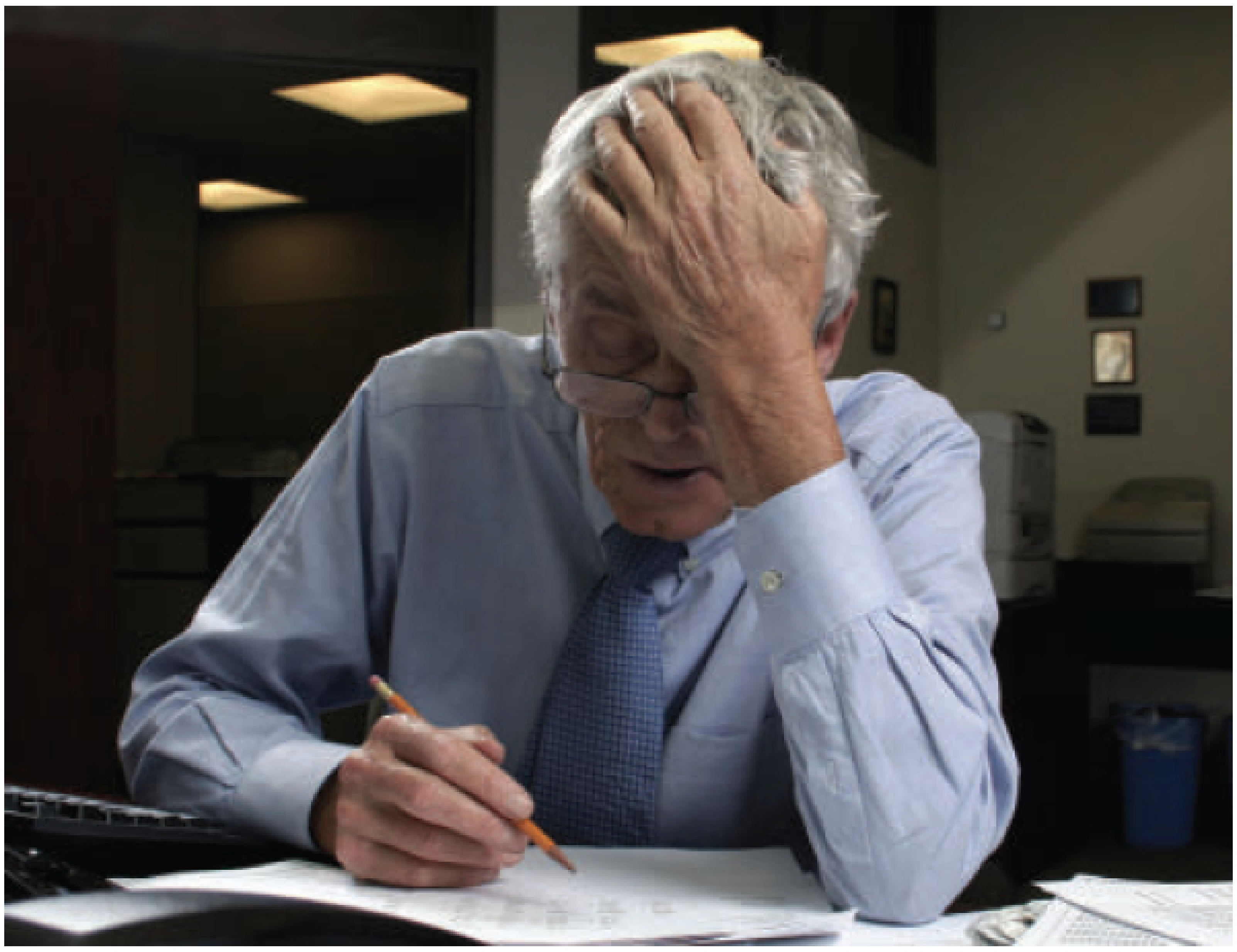
The Wealthy Non-Retiree

Here's how to talk to your clients about retiring when they don't want to.

BY MASON BRASWELL



When a prospective client of advisor Bart Lewis was ready to retire, he employed a fairly standard exit strategy, turning his successful medical research firm over to his children and retreating to a vacation home in the Florida Keys. But, as his children will attest, he never really left.

"He spends three to four hours a day on the phone still involved in day-to-day management," says Lewis, a Raymond James senior vice president of investments and branch manager in Naples, Fla. "[His kids] want to be able to assert their independence, and it's difficult to lead when you also have someone leading from behind closed doors."

A significant portion of wealthy clients have trouble taking themselves out of the game, and it's not for lack of money. Almost one-third of those making more than $750,000 a year said they would not retire until after 70, according to a recent survey from Spectrem Group. Another 15% never plan to retire.

Meanwhile, only six percent of those making under $100,000 a year plan to retire after 70. Another six percent would never retire, while the majority said they would retire by 65.

"The financial side is the easiest part to address. That's just the math," Lewis says. "Where it gets more complicated is when we have someone who is able to retire financially, but is resisting for some reason."

