



Retirement Planning Software, Inc

August, 2009

The New Wild West: Integrating Financial and Life Planning in the Second Half of Life

Retirement is not just “riding off into the sunset” any more. It’s heading us west, all right, but it’s a new “Wild West.”

This is a strange frontier, where people live longer and view their post-50 years as a time of development, fulfillment, even transformation – not just “retirement.” Yet they are surrounded by threats that are hard to pin down: financial risks and constraints, health risks, uncertainty about how long family and friend relationships will last, the threat of a death that could be decades away or could come much sooner.

How can professionals become truly expert guides in this unsettled land? In the old Wild West, the best guides knew something about everything: the land, the weather, where to find water, where there might be outlaws or hostile tribes (or the cavalry), where food could be found, how to fix a wagon or a broken leg, and so on. In the new Wild West, being an investment expert, a career counselor, a psychologist, a financial planner, a life coach, a social worker, an insurance underwriter, a health care worker, or any other kind of expert is not enough. We guides of the new Wild West, like those of yore, must be generalists as well as experts – because all these areas interconnect.

You can’t give truly informed financial advice, for example, if you don’t know about work plans, residential relocation, changes in family relationships, new plans for travel and leisure, health issues, and even the client’s general level of content or discontent with life – all of which may be in flux simultaneously. And those other decisions in turn shouldn’t be made without financial analysis. Real lives cannot be compartmentalized, and older clients need guides who command all aspects of this new territory.

You might be tempted to wash your hands of the matter and say: “Nobody can be that guide.” But then don’t expect to succeed in serving this clientele. The rest of us are going to make it work – though we are still a good way from having it all figured out.

What we already have, and where we’re headed

Many individual elements are already in place. We have cadres of planning specialists in both the financial and non-financial realms, with the latter including life

coaches, career planners, psychologists, ministers, nutritionists, physical trainers, and many other specialists. Yes, we include nutritionists and physical trainers, and also real estate agents, marriage counselors, massage therapists, travel agents, and others who have traditionally been thought of just as specialized service providers. Their jobs may be the same, but they are starting to fit into a larger picture: caring for, and therefore involved in planning for, the whole person in an integrated (or, if you prefer, “holistic”) way.

In ten years – and probably sooner* – this kind of planning will be the new standard. Not that everyone will be doing it that way, but integrative planning will be recognized as the most suitable and most effective approach to planning. Specialists will still be needed, and they will have more work than ever, but the “integrative planner” will be the new general practitioner and will be the person that most older clients seek out.

Ironically, integrative planning has been around much longer than compartmentalized forms of planning. It just has never been fully formalized.

When you ask a family member or close friend or mentor for advice about your life, what you get in response is integrative planning. Professional integrative planning will excel by marshalling both *broad-based expertise* and *proven methodologies*.

When you ask a family member or close friend or mentor for advice about your life, what you get in response is integrative planning. The advice-giver

is not looking at your situation as an investment specialist would, or as an outplacement consultant would, or as a cardiologist would. The advice you get is not that professional, but neither is it that narrow. People who know you well take everything about you into account. And if, for instance, you are thinking about changing jobs, they will consider the financial implications, the increase or decrease in your stress, whether you will find the job challenging or tedious, whether you would need to move and whether such a move would be good for you, the effect on your family, the effect on your social network, whether you have the necessary knowledge and skills to succeed, whether this seems like a good time in your life for such a move, and so on.

Professional integrative planning will not, of course, replace family and friends, but it will excel by marshaling both *broad-based expertise* and *proven methodologies*.

Highly integrative forms of professional advice are not yet available, however, so the best most people can do today is consult with multiple experts with different specialties. But in reality, even this is rarely done, and as a result, there are three things lacking when people make major life-decisions:

- A clear understanding of all the *ramifications*.
- A clear understanding of the *interconnections* among the ramifications
- A sound *process* for problem-solving and decision-making designed to handle multiple, complex, interacting issues.

