

Human-Centric Investing Podcast

Episode 26 – How to help Retiring Boomers Find a Purpose in Retirement

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Host: John Diehl, Sr. Vice President, Strategic Markets, Hartford Funds

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.
- John Diehl: Hello, financial advisors. This is John Diehl, Senior Vice-President of Strategic Markets at Hartford Funds. Welcome to episode 26 of the Human-Centric Investing Podcast.
- Narrator: In this episode, John Diehl continues his conversation with Erik Strid from episode 24. Erik is the CEO of Cencentus Wealth Advisors. If you haven't listened to episode 23, you may want to do that before listening to this one.
- John Diehl: And, Erik, just a question, I mean, from a generational standpoint, one thing that Dr. Coughlin at MIT shares with us is that if you look at generational differences between, let's say, the silent generation or the greatest generation, the boomer generation, Xers, millennials on down, what they say is look, the silent generation is very respectful of authority. They accepted a lot of things. They worked within the system.
- But he points out that the boomers were never really satisfied with that; they kind of remade life at every stage if you will. And now that they're finally entering this exploring stage if you will, his proposition is that they're going to remake that, too.
- So, I guess my question to you is, as you compare some of the clients that you've helped over the years, do you see a desire on behalf of these boomer clients if you will to do things differently and to remake retirement? Or are they acting pretty much the same as generations that came before them?
- Erik Strid: I think Dr. Joe is right on on that one. As you've mentioned, their entire lives, boomers, there's a lot been written about the fact that they have, they recreated the blueprints of what we expect from human life at every step of their journey. And I firmly believe that they're doing the same thing now.
- And I think that process is just starting, but you can already see it in so many ways, probably the biggest and maybe we'll talk a little bit about work and the role of work in your life, that's probably the biggest way that I foresee and I'm already seeing the blueprint change from the you turn 65, you get the gold watch and then you go sit on the porch or you go hit the golf course.
- And that blueprint is dramatically changing, and I think 10 years from now or 20 years from now that narrative will be completely different.
- John Diehl: So, let's talk a little bit more about that, Erik. In the 8,000 days concept, you mentioned the exploring phase which is some people may have thought of as retirement in the past, but the fact that it can be broken into four different segments and the first segments is what the researchers at the AgeLab call the honeymoon phase.
- And so, when you think about the honeymoon phase, one of the biggest things that MIT is telling us that clients are going to have to think about is what is the role of work. And so, kind of share some of your experiences in helping clients through this, because retirement used outstanding be defined as the absence of work but it's not that way anymore, is it?
- Erik Strid: It's not. To me, this is probably the biggest issue and challenge from the perspective of there are some other issues that are faced in the post 65 life, for example, maintaining your health, right? I mean, that's something that is a big deal for people. Well, maintaining your health doesn't necessarily – in some ways it does, but it's not as much about your quality of your life.

You work is hugely about the quality of your life. So if you think about someone who's hitting age 65, they've probably been working for 30 or 40 years, they have developed – they've migrated a whole bunch of their identity around their profession. They have a network of social connections that are related to their profession. They have probably some degree of purpose from their profession. They have a degree of proficiency at their profession that makes their proud, OK.

So there are so many elements of their profession and their work that are integral to their sense of self and to their sense of well-being. One of the things that Dr. Joe talks about is when you go to a cocktail party, typically when you meet someone new, typically what are the first two things they're going to ask you, what's your name and what do you do for a living.

So when you retire, you all of a sudden overnight give all that up or you're expected to give all that up. What are you supposed to say at the cocktail party when someone asks you, "Well, what do you do for a living?"

And so to me there is a major identity crisis that a lot of people face when they hit age 65 with respect to how am I going to define myself if work is no longer part of my life. The challenge, the difficulty is that many people when they hit age 65, they do have the money and they have had the career success, and they do want to tone back a little bit. They want to be able to spend more time on leisure activities. And the way I define is I do want to play more golf, I don't want to play golf every day, but maybe I want to play once a week or whatever.

So finding that balance of how can I keep my identity from a career perspective, keep a purpose, but do it in a way where I have a toned down schedule, I can do it on my own terms. And that, for many, many people, I think, is a huge challenge. For many people they may have professions or careers that might allow them to maybe have a consulting gig or to take on a reduced role within their company or something where they can kind of semi-retire.

But many others are in professions where they can't do that. They don't have that opportunity and so they're going to need to reinvent or find another way to fill their time and to satisfy that need for purpose.

