

Human-Centric Investing Podcast

Episode 24 – How to Help Clients Who Have No Idea About What’s Coming in Retirement

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Featured Guest: Erik Strid, Founding Principal and CEO of Cencentus Wealth Advisors

- Intro This is the Human-centric Investing Podcast with John Diehl where we look at the world of investing through the eyes of our clients. Take it away, John. Hello, financial advisors. This is John Diehl, Senior Vice-President of Strategic Markets at Hartford Funds. Welcome to episode 24 of the Human-Centric Investing Podcast. Joining me today is Erik Strid, CEO of Cencentus Wealth Advisors in King Of Prussia, Pennsylvania. Erik has really embraced the longevity concepts from the MIT AgeLab and the Hartford Funds to help his clients plan for longer, better lives in retirement.
- So, Erik, welcome to the podcast.
- Erik Strid: Thank you, happy to be here.
- John Diehl: Absolutely. There’s a lot of value-add content out there. But I know we’ve kind of traded some messages back and forth about the value that you find in the MIT AgeLab ideas, that you find them particularly effective for your practice. To what would you attribute that to?
- Erik Strid: Well, I think that if you think about the kind of the progression of value that we can deliver to clients and even the progression of the industry over the years, we kind of started out as a very transactional business and I think that’s the lowest end of the value chain.
- I remember first coming into the business back when we still charged commissions for trading stocks and so there are the various ways in which the business in the past has been transactional in nature and really that was value-add when clients didn’t have the opportunity and technology didn’t afford them the ability to transact for themselves.
- Then, I think we morphed into more of an advisory type of business model where it was no longer sufficient to just transact and now we had to be able to provide clients with further value-added services and give them advice.
- Obviously, the first element of that was when professional portfolio management and the wrap fee account became popular, but then that even morphed into the need to provide estate planning, tax planning, tax flow analysis for clients.
- And then to me the highest end of the value chain which we’re really entering as an industry now is where transactions and excellence and advice are kind of table stakes, and now we have to bring a service to our clients that actually is tailored to their individual specific needs, where they are in their lives and what the issues and challenges and opportunities that they are facing specifically. And that can take many forms.
- There are advisors out there who specialize in just working with dentists or just working with surgeons as an example. One of the areas where we’ve really identified as being a significant opportunity is, again, clients who are now entering the stage of life that we’ll talk about on this podcast of 65 and older that we really feel has its own very specific challenges and opportunities, that we can help them to really get a handle on and in so doing bring value that is unique.
- And I think that as we’re doing that, those clients and those prospects are identifying that and we’re being rewarded in terms of business growth for building the expertise.
- John Diehl: It’s funny, Erik, oftentimes in my conversations with Dr. Joe Coughlin at the AgeLab, he talks about the commoditization of investment results. And he’s quick to point out that investment results, he doesn’t mean to say they’re not important, they’re crucially important, right, but maybe one of the bigger

issues is that investment results are now expected. So, I think the progression that you discussed is absolutely evident.

And if we are providing investment results, all we're really doing is meeting client expectations and, believe me, all the work that we pour into that, it has to be good, because we don't get the chance to excite and delight our clients if we can't even answer their expectations.

But I completely agree with you and it's not just financial services, many different industries and companies are realizing that not only is it kind of the product or the core service that's expected, but it's also the advice, the vision, being able to share the experiences of other people with clients that they actually find that advice just as if not more important than the investment advice.

So, absolutely, and I think when you talk about commoditization, right, I know many advisors that I speak to sometimes struggle with how to differentiate themselves one practice from another, so on and so forth. By embracing these kinds concepts and positioning your practice in a different way, do you think you've been able to kind of break out of the pack a little bit in speaking with your clients and prospective clients?

Erik Strid: Absolutely. We're relatively new to the AgeLab's work. We've really embraced it. So, we're kind of just starting to see results from working with this research. But the results have been definitely satisfying.

I think from a client perspective, what we've really mostly done is just used this content to create some conversations with clients who are in this age bracket about the challenges and opportunities that they're facing.

And so, those conversations go well above and beyond the "How did my portfolio perform this quarter?" and get into issues that are really emotionally important to these clients. And so, the power, emotional power of those conversations really has been significant, and I find myself sitting in client meetings really feeling that we're adding a different kind of value to that relationship than I ever felt before, because we're really speaking to issues that are critical to their lives.

So, that's been very satisfying and I think clients have really responded quite well to it. And then, from a perspective of prospects, I just had a case this week where we had a fairly large prospect, actually happened to be a woman who was in the exploring stage of her life, she's alone, so really a kind of a classic example of this work. She's on a solo journey and she's a significant prospect.

And when she came in, the first and really only thing she wanted to talk about was the content that we had put out with respect to the AgeLab's work and how we are able to demonstrate expertise in some of these issues. That was clearly the most important thing to her.

As we were talking about a minute ago, investment results and planning expertise are kind of table stakes, that's like as you said those are the minimum expectations.

