or too demanding, maybe you should find a line of work other than financial services.

Boomers are undergoing cognitive changes. Cognitive changes impact information processing, attitude formation and change, and even mood and emotion. Brand awareness, the ability to learn about new products and services and compare alternatives, point of purchase behavior, and post-purchase satisfaction can all be affected.

Boomer Characteristics

The advisors who succeed with Boomers won’t be those who merely deliver products and services. Most all advisors will competently develop retirement plans, investment portfolios, and estate plans for their clients—that’s why they’re called financial advisors. But the advisors who will enjoy the greatest success and garner the greatest satisfaction from their work will be those who appreciate the cognitive and physical needs of their “tsunami client” and structure their practices to respond to those needs.

That requires getting into your Boomer clients’ heads and under their skins. Here are some helpful tips for doing that.

First, keep in mind that aging Boomers are experiencing **physical changes**. These include changes in mobility, flexibility, strength, vision

and hearing all of which have a major impact on how seniors interact with you and your products and services.

Second, aging Boomers are undergoing **cognitive changes**. Cognitive changes impact information processing, attitude formation and change, and even mood and emotion. Brand awareness, the ability to learn about new products and services and compare alternatives, point of purchase behavior, and post-purchase satisfaction can all be affected.

How Will You Respond?

Given the broad range of changes that aging Boomers experience, it seems appropriate to ask how your practice is changing to accommodate them. Take what would appear to be obvious examples: Is your office well lit and easily accessible? Are your profiling tools designed to be readable without forcing clients to squint into the black and green of a main frame computer running on your local modem's screen? Is background noise kept to a minimum? Is the seating comfortable and are bathrooms easy to find and well-marked?

What about the cognitive changes? If it's true that aging Boomers' ability to learn about all the fancy new products and services you offer is diminishing, how will you help them bridge the knowledge gap? If it's the case that Boomers have never trusted brand names and are probably even less trusting following the recent economic downturn, how will you differentiate your brand in a way that is meaningful to them? If it's true that at point of sale aging Boomers are less likely than their younger counterparts to be swayed by "worst case" scenarios should they fail to implement your recommendations, how will you close and handle objections differently? If aging Boomers are increasingly vulnerable to financial fraud and scams, how will you (1) help them avoid such scams; and (2) protect yourself from the potential liability associated with being perceived as purveyor of a fraudulent scheme.

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Obviously, there is no one right answer to these and other questions about how to respond to cognitive changes in aging Boomers. The important thing is for you to know what questions to ask and to begin formulating answers.

Don't Fall for the Myths

In a recent academic paper written by Joseph F. Coughlin and Lisa A. D'Ambrosio, both of the MIT Age Lab, the authors identify and debunk several business myths associated with marketing financial services to aging Boomers.

For example, one such myth is that finance is a man's world. The truth is that while this might have been the case with the "Greatest Generation," it's not the case with aging Boomers. For

Boomers, when it comes to planning, the women in the family are more likely to be at the forefront. Not only that, the women are more likely to be interested in holistic planning than are the men. They want to understand how your recommendations on retirement and post-retirement investing affect, for example, long-term care and legacy issues. What concrete steps have you taken to make your practice more female friendly? How are your presentations and offerings better tailored to meet the needs of someone who wants to know how the various pieces connect? How are dealing with the clients who want holistic planning, not just investment growth?

This just one of the several myths discussed in the article. To read about the other seven, see *Coughlin and D'Ambrosio, Seven Myths of Financial Planning and Baby Boomer Retirement, Journal of Financial Services Marketing, Vol. 14, 1, 83-91, March 2009.*

Bottom Line

The Baby Boomer tsunami is just hitting the shore. If you thought working with Boomers was just a rogue wave or that it was only about retirement, maybe you should reconsider. You can't always get what you want, but if you try sometimes you just might find, you get what you need.

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