

Human-Centric Investing Podcast

Episode 55 – Dr. Joseph Coughlin—Building Your Longevity Network (Part 2)

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Featured Guest: Dr. Joseph Coughlin, Director and Founder of the MIT AgeLab

This is the Human Centric Investing Podcast with John Diehl, where we look at the world of investing through the eyes of our clients. Over to you, John.

John Diehl: Hello, financial professionals and welcome to episode 55 of the Human Centric Investing Podcast. My name is John Diehl, senior vice-president of the applied insights team at Hartford Funds, and again, I welcome my friend, founder and current director of the MIT AgeLab, Joe Coughlin to continue the conversation that we had in episode 54 about building your longevity network. So Joe, thanks again for being on the podcast.

Joe Coughlin: Yeah, it's always a delight to be here and to talk about our favorite topic, the future of advice.

John Diehl: So Joe last time we talked a little bit about how my expectations of advisors and expectations of retirement are going to be different, but I wanted to start this podcast with you just pointing out what I know you refer to as three key characteristics of the aging segment that is both going to make them very appealing to financial professionals of the future, but also present its own share of challenges. So you mentioned education, buying power, and tech savviness. Can you touch on each of those?

Joe Coughlin: Sure. Now I hate to say this given my day job, but education does not necessarily make you smart, but it does give you chronic attitude. The generation of people that are being advised today that are moving into the retirement and early on into retirement years have more college education or some college education than any generation in the past. In fact, the Baby Boomers and Gen X-ers have 12% to 20% more than the Silent Generation, and certainly more than the World War II generation. This makes them a generation of researchers. And by the way, John, as you and I have talked about in previous broadcasts, is that women in particular since the 1970s now have more education in all fields but men. So when we speak about education and we speak about the true adviser and true researcher, it's usually about women.

The second part is, which always gets people's attention and they don't think about it, is buying power. While older adults only get 2 to 3% of advertising attention and advertising dollars, imagine this. The 60+ consumer, if it was its own country, would be the third largest economy in the world. And the United States, the 50+ make up nearly 70% of the discretionary spend. It's almost like an emerging market hiding in plain sight. That it is as I write my book, *The Longevity Economy*, an emerging market. And probably the last one is tech savvy. John, I don't know if you know this, but do you know there's a whole new medical condition called Wii wrist and Wii elbow where older adults playing with such verve and keeping their scores up, and by the way, during the pandemic, we found that the technology has been accelerated out of laboratories and into everyone's living room.

They're now expecting to see you on zoom, text, whatever platform you've got? The answer's yes. So yes, this is a very different consumer who has lots of opportunity, but it's not the one that used to have that, respected you for having letters after your name, something on the wall, and when you said, "This is complicated, don't worry, I've got that." No, this is a group that would do their own brain surgery if they had time to go on YouTube to find out how.

John Diehl: Well, Joe, you talked on the last podcast about six key areas, in addition to the existing networks that financial professionals oftentimes have built around banking and tax planning and legal work and estate planning, that kind of thing. But you mentioned care management, social connection and purpose, aging in place, transportation, senior living, and career management. In that podcast we talked about the fact that there are professionals to help us in each of those areas, although sometimes we don't know who they are. And then you just told us that we've got a whole new herd of retirees that are better educated, wealthier, healthier, have more ideas, and more access to anything than in the past. And sometimes when I talk to financial professionals about these growing expectations, sometimes the tendency is, Joe, to throw up your hands and say, "Look, I'm just a financial planner. I'm just an investment professional. How am I

supposed to do all of these things? And how do I get paid for it?" What do you say to an advisor that throws that your way?

Joe Coughlin: Yeah, just to make it more complicated, don't worry, forget the fact that these folks have got real demands, not just expectations, so they will move to wherever they can get it for. No, I don't want financial professionals out there to believe they have to be a registered nurse or a social worker, or even get a better toolbox to be an aging in place contractor. No, the future of advice is about the power of your network. How, in fact, we can make it broad enough to address all those issues that old people will face in retirement. So I want you right now to start thinking about clients who've come up with issues like having their parents go into senior housing, clients that have come to you saying, "Well, we're not going to make a deposit this quarter because we're redoing the house." What contractors did you meet? I want you to start to form a relationship, formal, informal, and the like with a range of professionals out there that go and build on your original core of accountants, lawyers, tax specialists and the like.

John Diehl: So you're not saying that the manual has already been written in terms of what all these longevity services are, but Joe, you instead say that really the treasure is kind of right beneath our feet, if you will, in terms of the clients that we actually have relationships with.

