A new school of thought

The field of financial gerontology gives advisors a different outlook on the issues facing senior clients and a fresh approach to resolving them.
You may not confront it every day, but somewhere in the back of your mind it lurks—that uneasy sense you're overlooking something important that could really help your clients, a gnawing feeling that you are a step behind some of your competitors in the senior market.

That insecurity is your conscience talking. Listening to your conscience can work to your advantage, driving you to constructively channel your energies into staying ahead of the curve so you can better serve your clients and build a stronger practice. But therein lies the challenge. It's not easy finding new angles that give you and your clients a competitive edge, and it's even tougher discovering those angles before other advisors do.

These days, more advisors who want to rise above the competition are delving into financial gerontology, an obscure discipline that is rapidly gaining relevance in the mainstream senior market. Advisors who have become knowledgeable about financial gerontology and applied that knowledge to their day-to-day client interactions say they have indeed discovered a valuable new tool that adds dimension to their practices by enhancing their ability to relate to and serve senior clients. It's that added dimension that sets them apart from the crowd. In fact, experts in the field contend that senior-oriented advisors who ignore financial gerontology, whether they be attorneys, estate and tax planners, accountants, insurance agents, financial planners, or brokers, are doing themselves and their clients a disservice.

"Frankly, I don't understand how someone who serves older people can really do what's in the best interests of those people without understanding financial issues from [the financial gerontology] perspective," says Lois A. Vitt, a pioneer in the financial gerontology field and founding director of the Institute for Socio-Financial Studies in Middleburg, Va. "Most older people want their advisors to be familiar with the issues they are facing. It's imperative."

**DEFINING ISSUES**

So what is this emerging discipline? And if it's so important to an advisory practice, why are so few senior market professionals familiar with it?

Financial gerontology (gerontology is pronounced with a soft 'g') is a term coined 15 years ago by Dr. Neal E. Cutler. In broad terms, Vitt says, it means "looking at finances from the perspective of aging." Vitt not only has been integral in defining the discipline, she's helped it gain legitimacy. A former securities principal who took her financial background to the field of sociology and gerontology in the 1980s, she edited what is widely viewed as the definitive book on financial gerontology, the *Encyclopedia of Retirement & Finance*, a two-volume compendium published in 2003 as the successor to the *Encyclopedia of Financial Gerontology*, for which she served as co-editor.

John L. McKeever III, CLU, ChFC, RFG, executive vice president of the Delaware Valley Financial Group, a financial advisory firm in King of Prussia, Pa., describes financial gerontology as "the study of the finances of elders." In practical terms, he says, it's an understanding of "the ramifications of elongated life expectancy and the need for different strategies and planning than was traditional 10 or 15 years ago."

Several major trends have put financial gerontology on the map, according to McKeever. Not only are people living longer lives, they want to retire younger.
"We're condensing the accumulation period and extending the expenditure period," he says.

There are other realities brought about by longer lifespans, such as a person's greater likelihood of needing long term care at some point, one of the major expenditures that can stretch retirement resources to the breaking point.

"One-third [of retirees] will run out of money before they run out of time," McKeever points out.

Other factors are threatening retirement nest eggs, particularly among members of what is called the Sandwich Generation: people who may end up supporting their parents at the same time they're supporting their children. Supporting dual generations can drain a retirement stash, as can the lack of a pension program. With the wholesale move away from employer-financed defined-benefit programs to defined-contribution programs such as 401(k)s, employees now bear much or all the financial burden of financing retirement.

Confronted with all these threats to retirement savings, the issue for older
people and the advisors who serve them becomes, “How will people generate, accumulate, and protect enough wealth to sustain the standard of living they’re used to for a lifetime?” McKeever says.

Central to the understanding and application of financial gerontology, that question is prompting advisors like McKeever to use new terms like “wealthspan” and “financing longevity” in discussing the mounting challenge of stretching client retirement dollars to last a lifetime without major lifestyle compromises.

Advisors who ignore the issues specific to the finances of aging run the risk of misleading older clients with ill-fitting advice and unsuitable products — “like trying to dress a senior in teeny-bopper clothes,” Vitt says. Those who bury their heads in the sand over the wealthspan issue often won’t have the right solutions to the problems their senior clients face.

**APPLYING WHAT YOU LEARN**
The RFG designation on McKeever’s business card is an indication of the increasing weight given to the financial gerontology discipline as a means of understanding and addressing the wealthspan challenge.

RFG stands for registered financial gerontologist, a designation conferred upon financial professionals by the American Institute of Financial Gerontologists, an organization established in early 2003 by the American Society on Aging and Widener University in Chester, Pa., where Cutler, one of the organization’s founding fathers, currently presides as Boettner/Gregg Chair in Financial Gerontology. That the RFG designation has only been recognized by the Certified Financial Planner Board of Standards since January 2004 indicates just how nascent the financial gerontology discipline is. That it’s recognized at all — and that the ranks of financial professionals who have earned the designation are swelling — is an indication of the discipline’s legitimacy and growing applicability.