John Diehl:

So when you talk with clients that kind of entering this honeymoon phase or maybe in the first part of it, Erik, when the topic of work comes up, I mean I think the myth that we're handed is we're all supposed to get so tired of work that eventually we just can't wait to stop working. And that may be true in our 40s and 50s when work pressures are ramped up and expectations and also it's usually a pretty busy time in our lives both personally and professionally.

But when you talk to clients that are in their early to mid 60s, how do you think they feel about work? Do they feel like they should stop working? Is that – do they want to keep working because they're worried about the money? Do they find that purpose? How do you bring this topic up and how do you get them to kind of share with you what their thoughts are about working?

Erik Strid:

So I would say first of all, for most of our clients, you know, fortunately for them, this issue and this question is really not about the money, it's about how they're going to spend their time, OK? And it's about how they are going to fill the need within themselves for satisfaction and purpose.

And I would really say that there are two ends of the spectrum, so people on either end of this spectrum are in great shape, OK? On one end of the spectrum, it's the person who – we have a client who is a really, really well renowned surgeon, and he's in his 90s and he doesn't perform surgery anymore, but he is fully engaged in research and he is still a very important part of his practice.

He's a fulltime worker and he loves it, OK. So that's one end of the spectrum, someone who gets a ton of purpose from their work, they love working and they're fully at it. And they work in a career that allows for you to continue working beyond age 65.

The other end of the spectrum is somebody who retired, OK, and when they retired, they had a specific vision of what they wanted to do when they retired that had nothing to do with work. So there are a couple of clients who come to mind who basically said when I retire, I want to see the world.

Like I've always had a burning desire to just see every corner of the world and travel. And there's one client couple I can think of who, for them, this was it. This is what they wanted to do to fill their time and they are globe trotters, I mean they're all over the place. They don't work at all professionally, but they have a specific way that they fill their time that satisfies them.

It's the people in the middle, they're the ones who have the most difficulty. It's the folks who either don't want to continue working or are in a career that doesn't lend itself to working after 65, but never developed a hobby, never developed a burning desire to travel. They don't have any other way to fill their time. They're lost, right? They're the ones who just can't get a grab on what next.

And that's tough, and those are cases where, you know, we hope that our consulting and us having conversation with them can help them. But those are the really tough cases. That's the example I think that is going to have the most difficulty in this exploring phase, is someone who falls into that category.

John Diehl: And as an advisor, Erik, are there things that you do or questions you ask or directions that you point someone in or ask them to think about that might help them get over that hump of just saying, "Well, yes, I don't know what I'll do. I guess I'll figure it out over time." Are there things that you can proactively do to help them?

Erik Strid: Yes. I mean the biggest thing is just bringing the topic up, and we do this a lot, is having conversation and throwing out options. There's one client I'm thinking of right now who is a practicing doctor and he's getting to a stage where both, because of his age, he's not quite as effective and can't see as many patients and also his patience level for the administration required and the record keeping is just kind of at a minimum.

And so he wants to stop working. He's kind of lost his path and mission for his work. But he also has – he doesn't really have a lot of hobbies and he doesn't have a – you know, he just doesn't have other things to fill the void.

So for us, the best we can do for him is to say, number one, professionally, are there other ways that you can use your experience and your expertise? Could you join a start-up business that consults to medical practices? Are there opportunities that maybe aren't practicing medicine that you could take up that would be a professional outlet for you.

Now, that's tough because I'm not a doctor and so we don't know a lot of specific ways that he could do that. But we're asking the question. Alternatively, do you like to golf? Do you like to fish? Do you have grandkids? Are you into charity? Can we help you identify charities that you might take a board position and fill your time that way?

So at least we – we're able to at least throw out some options to help him begin to think about ways that he can fill his time. And so far, that's really the best we've been able to do is just at least start to create the conversation.

John Diehl: Yes, so you're a catalyst for action, that once you get them thinking, maybe the idea start to populate in their own minds based on their own experiences. It's a great point. And I've got a question for you that's tangentially related to this working topic, but the other thing we talk about in this honeymoon phase is it's usually the period of our lives where as I say, the rubber hits the road, right?

So all that planning that we did about income sources and what will our expenditures be, so on and so forth. And I know, as you mentioned, many times our clients have been blessed with success in assets, but they probably still need some reassurance, don't they during this stage in terms of how do I make sure I'm going to have enough money and what does it look like?

Do you find yourself doing a lot of work in this phase with things like nailing down that financial plan? We were thinking about what it looked like, but now we're actually there. Do you do much work with monitoring spending and income and budgeting and goal setting and all that kind of stuff during this honeymoon phase?