While firms develop financial planning software to help clients calculate how much in assets they need to retire, they often overlook another key variable in planning, according to Nancy Schlossberg, a professor emerita at the University of Maryland and author of several books about the psychology of transition. She says an equally important part of offering retirement advice is to look at the client's "psychological portfolio." To some people, leaving a long-time occupation feels a lot like losing one's identity, she says.

"Broker, professor, lawyer, plumber—that is your identity, and it's easily understood by other people," she explains. "That's what people don't want to give up."

Business owners can be the most stubborn in the face of retirement, Lewis says. Like his prospect, who had grown his company from its inception, many have their identities too entwined with the company to walk away. Others, particularly the top earners at professional services firms, are concerned that they do not have a strong enough successor in place and the practice will fail without them, Lewis adds.

"One [client] in his 70s is still a rainmaker for a fairly large firm," Lewis says. "He is resisting retiring even though he wants to and has had the conversation several times. He doesn't want to leave everyone in the lurch."

Whatever their reason, the corporate world has its share of older executives who will not retire, such as David H. Murdock, the 90-year-old chairman and CEO of Dole Food Co., and 96-year-old Kirk Kerkorian, who still owns private holding company Tracinda. Only 14% of S&P 500 CEOs who stepped down in 2012 cited retirement as their reason for leaving, according to an annual CEO Transitions report from executive search firm Spencer Stuart.

"It's sort of a subconscious process that goes on where your identity transforms from what you do to who you are," says Robert Delamontagne, Ph.D., president of Fairview Imprints and an expert on the psychological dynamics of retirement. Delamontagne founded an online learning company and began writing books after he sold his business to Kaplan.

Knowing When to Go

In many cases, extending one's career can be a positive. On top of bringing in additional income, top earners will hang onto a position for the simple reason that they enjoy their work and can continue adding value to the company. The upside of Lewis' prospect's daily phone calls is that he can share his wisdom with children who need it more than they may realize. "For some people, it's because they love to work," Lewis says. "It's not our judgment call to force them to retire."

However, many firms have recognized that it's important to the functioning of a successful business to give some of these older workers the heave ho, whether they want to go or not. Partnerships, for example, can include a mandatory retirement age, which often hovers between 65 and 75, as a way to prevent domination by older partners, cycle in new talent and create viable succession plans for senior executives who have been waiting for their turn to lead.

That's why it's important for clients to weigh the desire to keep working against the potential harm they may be doing by sticking around, especially if their performance is beginning to wane. After spending more than a quarter century as a psychology professor at the University of Maryland, Schlossberg had her own moment of self-awareness and realization at a retirement party for a colleague. Some co-workers voiced the opinion that the retiree's skills had atrophied, and she should have considered leaving sooner. "Nobody is going to say that about me," she thought, and decided to pursue other opportunities.

To some clients, however, the timing may not be so apparent, and it may require a third-party opinion from the advisor. "Everyone is going to come to [their advisor] when they want to discuss their retirement," Schlossberg says. "A lot of them aren't going to seek out a psychological counselor."

Understanding when retirement makes sense involves listening for hints that a client is burnt out or should not sign on for another tour, according to Lewis. The client reports feeling tired or may mention that he or she wants to spend more time with his or her family. "And then the question pops up: 'Why don't you?'" Lewis says.

Soft Landing

If the financial house is in order, some advanced planning conversations can help soften the landing or make the client more comfortable with the idea of retirement. One way to get the ball rolling on this delicate conversation is to start working with the client on a succession plan, says Alan Newman, a complex director and one-time financial advisor at Hilliard Lyons in Evansville, Ind.

Bringing up the practical aspects of such a plan, such as taxes and valuing the business, can help to identify potential emotional challenges early. Newman often encourages advisors to bring someone from the investment banking side of the firm into the conversation, even if the client's retirement still seems far off.

"It's their life, and they've got to be really ready before they pull the trigger," he explains. "Life is full of uncertainties, and planning for that becomes a really important consideration."

Lewis opens the dialogue by discussing taxes, a common enemy. "I've met very few business owners who love to pay taxes," he jokes. Most are eager to begin planning ahead if it can mean saving money when transitioning the business or estate.

Many times that leads to a larger discussion in which the advisor can broach the subject of life after work. In the case of a sudden acquisition or sale, loyal executives can stay on in another fashion that may be less demanding. Clients may work on a contractual basis as an advisor to the board, or come into the office only a few days each month as a consultant in order to stay engaged.

"We have a couple in their 80s going hard every day at work, and they love it," says Greg Ghodsi, senior vice president of investments for 360 Wealth Management Group of Raymond James in Tampa, Fla. "But physically, at some point, it ends."

Ghodsi recalls one of his long-time clients who sold his business in his early 70s and transitioned into retirement by serving on two boards. He also established a scholarship and charity organization, which he ran until he passed away at 94. "If you love what you're doing and keep yourself in shape, why stop?" Ghodsi asks. "He would light up telling me about those projects."

But not all attempts to stay in the game are financially healthy. For the first two years out, advisors should be watchful of clients who may want to take big investment risks in order to regain their sense of management or control. Delamontagne remembers feeling his own compulsions to make a poor real estate investment in a beach house after he sold his business.

"I missed the action," Delamontagne recalls. "Not only are we achievement-addicted, but we're action-addicted." OWS