She wanted to know what unique value we were going to bring to the table and our ability to demonstrate that we know about the solo journey was really a big deal for her. So, I'm really excited about the business growth opportunities that this work is bringing forth for us.

John Diehl: So, before we dive into the content itself, Erik, I guess a question for you is how are you currently using the content or how do you envision using it? Is it more one-on-one? Do you do group events? Does it kind of make its way into your everyday conversations? All of the above, I mean, what's your thought on where you tried to place this information?

Erik Strid: So, there are several things we're doing. All of the above, I guess, everything you just mentioned. One thing that we're really focused on is creating content and kind of passing on some of the wonderful kind of work and writings of Dr. Joe in the form of putting out a blog and hoping to work on actually publishing a book so that we can help our clients and prospects to gain access to just the wisdom in the form of written content so that we can create kind of a backdrop for then getting a little more in depth with clients.

And so that more in-depth piece so far has really taken the form mostly of when we're having

client review meetings with folks who are in this age bracket, of course, we're just kind of creating a conversation around kind of the four key phases of the exploring life and what are some of the issues that are commonly faced and how are those issues impacting your life, so just kind of using it as a conversation tool.

What we're working on right now is to develop a self-assessment tool which basically will be a –we're almost finished with it, it'll be a questionnaire that clients can use to assess themselves.

My vision is that we would send them this every year on their birthday and they'd have an opportunity to answer questions about many of the issues that are faced in the exploring phase of life and really think for themselves about are these challenges really hitting home for them. Are they able to access resources to help them with these challenges and what are they doing about it.

And then finally, what we'll do as an add-on to that is once they've done that self-assessment, my vision is that we will have a tool that will be kind of a score report with customized recommendations.

So, if for example, if that particular client identified long-term housing as major issue that they're struggling with, perhaps we can refer them to – there's actually a local specialist here who works with families to help them to decide is assisted-living right for us and if so, what facility is best, et cetera, so we can connect them with resources that can really help with the specific issues that they're facing.

And then the final thing I'll mention that we've already done, we did like a roundtable event a couple of weeks ago where we had a dinner and we had a group of clients come together. I did a short presentation of the 8,000 days concept, and then we just sat down for dinner at the individual tables kind of we just went around and chatted in a peer environment about what are the issues you're facing, what am I facing.

And that was really powerful, just to get these people in a room together and have given them an opportunity to chat with a group of peers I thought was very valuable and we're hoping to do more of that as well.

John Diehl: It's interesting, sometimes I'll talk to advisors and they say well, gee, I haven't really done group events or client events or anything like this. And I think it reminds me of when I first had kids and I felt well, if one kid is hard to keep entertained and then that child wants to invite friends over, I almost went into a panic to say, gee, if one is tough to keep track of, what if we have four or five of them.

And what I learned was when we had their friends over, all of a sudden, my kids went down in the basement, they played games, they had fun, I didn't really have to do much of the entertaining because they were socializing.

And in a different but similar way, sometimes when we bring groups of clients together and as you said, sometimes I think the most important part of those events are where we just sit down at the table and let them share stories with one another, yet, the advisor is the one who kind of gets the credit for bringing them together. So, it's not really that difficult.

Erik Strid: Yes. I would tell you I think, we'll talk in a minute I think about how this kind of stage of life is I called uncharted territory. It's a new – there's no blueprint for life after 65 in our culture. And so, that's actually really challenging, I believe, for people who are turning 65, like how to grasp some of these challenges.

And I truly believe that the ability to be with peers and to have this as a topic of conversation among your peers is really valuable, and it's something that folks in this age bracket really want is those opportunities. It's actually a hard conversation to have with your friends, like how do you spark up a conversation about the challenges of getting older.

John Diehl: Right.

Erik Strid: So, for us to have a facilitated environment where we did that I think was really much appreciated.

John Diehl: Yes. And I think it helps to break down the myths and traditions. A lot of people are basing that vision of retirement on traditions and myths that have been handed down from previous generations, but

those generations hadn't had the access to the longevity and the technologies and you name it.

So, no, I couldn't agree more. I'm so happy that you and your firm are kind of taking these steps to help your clients in this way and with that, you mentioned the 8,000 days concept, Erik, a moment ago, why do you think that that concept in particular has been really effective in working with your clients? And maybe talk a little bit about how you position that concept.

Erik Strid: Well, sure. So, I mean, one of the things that has dawned on me in kind of working with the AgeLab is that one of the commonalities that – like so, father time is undefeated, right, we all get older, time passes no matter who we are we go through a life cycle.

And so, if we think about really adding value to clients, one of the ways we can do that is by demonstrating value within challenges and opportunities that they may be facing in their particular age bracket.

And so, for example, so the 8,000 days concept is that you can break down life into four 8,000-day segments; 8,000 days is just about 22 years. So, your first 22 years of your life you spend learning. You're mostly going to school.

