SAMUEL BALDWIN

CFP, is vice president of Spencer Financial, LLC, located in historic Sudbury, MA. The Spencer Financial team of experienced professionals is dedicated to helping clients create a road map to a secure retirement.

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Creating A Sustainable Retirement Plan

When preparing clients for retirement, it's critical to provide not only a detailed plan, but sensible guidance. There isn't one product that can guarantee a definite solution.

It's up to you to educate your clients on the importance of developing goals for today to protect their future. These critical discussions present an opportunity to help your clients rethink and prioritize their retirement plans so they can maintain the lifestyle they are accustomed to living.

The best way to teach retirees or those approaching their golden years is to make them an active part of the planning process. We need to make sure our clients are adequately prepared to avoid financial risks.

A client's retirement solution is what my team and I call our "three-part process." This approach keeps clients aware of where they financially stand. By conducting an honest assessment, you can determine if clients' assets are sustainable for their lifetimes and won't alter their lifestyles when markets are down.

The process to help ensure a secure retirement plan is through evaluation, positioning and management.

Evaluation. The first step is to conduct a thorough evaluation of your client's finances. You'll need to determine their assets, liabilities and income requirements in retirement. Make sure to get a good gauge of their current and future goals. Create a comprehensive financial plan for your clients from the information you collected. The content must be concise and understandable, inclusive of repeatable facts.

Positioning. Once you've analyzed your client's risk and return objectives, make recommendations on where they can convert their accumulated retirement dollars into guaranteed lifetime dollars. Counseling retirees means taking many factors into account. Develop a strategy that identifies the options and opportunities available to reconstruct their financial plan to accommodate what's most important to them.

Management. After 11 months have passed, schedule a follow-up meeting with your clients to repeat the enrollment process. Conduct the complete evaluation and positioning again.

Thereafter, conduct yearly retirement reviews and planning sessions throughout their retirement. This process lets the client visualize how much income they have, how long it's going to last and what adjustments should be made.

Repetition of the three-part process will help your clients better understand the factors in their portfolio and unveil the necessary steps needed to reach the lifestyle they want, given the assets they have.

Frequently, neglected investment accounts are uncovered during the evaluation step. These accounts typically have not been analyzed in years. This can create a challenge, because a retirement plan is dependent on the rate of return of a client's portfolio. The difference between a 5 and 6 percent rate of return can determine if a client leaves a large inheritance to beneficiaries or runs out of money.

It's been more common to find clients who haven't adjusted their portfolio appropriately for taking in income once they have retired. Baby boomers across the country are accustomed to accumulating assets in volatile accumulation-style portfolios. In cases like these, if a retiree withdraws money in a down market, it can result in depletion of his income.

No one can predict the market, but what we can do is be adequately prepared. As advisors, we need to educate our clients on the importance of appropriately monitoring, managing and investing in retirement—*and how it is very different from our accumulation years.*

There are two types of people: those who don't know they can retire when they can and those who think they can retire when they can't. Many clients don't realize what side they fall on until they go through a review process.

Recently, a high-net-worth client realized that at age 61 he could retire. He cut his hours back at work and decided to start traveling. Of course, there are people on the other side of the spectrum who think they're prepared to retire, go through the review process and find out they're not.

For example, a client was gifting the annual maximum amount to his six grandchildren. He went through our process and discovered that with his gifting strategy and asset goals, he would run out of money at age 80. He has since stopped gifting and is projected to leave an inheritance to his grandkids.

One of our many roles as professional advisors is to provide sufficient counsel to our clients to help them realize the consequences of their financial choices.

Not only do you have to be committed to developing a secure retirement plan, but the client does, too. I suggest completing a thorough review process with your clients to prepare a retirement plan that meets their individual needs now—and in the future. If you identify the options and opportunities available to them they will have safe and sustainable golden years.

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