Life Planning Goes Mainstream: Will Baby Boomers Respond Best To Asset Allocation Models That Are Served Up With A Dash Of Soul-Searching? The Biggest Firms Are Betting On It

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The slogans appeared one by one, cheery little mottos in blue sans-serif type adorning phone booths, scaffolds and billboards in cities from New York to Los Angeles. "Healthy credit is good, but keep an eye on your cholesterol, too."

"Thoughtfulness has recently been upgraded to outperform." "Don't be late for home." You couldn't miss the message: The old proverb that money can't buy happiness was being reborn in a vocabulary specifically aimed at urban sophisticates. And just in case anyone didn't get it, the tagline summed things up: "Live Richly," it said, right next to the Citigroup logo.

Huh? The world's biggest financial supermarket, spreading the word that money isn't everything? You bet. Even at the height of the '90s dot-com boom, when the company held focus groups to plumb its customers' feelings about financial services, it concluded that marketing material success for its own sake was out of date. "We found that consumers wanted money not just to provide for necessities, but also to fulfill their dreams, their aspirations," says a Citigroup spokesman.

The award-winning and successful "Live Richly" campaign, which ran through 2003, was an early signal that financial planning is morphing into something far more difficult. Often called "life planning," it effectively drops the assumption that the advisor's role is to maximize wealth. Instead, through dialogues that once took place in therapists' offices, life planners encourage their clients to think about unfulfilled lifestyle fantasies, then structure savings and investments to realize them. Such personal goals may involve living in a particular location, nurturing a neglected hobby or maximizing time with family. They may also involve discarding ambitions that require affluence. Often, "the life we examine will be less expensive than the life we don't," says Lee Eisenberg, whose recent best-selling book, The Number, redefines retirement planning in its subtitle: A Completely Different Way to Think about the Rest of Your Life.

A NUANCED RESPONSE TO FINANCIAL ANXIETY

The introspective approach to financial planning has been around since the mid-90s, but now, as the baby boom cohort reaches the other side of middle age, its time has truly come. Boomers, the financial services industry has decided, respond better to soul-searching than to boilerplate asset allocation models. To attract their business, hundreds of independent planners are taking special training in life planning techniques. Some are sponsored by their networks; others pay their own way. Meanwhile, huge institutions like Citigroup and Ameriprise Financial are using the language of life planning to market their traditional wares.

It's certainly true that baby boomers, who must face retirement without the previous generation's guarantees, live with a high level of financial anxiety. They have witnessed two lengthy bull markets, followed by the stunning crashes of 1987 and 2000. They will live longer than their parents and incur much higher medical costs. At its best, the life planning approach can keep them from panicking. Instead of starting with their peak cost of living and trying to match it after retirement-and despairing that they'll never be able to do so-they focus on what's most important to them and figure out what it costs.

This may seem a more realistic approach to boomers who are just as tired of getting sold on the idea that they can get rich as they are the fear that they'll be homeless and destitute at 90. Neither future seems realistic; both are a turnoff. Life planning, with its emphasis on individual values and a menu of goals, seems more practical and more personal.

Frequently, boomers find their straits are less dire than they had imagined. "People say they want a yacht or a Ferrari," says Michael Donahoe, a member of the Garrett Planning Network, who practices near

Portland, Maine, and recently completed training at the Kinder Institute of Life Planning. "But when you peel it back, what they really want has to do with time. Suddenly, they don't have to work 60 hours a week to afford the Ferrari, because that wasn't what they wanted to begin with."

Of course, thanks to residual memories of their youth in the '60s, boomers find this nonmaterialistic slant particularly appealing. The focus on the self-on an individual's uniqueness and singular motivation-doesn't hurt either. So, savvy consultants have quickly cooked up programs and courses to teach numbers-obsessed planners the lingo of psychological discovery.

"I saw how inane the retirement conversation was," says Mitch Anthony, a former marketing professional who has never practiced as a planner, but now coaches advisors in how to use what he calls life-centered dialogues. "How old are you, when do you want to retire, how much will you need?' Baby boomers want a different sort of conversation," he explains. Anthony's 2001 book, The New Retire-Mentality, asks instead, what sort of lifestyle the investor really desires. The book's success led him to found the Financial Life Planning Institute, which offers online courses and live seminars for advisors. "This is positioning," he declares. "You need to position yourself in the life of the client."