* The vast majority of 1,374 financial planners responding to a recent survey about their involvement with coaching and life planning within their practices reported such activities already occurring at least some of the time. See David Dubofsky and Lyle Sussman, “The Changing Role of the Financial Planner, Part 1: From Financial Analytics to Coaching and Life Planning,” *The Journal of Financial Planning* (August 2009).

Taking planning services to the level where professionals can fill these gaps is clearly a big advance over what any individual planner, or even the largest company, offers today.

But when this kind of planning can actually be delivered, who is still going to want what we do now? Anyone unwilling to be left behind would do well to ponder this question.

How integrative planning will look to clients

There will surely be more than one workable model. Here's our general vision of one, which is adaptable in many ways.

The first meeting:

Mr. and Mrs. Smith have their first session with a professional or para-professional who is a strong people-person, one who is capable of conversing about money, jobs, family relationships, health issues, volunteer and leisure activities, mental illness, home relocation, and even spiritual issues – a true generalist. She asks the Smiths why they have come, and what issues are most on their minds. She collects some general information, but in an informal way, trying to understand their overall family structure, financial picture, core beliefs about themselves and about life in general, and areas of satisfaction, dissatisfaction, and worry. She also tries to get a feel for the Smiths' relationship to one another, and how their views and personalities differ, support one another, and perhaps conflict with one another. Finally, she reviews with them how the process will work, and asks for their agreement about it.

In a low-cost mode, this interview would not exist. The first contact would be by phone or email or as a request via a website. It might or might not include answers to some preliminary questions.

Collecting information:

The Smiths would then have a homework assignment: to complete a detailed questionnaire, or to use interactive software, to provide information about all aspects of their lives: what they have, what they do, what they aspire to, what they believe, what they are concerned about – in their finances, their physical and mental health, their family and social relationships, their living arrangements, their work and leisure activities, their sources of meaning, value, and purpose in life. One challenge will be to make this potentially onerous process acceptable – preferably even enjoyable – to the Smiths and people like them. Therefore, it might be broken up into smaller pieces, and/or some or even all of it could be done face-to-face with the planner, depending on time and cost constraints.

In a low-cost mode, this information collection would be done entirely via software, so that it would not need to be transcribed by a planner or staff member into another form, and would be available immediately for calculation, analysis, and other processing.

Analysis:

Someone or some thing has to analyze all the information that has been collected. At the least, there needs to be a scan for “red flags” – issues that clearly are, or will become, problems – and also for clear opportunities to improve the clients' situation. But as the analyst moves beyond the low-hanging fruit, or tries to deal with specific questions raised

by the clients, there is a growing likelihood that the analysis will call for expertise not possessed by a lone planner, or exhibit a degree of complexity that makes it hard for one person to do. This creates the need for collaboration and/or for the use of analytical methods and tools of much greater sophistication than currently exist. But it also creates the possibility of providing planning services that are much more valuable and valid.

In a low-cost mode, analysis would be performed largely by software, with opportunities for the users/clients to question or reject elements of the analysis, thereby sending the software into alternative paths until a satisfying solution is found. Which takes us to:

Iterations of review and revision:

The presentation of the plan is not a *fait accompli*, but rather a draft that the Smiths get to respond to, and even to reject in its most basic elements. As happens today with advisers of all kinds, discussions of this sort can be immensely helpful in fine-tuning – or completely revising, as the case may be – the initial draft. New facts will sometimes come out, or the expression of attitudes or beliefs that were not previously perceived. This will send the planner, or the planning team, back to the analysis stage – and these iterations may continue for several cycles until everyone involved is comfortable that the best plan has been agreed to. Or the plan might be developed in stages, with different elements presented and discussed in an appropriate sequence, each step setting up the next.

In a low-cost mode, this process could be designed into software. Clearly, software with this level of adaptability will be extremely difficult to develop. But it is probably no harder, and perhaps will be considerably easier, to build software that can increasingly deal with this iterative process than it will be to train legions of professional planners to do it. In any case, it will be the only practical option for the mass market – who, arguably, are most in need of sound planning.