- Erik Strid: Absolutely, it's a critical part of it. One piece of that is the importance of, we have a planning software that we do that helps to look at probabilities of being able to sustain your income and before people retire, they really want to make sure those numbers are buttoned up.
- So usually, as part of this honeymoon process, this honeymoon period, we're spending probably more time with our clients at that time than maybe at any point on our relationship, because there's – like we may rerun the scenarios multiple times for them just to give them that comfort level.
- But I would say one of the – the two issues that are tough and that requires some help, professional help from us and where I think we really add value, number one is just the actual budgeting. So I mean the first question we would want to ask a client is, OK, so now you maybe stopping working or you maybe semi-retiring, how much does it take to fund your lifestyle, OK? So on an annual basis, what should we use as our assumption for how much you're going to spend in the future?
- And that simple question, it's just not such a simple question for a lot of people. A lot of clients have never actually tracked or kept track of how much they spend in a year. This is the time now where these people have never lived on a budget before. Many of our clients are either professionals or they are entrepreneurs or whatever, so their lifestyle has been a lot more about we make a bunch of money and we have a good lifestyle and if we want to increase our lifestyle, we just make more money, you know?
- Well now, they're entering a phase of life where maybe it is more of a budgeted fixed income lifestyle and that can bring some anxiety with it. And then also, the investment toolkit is different. There is now a need to move from mindset of being an investor who's focused on accumulating wealth to now an investor who's got a strategy for decumulating, for actually spending out that wealth over time and that requires kind of some different strategies.
- And obviously, that's our wheelhouse, that's what we do for a living, so our clients kind of have some confidence in that as part of it. But that's a big need, is you need to come up with a strategy for how you're going to distribute. And that brings a lot of complexity with it.
- John Diehl: So Erik, as we kind of round out our discussion on these first phase if you will of that exploring phase, of the honeymoon period, are there any other issues that sometimes creep into the picture that maybe clients aren't thinking about during this phase? I know we talked a little bit about work. We talked about the need to spend more time on the budgeting and we're rethinking our mental framework around now being retired or at least not working to the level that we used to.
- But are there other issues that pop into your mind that you are particular in spending time with clients about in this phase?
- Erik Strid: Absolutely. A real big one is family dynamics and being prepared for how your family dynamics will change in this stage of life. You know, I think that there're a couple of issues there. One is you enter this period of life thinking to yourself, well, I'm going to have a lot more freedom. My time is going to be more free, I'm going to have more financial resources and so I can dedicate more time and energy to spending time with my kids and grandkids.
- And for many, that becomes difficult because families are now dispersed way more than they've ever been in history. So you may have kids and grandkids in different cities or states, and so it may be tough to get to see them as much as you like.
- Then on the other hand, some families find that it's tough to break away from the responsibility of taking care of adult children, that they haven't left the nest yet. And so you have this vision that you were going to retire and have financial freedom and now all of a sudden you have adult children who haven't been able to financially support themselves and maybe in some instances are still living at home. So that can be an issue.
- And then I think as you even beyond that, and you start to even grow a little bit older, a really difficult one is when you get to that point where there may be some need to help with caregiving, maybe when it does come time to think about assisted living et cetera, that can create intra-family conflicts because maybe one child lives nearby and another one lives in a different city and the child who lives nearby

feels resentful because they're shouldering the caregiving burden way more.

Maybe there are disagreements about mom needs to move into assisted living, no, she doesn't, you know, those kinds of disagreements can come up. And then another real big one that I've heard a fair amount lately is, we've gotten older and our kids – we become somewhat marginalized in our kids' eyes.

They don't have the same level of, I don't want to call it respect per se, but it's difficult to maintain the same relationships with our kids that we've had in the past, and we want them to view us as important and contributing members of society and of our family.

So I think the family dynamics piece of this stage of life is an important one for many, many people.

John Diehl: Let alone that's between parents and children. Sometimes, it's within couples, right? So who's retiring here, is she retiring, he retiring, both retiring, nobody retiring?

Erik Strid: Yes.

John Diehl: I'm sure you get drawn into those conversations as well, right?

Erik Strid: Yes absolutely. That can really cause an adjustment period, with the old saying, a marriage is for better or worse but not for lunch, and all of a sudden now, you know, one of the side of the couple who may have been working real hard and spending time out of the house and now they're in the house all the time and there's conflict.

At its worst, that does lead to, there's this very significant phenomenon of Grey divorce where the post age 50 divorce rate is rising fairly dramatically in this country as well. I think there are a couple of different reasons for that, but that is another family dynamic that needs to be thought about.

John Diehl: So, Erik, let's move to the next phase. The first phase is the honeymoon phase, the second phase that the MIT researchers identified is called the big decision phase and, you know, from your experience, what do you think the biggest of the big decisions are that people are dealing with in that second phase?