The big plus for advisors is that if clients trust a professional to manage their emotional contentment, not just their portfolios, they are more likely to be personally invested in the planning process. They are also more likely to put 100% of investable assets with that professional, not the 20% to 30% that is the current industry norm. Good life planners get fantastic referral business, its proponents say. Also, Eisenberg believes that the approach may be particularly attractive to women-because "it doesn't deliberately try to horrify people" by threatening destitution, an approach that turns many women off.

Eliminating the fear factor can result in more billable hours. Donahoe says that many people find financial planning about as pleasant as going to the dentist. Full of guilt about spending too much or not saving enough, they dread sessions and put them off, or they disappear entirely. The life planning process, he claims, fires them with enthusiasm and keeps them coming back.

George Kinder, a veteran planner, calls this "lighting the torch," the title of his forthcoming textbook for advisors, which will be published by the Financial Planning Association in October. Widely considered the grandfather of the life planning movement, Kinder began speaking to the profession about the spiritual side of money in 1994. The response so impressed him that he co-founded the Kinder Life Planning Institute in 1999 with educator and psychologist Susan Galvan. Their institute offers two-day workshops in "The Seven Stages of Money Maturity," aimed at freshman advisors; five-day trainings in life planning; and a six-month mentorship that culminates in the "Registered Life Planner" designation. Some 700 people have taken the two-day training, about 100 the five-day course, and several dozen have earned Life Planner certification.

Kinder says that he is delighted that big, mainstream organizations are jumping on his bandwagon. "I think this is happening in a wonderful way," he says. "We've got the big companies doing marketing, which they've got the money to do. Meanwhile, the independent planners are gaining market share right and left because they do higher quality work." He is quick to add that, with a commitment to training, there's no reason that large organizations can't compete in the life planning space.

But since one requirement for Kinder's five-day course is that advisors themselves get "life-planned," that commitment represents a considerable investment for large companies, whose ultimate constituents are shareholders. "The indies are leading this movement," he says, "just as they led the movement toward fees." Galvan adds: "We have trained advisors from big box companies-but are their companies picking up the cost? Not to our knowledge."

TALKING THE TALK

That doesn't mean the industry giants aren't talking the talk. After Ameriprise Financial, formerly known as American Express Financial Advisors, did some research into baby boomers' attitudes toward retirement in 2004 and 2005, the company started to overhaul its image with a sweeping new marketing approach. In its print ads, the typed question "Do you have a 401(k) plan?" shows "401(k)" crossed out, with the word "dream" handwritten over it. The ad offers consumers a free copy of The Dream Book: Planning Beyond the Numbers, a 32-page, spiral-bound workbook full of personal questions ("If you had only five years to live, how would you spend those years?") and far fewer personal tables-including the traditional projections of how incredibly much the reader will need to amass in order to afford various income streams in retirement.

Besides arming its 12,000 advisors with The Dream Book, Ameriprise tries to build some life planning principles into its training. "We change their conversation," says Abu Arif, vice president for marketing strategy and retail retirement. "You shouldn't start with numbers, but with an understanding of the client's objectives, goals and dreams." Junior Ameriprise planners get on-the-job training, more mature advisors attend large workshops and the most seasoned go to wealth management forums featuring external experts. Arif says that Ameriprise's large corporate infrastructure is a plus, "because we have both the intellectual and financial capital to deliver a superior value proposition to consumers."

Galvan is naturally skeptical that life planning can be taught this way. A number of Ameriprise planners have come to the Kinder Institute for training, she says. She adds that the company borrows shamelessly from Kinder's work: "Ameriprise took George's questions and put them in the Dream Book." An Ameriprise spokesperson responded: "We are not aware of Mr. Kinder or his material. The Dream Book guide was conceived, developed and written by Ameriprise Financial." The spokesperson added that Ameriprise trains its advisors in financial planning and views the Dream Book as "a valuable tool that engages clients and prospects."

Another advisor network that has wrapped itself in the life planning mantle is First Command Financial, which has traditionally served U.S. military personnel. The company became notorious at the end of 2004, when it was fined $12 million by the NASD for using misleading tactics to sell soldiers investment plans that carried outrageously high loads and fees. First Command complied with sanctions while neither admitting nor denying the allegations. Since the scandal, however, "we have been remodeling the company," says spokesperson Mark Leach.