This iterative process, by the way, is also a longer-term issue. Plans should be reviewed (“renewed” might be a better term) at least every year or two, even if the review process is somewhat abbreviated – and should be carefully reconsidered when someone dies or becomes seriously ill, when there is a significant financial change, or when any other major life change either occurs or is under consideration.

The future is on its way

People already are working at this sort of approach. Here at Still River, we focus mainly on the software angle, since that’s our primary business. But others are coming at it from other directions. What they have in common is the attempt to begin to integrate areas of previously separate concern. So far, these are just first cuts at what is needed – but they do represent progress. We also have a growing literature on the link between money and our deeper values, for which the Nazrudin Group has done pioneering thinking, and for which the Kinder Institute and MoneyQuotient offer probably the most widely known formal programs.

Meanwhile, financial institutions advertise their desire to look at clients’ lives in a broad way, to help them make decisions and fulfill their dreams. None of these companies can actually deliver on this, but some are making sincere efforts. Transamerica’s SecurePath

group seems the most intent on succeeding in this area, and is our bet to get there first, because they are relatively new, small, focused, and nimble. But the giants can play, too. MetLife sponsors important research that goes beyond the financial realm, and several other companies are also taking tentative but worthy steps toward integrative planning.

Helping people in this age group means embracing the whole gamut of life planning and financial planning issues, from the nuts and bolts of a household budget to coping with the meaning of life and death.

AARP, which might have been expected to lead, offers extensive information and original research on individual topics, but is not yet doing anything useful in the way of integrative planning. Meanwhile, two other, newer organizations are stepping to the forefront.

One of them is the Association for Integrative Financial and Life Planning (AIFLP), which e-publishes a quarterly journal called *The Integrative Adviser*, and also produces a useful Resource Directory. Membership on their distribution list is free, and you can learn more at <http://www.AIFLP.org>.

The Life Planning Network (LPN), founded in the Boston area, is expanding nationally and now has four offshoots, with more to come. The new groups are in Northern California, the Chesapeake Bay area, Minneapolis / St. Paul, and Rochester (NY).^{*} Unlike AIFLP, LPN provides face-to-face interaction and collaboration among an interdisciplinary group of members, and it is working on many initiatives to define and improve integrative planning practices for people in the second half of life. They are also sponsoring a pre-conference to the National Conference on Positive Aging this December.^{**}

These organizations are leaders, but there are many individuals and small firms separately struggling with these concepts. Who dares predict where the best solutions will arise? This is a growing field, still in its infancy (or toddlerhood, at best). If you want to remain at the forefront of your profession, you should stay apprised of what's happening.

And bring your boots. The new Wild West, like the old one, looks to be a vast, challenging expanse to traverse.

* For more information about local LPN chapters, contact: in New England, Barbara Babkirk (barb@barbarababkirk.com); in Northern California, Mary Radu (mary@pathmakercoaching.com); in Chesapeake (Baltimore, northern VA, DC), Candy Spitz (candy@boomerslifecoach.com); in Minneapolis / St. Paul, Kate Schaefer (encorelife@earthlink.net); in Rochester, NY, Susan Larson (clarson1@rochester.rr.com). For general information or for those who are interested but live outside these geographical areas, contact Doug Dickson (dougdickson17@gmail.com).

** The pre-conference is December 6-7, 2009 in St. Petersburg, Florida, and is devoted to "advancing the new field of holistic later-life planning and developing the national Life Planning Network." You can learn more about the conference and pre-conference at: <http://www.eckerd.edu/positiveaging/index.php>.

Still River Retirement Planning Software, Inc., provides both web-based and desktop software offering specialized calculations related to retirement plans and retirement planning.

Contact us at: (978) 456-7971 fax: (978) 456-7972 email: csy@StillRiverRetire.com

Electronic copies of this report, may be downloaded from www.StillRiverRetire.com