Joe Coughlin: Absolutely. I want all of our audience, financial professionals, to pause for a moment, step back. I want you to think about when you're home, not as a professional, but how are you managing, and typically it's probably a partner, particularly a wife more often than not, that is managing, finding the services that they need for a parent, finding a contractor, finding the appropriate senior housing or putting transportation together. That's the job to be done. Real value is about the products, the services, and solutions you can provide to a client to get those jobs to be done. And you don't have to be the expert, but we do demand that you assemble the knowledge base of expertise that will enable that to happen. You write the check, I'll provide value, which is the solution.

John Diehl: So Joe, what you're saying is when I think about what you just said about the financial professional kind of going home and thinking about the services that they're using and the things that they're doing for their own parents and friends, what you're saying is that Netflix might be more than just an investment idea. It might actually be a service that someone enjoys. I know even in conversations I've had with family and friends, it seems like we're in this weird transition where maybe Millennials or younger Gen X-ers, they know about all this stuff. They know about cord cutting and streaming and you name it. But at some point there's a gray area, and then at a later point in age, it's something like, "I've heard of it, but I'm nervous about it. I'd like my cable, thank you very much." But if it fits the client directly, even a simple discussion like this that may save the client some money, increase their choice, whatever, probably has real value to that client.

Joe Coughlin: Absolutely. In fact, think about the value of the Netflix, of the Amazons and whatnot. One of the great values is not just the programming and the services and the products they provide, but they have an algorithm that says "Other people like you also did X." So in your conversations, in your Rolodex, and that shows my age even, Rolodex, but in your Rolodex are the things that you can go to your clients to provide the same emotional and substantive value, which says, "Other people like you in the same situation that are very much like you did X, Y, and Z." That's profound value. That provides that confidence that often we may lack individually.

John Diehl: So Joe, if I could share an idea that actually we have found some success with that advisors have come back and say really like it, it comes from a partnership we have with a group called the Oechsli Institute. And what they say is when you're interviewing, perhaps, these clients about the various services that they're using, or providers, you had even mentioned at one point, talking to them about contractors that are making improvements on their home, being able to talk to someone like that and say, "If I were to ask you to rate that contractor, that real estate person, that moving company on a scale of 1 to 10, where would you rate them?" First of all, you're asking the client to quantify it.

So if a client says they'd rate that provider from an 8 to a 10, then we would say that's probably someone you want to think about adding to your longevity network. And it's pretty interesting the way to do this. It's to say to the client, "I'm really happy that you had such a great experience. You thought it was a good value, all these things. Can I ask you a question? Would you mind if I contacted that provider and maybe used your name as a referral? And the reason is I think I have five or six other clients that may soon need those

same kind of services.” Joe, at least in my experience, when people feel like they can benefit someone else from the experiences that they had, I think they’re more than willing to share. Have you found that as well?

Joe Coughlin: Not only are they willing to share, but from a social psychology standpoint, there’s an altruism. They’re coming to you for your expertise, but now you’re asking them for some of their expertise, their experience overall. They actually walk out of your office feeling good, not just about what you did for them, but also what they were able to do for them and other people like them. No that is definitely how to do it, and in research we call that snowballing. As you get those referrals, you start to snowball it and you get more and more and more. More importantly, somebody gives a score of eight to 10, they know they’re putting their street cred on the line with somebody they know. You. So that’s probably a far better reference than an algorithm online that says other people like you when that algorithm really doesn’t know.

John Diehl: So Joe, let’s talk about the flip side of that, because there’s a very high likelihood at some point you may run into someone that says they rate them from a zero to a seven. And let’s hope you don’t get too many zeros and ones because I think sometimes people are like... Unless it was just an absolutely awful experience, but my guess is sometimes you’ll get a pretty good number of fives or sixes where the people weren’t especially thrilled with the job that was done. Most of the time, whatever the expectation was, it got done, it just was more of a hassle than what they thought it should be. Well, in that case, where they’re rated from, let’s say, a one to a seven, it becomes an opportunity for that financial professional to introduce that client to maybe someone else in the financial professional’s existing stable of experts, if you will.

Joe Coughlin: Absolutely. And by way, listen intently for not just the score they give, but for the tone that they give the recommendation. Negative emotion is always far stronger than positive. So if they give a resounding positive, that’s got to be pretty good. They give a resounding negative, watch out.

John Diehl: Joe, I know a lot of the financial professionals that I work with these days are working as part of a team. Now that team may be an individual advisor, but they have an office administrator, or it could be a multifaceted team. There could be six or seven people or more that work on that team. What are you seeing, Joe, because I know you’re doing a lot of interviews with financial professionals, not only in the US but also in Canada, in the UK. As you talk to these folks about the composition of their teams, are you getting any leading from them about how these kinds of changing expectations and conversations may impact the next hire that they make?

