

# THE Insurance JOURNAL

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## Aging population redefining retirement, and highlighting need for financial advice

**Four engines of change are affecting financial planning, and the products and services that advisors provide to their clients, says Dr. Ken Dychtwald, a renowned American psychologist, gerontologist and author specializing in the study of the aging population and its implications on businesses.**

The first of these engines is the longevity revolution. Brought on by the arrival of public health departments, antibiotics, immunologic technologies, nutrition awareness, and the fitness phenomenon, this revolution has meant that two thirds of all people who ever lived past 65 years are alive today. That has led to individuals' increased concerns about how much money they will need, since the average life expectancy had risen to 78 years at the end of the century, up from 47 at the beginning of the century.

### Vast implications

Dr. Dychtwald, who some Canadian advisors might have heard presenting as a main platform speaker at last summer's *Million Dollar Round Table* (MDRT) annual meeting in Toronto, described the second engine as the shift from "Baby Boom to Age Wave." This has vast implications for those selling to boomers, he said, citing examples such as the boomers' adoption of fast food operations such as McDonald's hamburgers as teenagers. These same boomers have now entered their peak earning years.

This means that "If you're in the wealth management business, if you're in the lifetime income business, if you're in the health and disability business, if you're in the long term care business, then it doesn't get any better than this."

The third engine, he said, is the transformation of adulthood. In earlier years, adults lived a linear life plan in which each life stage followed the previous one in a straight chronological line. "You learned. You worked. You rested. You died," he said.

Now, the middle years effectively last longer and retirement may mean a new career as people

now sometimes live what he calls a cyclic life plan in which they re-invent themselves, possibly starting a second career after retirement.

These changes increase the importance of income protection products such as disability insurance since the longer life span increases the likelihood of an event that will disrupt the individual's life.

### Four types of retirees

The fourth engine is the re-invention of retirement, he said, explaining that his studies have shown four types of retirees:

- *ageless explorers* who remain youthful and active in retirement, tend to be financially independent and work with an advisor;
- the *comfortably contents* who live in the traditional retirement, seeing it as a rest, and tend to be in reasonable financial shape;
- the *live for todays* who have led active, adventurous lives but have little savings and have become worried about their financial situation, pensions, interest rates and have little financial security;
- the *sick and tired* individuals. "They're out of money. They're out of steam. They're out of hope."

The moral of his story is that financial advisors must help their clients envision their future and then put the elements in place to make it financially feasible.

"If there was ever a time that hundreds of millions of people needed help in not only putting a financial strategy in place, but also in getting some sense as to what really might lie in their future with the right financial solutions in motion, it's now," he says.

"Retirement has been substantially impacted by what's happened in the financial markets," Dr. Dychtwald told *The Insurance Journal* last October in the



Ken Dychtwald

result of the crises, he suggested during the interview, saying that individuals, more than ever, realize the need for professional help in achieving their financial goals.

However, the stock market meltdown may have created trust issues, especially since some consumer media have suggested that advisors should have taken a more active role in shielding clients from the various crises rocking the markets.

"Throughout Canada and the United States, if you were to ask the average person on the street: 'Tell me a professional sector that you've got a high level of trust (for)', they probably wouldn't say the financial services sector," he says, adding that this makes trust building and image improvement more important than ever.

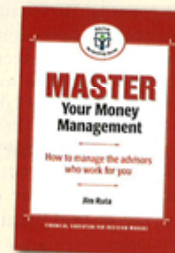
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midst of the market meltdown.

The advisor's role may have become even more important as a

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