You graduate from college when you're right around 22 and then you enter a period where you're growing. You're maybe finding a spouse, you're taking on your first job. You're maybe buying your first home, maybe having a baby.

Then right around the time you hit 44 or so, you hit traditionally what we've called middle age; I call it maturing where now your kids are getting older, they're maybe heading off to college. Your professional capabilities are really growing and maybe your – primarily your financial responsibilities are definitely growing. Maybe you're now in that second or third house.

And then finally, right around age 66 is the point which we've traditionally called retirement. And as you mentioned, we really feel like – so the word retirement means to be removed from service. Well, that is not a great connotation for what you aspire to in life, is are we removing these people from service to life? Are we taking them out of the game?

So, what I prefer to think about it is this is the time of unprecedented freedom. It's the time where your kids probably are now out of college and out of the house. Your professional responsibilities are maybe a little less. Your financial capabilities are much greater than they've ever been and you don't have as much maybe things you're needing to spend money on.

So, you have more time and money than probably you maybe have ever had before in your life to actually go out and explore, OK, to go out and think about your lifestyle in the sense of what's new. What can I get into that I've never had an opportunity to get into before that really interests me? What are the interests that I can now explore in my life?

So, we really feel that this is more appropriately named the exploring phase of life. And so, for me, the ability to and, again, everybody goes through these four stages of life no matter where you live, how rich or poor you are, what your race, color, or creed are, you're going to go through these stages. And so for us to bring value that's specific to those stages we really feel is powerful.

John Diehl: And, Erik, do you think that's because of underlying demographic changes or a mindset change in terms of the boomer generation, kind of how do you think about the underlying motivators about why people are so engaged by this concept?

Erik Strid: So, I mentioned before kind of uncharted territory and I think this is a really big deal. A couple of factors are happening in our culture, one of which is that well-publicized there's just a giant generation of baby boomers, folks who are actually just hitting 65. And the second is that that generation of people have experienced in their lifetime of massive boom in extension of life expectancy.

So, the example I always make with clients is that my grandfather, (Herb) Strid, was born in 1904. And when he was born, his life expectancy was just about 46 years. He outlived that; he lived to be 68, OK? But in his life, what happened for him was he retired at 65, he sat on the for three years and he died at 68. He had a three-year period of traditional retirement.

My dad, OK, was born in 1943. And he was born, his life expectancy was 62 years. Today, he's 75. He's still working. He's still going strong. He still works out every day, right, and his life expectancy is 86 years.

So, we've gone in one generation from a kind of a construct where there really was no exploring period of life. It was you retired and then you died a year later, OK? Now, you hit 65, maybe you retire or whatever, but you hit 65 and you got 20 or 30 more years of life expectancy ahead of you. And the question now becomes what am I going to do with that time.

There's no blueprint. So, the growing stage, there's a blueprint, you go to college. You go to high school, then you go to college or the learning stage.

The growing stage, there's a blueprint. You meet a spouse, you get a job, you buy your first home, there are signposts along the way.

The maturing phase, there are signposts to career development and to buying the beach house or whatever.

In the exploring phase, there are no signposts. Our culture has not created a blueprint for what you're supposed to do during this stage of life. And so, to me, this time in our culture is a really important one because it's the intersection of a giant number of people who are hitting this age along with the reality that there is no blueprint.

And so, this baby boomer generation really needs to create their own blueprint, and that's why I find this topic so interesting and also so powerful for so many people.

John Diehl: So, Erik, like the one thing I think sometimes people misunderstand is that life expectancy is that age which half the population is expected to live. But when we think about populations that are better educated, oftentimes that leads to greater wealth which means greater access to health care, devices, so on and so forth. We often see that those expectancies actually exceed the averages not in very case but is that something you're seeing as well.

Erik Strid: I mean, absolutely. That's a point that we make with our clients all the time, that if you think about the subset of the population who, well, let's put it this way, who have enough wealth to employ a financial advisor, right, those are the kinds of people who also can afford much greater access to healthcare than the average population.

And the interesting thing about that is I also think that it's an issue that is I call it an elephant in the closet, because people aren't cognizant of it. When we talk with clients and we have a conversation about their longevity and creating their cash flow plans for their life and we say hey, we should be planning a 95 or 100 life expectancy, they laugh and shrug it off.

Most people when they think about their own life expectancy, they think about their mom or dad and how long they lived and then they just tack on a year or two, a couple of years. But the reality is that the last 100 years have been an unprecedented time in the advancement of health care. And the increase in life expectancy that's happened over that time has shown it. There's been an exponential increase in life expectancy compared to almost any other time in history.

So, there's no reason to believe that that won't continue actually, that life expectancies won't actually continue to grow exponentially. And so, I think it's actually also an area that too many people are unprepared for, how long they're actually going to live.

John Diehl: Hey Everyone. Thanks for listening. This concludes part one of our interview with Erik Strid. We'll continue this interview in a future episode of the human-centric investing podcast.

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