Joe Coughlin: No, absolutely. And by the way, I would invite all the listeners and financial professionals to join the AgeLab’s PLAN, Preparing for Longevity Advisory Network. We’ve already interviewed upwards of 150 in three countries. We’re getting some of our research. So please go on the AgeLab website, find us and sign up. No we’re finding that the team has changed. There’s a trend in work, not just in finance, but a trend in work of hyper specialization. We used to be specialists, but now we’re hyper specialists. So the new hires that are being made are people that might be able to gather large swatches of information and filtering it out in terms of what services and what solutions can be provided to a client.

Maybe you’d want a paraprofessional to go out and vet some of these services on on the ground, going to senior housing, talking to a mobility counselor. But more importantly for the future of advice, we’re now looking for financial professionals that are less about the algorithm and more about the conversation. Less about cold-hearted discussion about the portfolio and more about the warmth of the person. These are very new talents from a business that was traditionally quantitative, complex, and about taking the emotion out of the money. And you and I, John have a former colleague that said very well that emotion puts money in motion.

John Diehl: So Joe, as we think about this longevity network, I also think it’s important that financial professionals constantly revisit it, for a couple of reasons. One, there may be services that we haven’t even anticipated yet, that the financial professional may not even realize are things that are out there being used. So the economy and needs are changing all the time, so are careers professions and areas. You just think over the last 10 years of some of the new technologies and positions that have been created. But Joe, especially because of your expertise in generational change, is there a transition coming because of the number of people who will be aging out of certain professions? Will we constantly need... I’m hearing that especially for financial advice, people were saying, “Oh my gosh, I hope my advisor never retires. I hope they never go anywhere.” But we all know that does happen over time. So revisiting it always helps us to reinforce that longevity network, correct?

- Joe Coughlin: Oh, absolutely. And the fact is that our lives are very dynamic. We need new different types of services and expertise. And as you said, as the technology changes, so do the professions that are out there. I mean, genetic counseling, we never thought it would be a thing, but believe it or not, at some levels, genetic counseling has now become a great part-time gig for some retirees. We've seen things such as the on demand economy give all kinds of jobs to people that we would have never thought about in retirement or beyond. Geriatric care managers. These are all professions that frankly you have to look hard for and can be a lifesaver if you will, for the people you counsel.
- John Diehl: So Joe, an implementation question here about this longevity network. If you are the financial professional, and you're going into a one-on-one meeting with a client who's coming in, and you're not really that aware outside of the portfolio that you put together, manage for them, and the fact that they're your typical family, a couple of kids that maybe they're getting through college or maybe young adults who are now out on their own. Do you go into a meeting with the express desire of seeking this longevity network, or do you start with the issues surrounding that family first and then delve deeper and deeper in terms of where they're looking for help? How do I source this longevity network, I guess is what I'm asking?
- Joe Coughlin: I would say you always start with a client. They're there for you to help them. Start with what they're doing. And by the way, to get them to start talking because many clients, particularly older clients, are a little reticent to talk about the deep things going on in their life, because the profession of the financial professional has really defined itself as being narrow around complexity, money, and quantitative. So when you start digging into, "So how is your mom? How are you providing care?" They think that's the opening of just being courteous, not necessarily part of what you do. So having those conversations, going deeper, going gently. And by the way, if you need to pry more, talk about stories of your own and your own life or of other clients if you don't have that exact experience, and then start to tease out how they are solving that problem, or if they're not, it's an opportunity for you to show your superhero skills in the future of advice by linking them to solutions that you may have already developed.
- John Diehl: And so, Joe, I think you had mentioned at one point in the podcast that sometimes advisors need take a step back. And I want you to think about a conversation that we might have with someone where we're treading outside of the normal bounds of the conversation. It may be easing back in the seat a little bit and just saying to that client, "Can I ask you a question? And obviously if you feel that my question's out of bounds, feel free to tell me so. But listening to your story, it makes me wonder. How are you coping. Are there services you're using? Or how is your mom doing?" And again, sometimes you're going to be talking to the client that is needing care and oftentimes leaning on an adult child.
- "How is Joe dealing with all this? I know he's a teacher, that he's a PhD at MIT, he's got a full-time job, yet at the same time he's helping with your care. How do you think he's bearing up?" A, it gives you a little bit more information about that relationship, but sometimes you're going to be dealing with the adult child. And I will just warn financial professionals, one of the oldest attendees that ever came to one of my workshops was a 102 year old woman, and when I asked her why she had come, she said, "Because my kids made me." One was 80 and one was 78. So sometimes the preconceived notion we have about who's the caregiver and who needs the care, be ready to blow up some of those mental frameworks, if you would.
- Joe Coughlin: I also think that advisors, the best of financial professionals do this intuitively, but for the rest of us, we got to think about a more consciously. Conversations are choreographed. Everything needs to be put in the right place to get people to open up. You mentioned very simple the idea of backing up in the chair. That's so you're disarming, you're not attacking. Not doing it in a conference room or behind a desk. Even if it's a little desk next to your desk. That's very official. It's very formal. It's more like being judged or going to the dentist than it is wanting to really know and care. Check your tone. It's quieter. It's lower. You're inviting them into fill in the negative space. No, this is a real future of advice where the tools are not just your software, not just the products and the algorithms that you rely on for the daily business, but the real business is the relationship between you and that client.
- John Diehl: Well, and I think Joe, just in the work that we've done together, oftentimes the financial professional is... The role that we fulfill is that of being a quote unquote expert on the things that we're supposed to be an expert in. The markets, portfolio construction, planning, whatever it is. But when I think that when it comes to these longevity issues, we're probably more benefited from taking the role of a student. I'm here to learn. I want to learn from your experience. I may be able to share some things that I've heard along the way that maybe jointly we can come up with a better story, but I think if we take that humble position of

