

Five Questions with Ken Dychtwald



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Baby boomers have redefined every life stage, and retirement is no different, according to a recent study from Merrill Lynch Wealth Management and Age Wave titled "Americans' Perspectives on New Retirement Realities and the Longevity Bonus." Here, Age Wave's Ken Dychtwald chats with Managing Editor Lorie Konish on what that new retirement reality may look like.



1. How are baby boomers approaching retirement differently from other generations?

Boomers are really contemplating an entirely different work/life paradigm. Historically, people have been inclined to live a linear life paradigm. You learned when you were young, and then you worked for 40 years solid. Now the life plan is becoming cyclic. Boomers already have a pretty good track record at reinvention. We've changed jobs every three to four years. Twenty percent of the generation has changed religion. Fifty percent has changed spouses. It's also going to be an era of female power. Boomer women are the most highly educated, most empowered group of women in history. Boomer women have much more

experience and practice at gliding through life's transitions, and they're going to glide through retirement. And there's going to be widespread poverty and suffering among this generation. A third of the boomers—25 million—have less than \$1,000 in total net lifetime assets. It's a generation that unfortunately has lived far too much in the here and now, and they've not given enough thought to the there and then.

2. In the study, health care came up as a big worry. Why do you think that is?

The fact that we're now going to be living 80, 90 or even 100 years is quite spectacular. The number one worry about that is serious health problems. The more money people have, the more health is their primary worry—37% for the general population, but 52% for higher net worth folks. A lot of us are watching our own moms and dads, if they're still alive, get knocked down. And it's very personal. There's also been so much talk about the Affordable Care Act. People were sort of wildly naive. Now we're less naive, but more frightened. We know more about how the health care system works. The average financial advisor has received no skills training in health related issues. So when you ask your clients what troubles them, what are they frightened about, and they tell you it's health costs, that's not what you have expertise in.

3. How can advisors make sure their client conversations address the new retirement reality?

You need to understand: Are you supporting a special needs child? Are you thinking of retiring or starting a new career? What would be a good article to recommend if somebody's asking a question about caring for an elder parent, or what would be a good book to recommend if somebody wanted to know how to educate their children around financial matters? How do you help somebody if they're thinking about creating a trust for their family? Think it through and maybe talk with other people who have done it. It's going to mean recognizing that financial planning is not a once and done exercise. Retirement planning is all about continual course corrections.

4. The study shows that boomers are more likely to support other family members. Is that because of the economy, or is it a cultural shift?

It's demographic and economic. There's a lot of angst about whether boomers are the me generation or the we generation. Generally, boomers have displayed an incredible level of generosity, supporting their kids longer than our parents would have supported us. A third of boomers are providing elder care. People expect to be paying for their grandchildren's college education. That is all going to come out of somebody's retirement savings, making it even more of a strain to stop working young. The millennial generation seems to be more frugal. They're going to be more cautious and more contained and may be better off as a result. But for the next 20 or 25 years, you're going to see a lot of family interdependencies.

5. Do you see baby boomers having a lasting impact on retirement?

No question. Hopefully, by the time the millennials come along, the boomers will have banged their way into the medical system and found cures for Alzheimer's and maybe cancer and diabetes. Some of what the boomers are attempting to reshape in life's third age is going to become the norm. We find in our studies that the happiest retirees are the ones who are working. We're seeing a new model, a cyclic life model, in which people reinvent their careers, go back to school, fall down, pick themselves up and take breaks along the way. It's not just retirement that's going to be altered by the boomers. It's the younger people saying, 'I don't want to wait until I'm old to have a long vacation. Maybe I should take better care of my health now.' There's lessons to be learned.

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