The course load for the RFG designation consists of six four-hour workshops with a curriculum that focuses on such topics as the new science of wealthspan planning, the connections between health, wealth, and aging; the ethical and legal issues affecting financial advisors and their clients; and financing longevity with strategies to transform accumulated wealth into lifelong income, Cutler explains. The enrollment fee starts at about $1,500.

While Vitt, McKeever and Cutler agree the AIFG is a great resource and a solid starting point for an education in financial gerontology, advisors can gain a working knowledge of the discipline and how to apply it to their practices without earning the RFG designation.

The AIFG Web site recommends a handful of books that can give an advisor a good grasp of the subject matter. The Society of Certified Senior Advisors is another useful resource, according to Vitt. Advisors interested in learning more about the issues encompassed by the financial gerontology discipline can speak with professionals who specialize in issues facing older people, such as elder law attorneys, accountants, nursing home advisors and geriatric physicians.

Both McKeever and Cutler are part of the AIFG faculty that teaches the courses required to earn the RFG designation. The multidisciplinary approach they teach gives advisors a range of tools to apply what they’ve learned about financial gerontology to the multiplicity of issues their senior clients face.

Professionals who cater to senior clients should find an immediate prac-
tical use for their financial gerontology education, Vitt says. Regardless of how an advisor gains his financial gerontology education, "once someone becomes educated about the subject, they'll apply it to every client they see and they'll do it automatically," she says.

Perhaps the most important skill an advisor can derive from that education is an elevated understanding of "harvesting" an older person's retirement using wealthspan planning strategies.

"Very few people can show their clients how to harvest what they've successfully grown — what to do once they've left the accumulation phase and entered the distribution phase," Cutler says.

An understanding of the ethical issues surrounding the finances of older people represents another key component of financial gerontology, according to Cutler. That entails a grasp of, and sensitivity toward, the biological, psychological and sociological dynamics that affect senior clients in today's changing world, plus an ability to synthesize those dynamics into solutions and strategies that fit their individual needs.

"The two biggest questions older people have are, "Will I run out of money before I run out of time?" and "Will I need to sell my house?"" McKeever says. "They need to learn how to save money and to do it starting immediately, to put themselves in the best position to remain financially independent. You [the advisor] need to be able to build a scenario with them that answers those concerns."

Key to the financial gerontology school of thought is recognition that the older retirement model has largely become obsolete. In the financial advisory realm, says McKeever, that means a willingness to discard the old 65 percent bonds, 35 percent stocks formula in favor of one significantly more weighted toward quality equity investments. The goal, he says, is to structure a portfolio with a projected rate of return and investment horizon to accommodate a 100-year lifespan and 6 percent annual withdrawals by the portfolio owner.

With the ability to process client situations through the prism of financial gerontology, advisors likely will be better equipped to provide solutions in a range of areas affecting older people in the harvesting stage of their lives, including:

- Debt management, ordering spending priorities and implementing a spending plan
- Tax and estate planning
- Long term care and health care planning
- Investment options and financial planning
- Selecting among insurance options
- Evaluating whether it's necessary or desirable for an older person to keep working or retire to work
- Evaluating housing options, including reverse mortgages, which McKeever calls "one of the largest pieces of untapped and untaxed equity in the world." For some older people, utilizing a reverse mortgage, he contends, "can mean the difference between not having any kind of lifestyle and having a reasonable lifestyle."

Not only will advisors with a grasp of financial gerontology be better equipped to provide senior clients with suitable solutions, Vitt notes, they'll also be better able to provide referrals to elder care and geriatrics specialists when the situation calls for it. It's crucial that advisors be able to point older clients in the direction of specialists in niches such as home modification, geriatric care, daily money management, nursing home evaluation, gerontological nursing and geriatric medicine, she says. "There's a whole array of professionals who cater to older adults. You don't need to have relationships with all of them necessarily, but you at least need to know they exist."

NOW FOR THE PERKS...

Having relationships with those types of specialists certainly can't hurt, since they likely will yield referrals in the other direction, as well. Indeed, access to new networking opportunities and the clients those opportunities can produce is one of the perks of an education in financial gerontology, according to Cutler.

Those perks are both tangible and intangible. "I think the goodwill you create is enormous and the sense of satisfaction with the work you do jumps exponentially when you know the issues your clients are facing," Vitt says.

That knowledge of the issues can turn into a valuable marketing vehicle, as well, particularly when it comes in the form of the RFG designation. "It sets the advisor apart from the crowd," Cutler says. "It helps when you can point to something that tells your clients and future clients that you have an interest in, an education in and experience with the issues of older clients. You're letting the public know you have specialized knowledge in this area."

Of course, there will be skeptics — hard-boiled, bottom-line-driven advisors who doubt they'll be able to recoup the time and money they invest in a financial gerontology education. According to Vitt, the benefits far outweigh the costs, since a grasp of the discipline will help advisors better relate to and serve clients young and old.

"In order to plan for the future, you have to be able to envision the future," she says. "A financial advisor who can really see the future is much more valuable to a client of any age."

David Port is a freelance writer based in Denver.