wanting to learn more, not just to benefit that particular client, but the financial professional is really in a position to leverage that knowledge to benefit more than just that client that's sitting in front of you.

Joe Coughlin: It absolutely is. And you and I have done work on the power of story. When you ask the client, lean back and let them fill in that space about what's going on in their lives, the way to get that to come out with greater detail and color is to share a story in your own life or someone else's, so that you're reflecting, that you understand what they just said and how you interpreted it. That often gets the client to talk even more. So as the classic thing is, it's polite to say, "So how are you doing, how is your health?" You can quickly just bypass that. When they say, "Oh, it's good." No, you really need to show your body language and tone and reflecting what's going on in your life and go, "No, really, how are you doing?" That way people want to be asked. We need to change the business of advice, the future of advice from being simply, and I don't mean it's simple, but simply to financial professional, to a caring professional that's caring about finance and all the things that go into navigating living longer and better.

John Diehl: Joe, one last idea that I'll share, because we've had quite a bit of success with this as well is putting together a group event. Now, obviously coming off the pandemic, I'm not talking about putting a hundred people in a room, but a small group of people, and even virtually this almost can be achieved, I don't want to say more easily, but certainly people are more accessible. When I say people, I don't just mean your clients. I mean, other professionals in your longevity network. Think about hosting an event. We suggest having no more than two, maybe three, but ideally I think the financial professional and maybe two experts from that longevity network to do a group meeting, if you will, kind of like a panel discussion. And we always suggest that the financial professional kind of take a central role in leading the discussions and asking questions and then getting conversation going.

But that way, I think, Joe asked either earlier on this podcast or on our last podcast, for you as a financial professional is start thinking about the people who have asked you about caring for aging parents or the people who've asked you about downsizing, or maybe changing their location or changing their profession, whatever it might be. Because as you start to bring those common experiences together, you may be able to call them back and say, "Hey, I remembered the conversation we had about fill in the blank. We're putting together a virtual event. I'm going to have Joe Coughlin from MIT and John Diehl from Hartford. They're experts on this particular area and really benefit the clients and perhaps prospects from attending something like that. So it's another way to leverage this longevity network. The longevity professionals that you ask, they have an opportunity to improve their visibility in the community and educate more people about what their services are all about.

So there's a number of ways, all the way from one-on-one engagements with your clients, all the way to group interactive events. We actually have some advisors that suggest holding two or three of them a year, but what they do is they rotate the participants from the longevity network. So they kind of cover different topics at different times. So something to keep in mind. So Joe, our time here on the podcast is running short, but any last words of wisdom for the crowd out there as they embark on this, A, hopefully coming out of the tunnel that we've been in for the last year with the pandemic, but certainly looking forward to a challenge that was always there in terms of this changing consumer and changing lifestyle. Any final words?

Joe Coughlin: If the pandemic has done anything, it has reframed for the client that while finances are profoundly important and necessary, there are things about our life that is even more important. And I think the financial professionals of today and tomorrow have an amazing new frontier in front of them, that the future of advice is about caring, conversations, and understanding the full context of the life that your clients are leading and how you can help. John, it's always a pleasure being here with you.

John Diehl: Dr. Joe Coughlin from the MIT AgeLab. Thanks very much, Joe. And for all of you listening, thanks for listening, and we look to meet you again on the next episode of the Human Centric Investing Podcast. Thanks very much.

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