Now, First Command subsidizes training for its 450 independent reps in the "Values-Based Financial Planning" offered by San Diego-based consultancy Bachrach & Associates, and 90% of First Command planners have taken the course. Leach denies that the training has anything to do with restoring the company's reputation, insisting that "values planning is something we would have done anyway." In any case, its advisors now get coached in drilling down into clients' motivations-asking, for example, exactly why they're keen on sending their kids to college-rather than bombarding them with pitches and statistics. Jessica Walton, a planner based in Wrightstown, N.J., says the Bachrach training has improved the way she does her job. "You shut up and listen," she says. "You sit back. And you don't hold a pen."

Spokesperson Paul Cozby says that First Command made the financial commitment to such training because "we found that the values in this type of planning were closely aligned with what we wanted to do with the company. It excited a lot of people." He believes that demographics will fuel a long-term demand for life planning, not just a blip during the coming retirement wave. "It speaks not only to baby boomers, but also to the generation coming after, who want to know why they do something."

At Bachrach & Associates, they're celebrating the life-planning wave, thanks to companies like First Command. "We've trained people from all the big organizations, plus the low and medium range," says CEO Terry O'Hara. He won't disclose his customer list, but says "other than maybe some indie broker-dealers, we have probably trained 10%" of planners in the U.S.

Bachrach follows up with them, and O'Hara says they see results: A values-based approach makes advisors more professional. "We see people dramatically accelerate the time it takes to acquire a client," he claims. Surveys show that clients who don't get a hard sell put more investable assets with the advisor and are more willing to provide referrals. O'Hara even suggests that by reducing the number of clients planners must serve to make a living (because each one will bring in more assets to manage), the values approach improves service-thus keeping regulators at bay.

THERAPY BY THE UNQUALIFIED?

Still, not all financial advisors have the temperament-or the desire-to recast themselves as quasi-shrinks. For one thing, simply listening to clients is tough for a lot of planners. Kinder Institute's Galvan says that when she conducts a two-and-a-half minute listening exercise with a group of planners, many of them find it extremely difficult to stay silent. Walton at First Command admits that planners tend to be verbose. And listening skills are key in life planning.

Keeping quiet is the least of it. Getting to the bottom of what people really want out of life requires patient questioning and sometimes, a strong stomach. What if a married client discovers she longs to be single again? What if a 60-year-old engineer says he hates his career and himself for sticking with it? Some advisors keep a list of local psychotherapists handy to deal with such situations.

"It's a slippery slope for a planner," says Eisenberg. "Opening emotional doors can be very dangerous, even more so because those who go into financial planning are more comfortable with numbers than with the muck of people's psyches." Eisenberg thinks the industry is aware of this, especially the bigger institutions.

Phil Dyer, another Garrett network planner who took the Kinder Institute five-day program, says that the training has revitalized client relationships he has had for six or seven years. But he is leery of going too far. "I'm not a trained therapist," he says. "We fall into that mode from time to time, but you have to know when you've got to stop." Indeed, Eisenberg says there is ongoing debate in the life planning community about how far is too far when advisors address clients' emotional concerns.

THE NEXT WAVE

Of course, financial institutions continue to stress their investment competence. Indeed, some observers question whether life planning has enough staying power to merit a big investment in training. Galvan herself thinks its current popularity is related to three major events since the start of the decade: the declining markets of 2000 to 2003, the tragedy of 9/11 and the ethics scandals that have rocked Wall Street and several major corporations. All of them took investors' focus away from returns. When the market enters a bullish cycle-as it's bound to do eventually-profit-crazed clients might leave life planners in droves.

But proponents of life planning say the trend will outlive even a dramatic upturn. "Societally, we have gotten richer," says Kinder. "We're three times as wealthy as our grandparents. Life planning adds another layer of freedom; we're shifting to meaning from materialism." He may be right: So-called happiness research indicates that people don't get any happier as they get richer. As soon as they rise a comfortable degree above subsistence level, they are just as happy-and unhappy-as billionaires.

If that's true, life planners who can help future generations invest to fulfill their moral, spiritual and community longings will have a competitive edge. "I think life planning is the next big tidal wave," Dyer says. As the process becomes well known, he believes, more and more people will want advisors who can guide them through it.

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http://www.Financial-Planning.com http://www.sourcemedia.com

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