Erik Strid: Yes, so it's a huge one and it's housing. It's where are we going to live. And this is one that everybody faces and everybody has very fairly emotional reactions to. Some people have a very strong emotional need to age in place, to stay in their existing home. Others have a very strong desire to get down to Florida and move into a retirement community down there where they have 8 golf courses and 12 restaurants and you never need to leave the property.

Others want to explore different lifestyles. They want to move to the city. So there's just a huge range of emotional beliefs about where we want to live. And one of the tough parts about that conversation and that decision is that you do have to face the reality of growing older and you have to think about the impact of where you will live on a couple of key issues.

The three key issues that I think are important are, number one, how are you going to maintain your independence and how are you going to be capable of taking care of your home and all the daily errands and the daily aspects of life that you have to take care of.

The second is how are you going to access the small pleasures of life, and the third is how are you going to maintain your social network. There are three really great questions that Dr. Joe poses that I think are really insightful that.

They sound simple, but – so who's going to change my light bulbs? How am I going to get an ice cream cone and whom I can have lunch with? And when you think about where you're going to live, you have to be able to answer those three questions.

So, who's going to change my light bulbs? So if you think about, you know, your 90-year old mother getting up on a ladder to change a light bulb, do you want that? And probably the answer is no.

You have to think about how are we going to maintain our home and whether, if we've got – if we're going to age in place in our existing home, is there cutting the grass and taking care of the garden and all those maintenance items that we may come to a point where we're not capable of handling ourselves.

The second is, how am I going to get an ice cream cone? One of the things that I really firmly believe and research proves out is that as you grow older, what ends up happening is you begin to – actually begin to narrow down your life. You begin to – you start to realize that you've got less time as every day passes and so you start to focus your attention on those things that you know give you pleasure.

You actually start to tighten your social circle a little to just those people that you care most about and you start to really focus on just those things that you know you can rely on, give you pleasure and satisfaction.

And one of the outgrowths to that is that small pleasures become even more and more important as you get older. And the proxy for that is an ice cream cone. So there's just nothing like biting into a great ice cream cone on a hot summer night. And so the question is how am I going to access my favorite ice cream parlor or my favorite Starbucks or my favorite restaurant. Are my living arrangements going to afford me that?

And then the finally, and again, really important one is who is my lunch date? So lunch is a proxy for your social network. Lunch is an opportunity to socialize and to sit down with people who you enjoy and you care about. And so am I going to have access to those important, vibrant relationships and am I every day be able to have time to have lunch with a friend? Does my living arrangement isolate me from that or does my living arrangement provide me vibrant opportunities to do that?

John Diehl: So Erik, as I heard you talking about that, kind of the housing question, that being one of the biggest decisions, do any clients come to mind where you've actually helped them kind of through this process of thinking about what the future looks like for them in terms of their living situations?

Erik Strid: Yes, and again, one of the things I was going to mention when we were talking about the work piece is it's another area where sometimes a great question is actually better than a great answer. And so really, our role is to help to ask the question to help clients to really self-explore and identify what really is important to them.

And so very often, this is really largely about us being there to ask the question and conduct the conversation, a lot of times just within the couple. So, one of the big element is, again you know, for a lot of people, this is an emotional area of trying to decide where they're going to live.

And in some instances, the couple may not even be on the same page with respect to what's important to them. And so a lot of times, our role is to help mediate that conversation and help them to come to a place where they both can kind of see from the same perspective what the best living arrangements might be for them.

And so there's actually one couple that comes to mind where we've – where they've actually had, they're in kind of phase two of this, there was that initial phase when they first retired where they changed their lifestyle. They bought a place in Florida.

They downsized in Philadelphia in order to – so they would split their time. They spend the winters in Florida and summers in Philadelphia. And so there was kind of phase one of having an initial downsize.

And now they're kind of getting into phase two where they're getting to an age where maybe that back and forth is a little more difficult and they're trying to decide do we move into like a retirement community in Florida or do we move into a retirement community here in Philadelphia and go back to just living in one place. And they're trying to work that out and we're actively going through that.

I had a conversation with them right now. They're not ready to make a decision. This is certainly an area that is one that evolves over time. People don't just overnight decide, OK, now it's time to move into a retirement community or assisted living or life care or something. It does require conversation. People need to come around to the reality of what they want to do. And so really the best value that

we can add I think is in conducting the conversation and asking the question.

Hi everyone, Thanks for listening. This concludes part 2 of our interview with Erik Strid. We'll continue this interview in a future podcast episode.

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