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JIM: I’m really looking forward to our show today. Today, we have a guest that we haven’t had on for about three years and it’s long overdue. Kelly Ferrin is a gerontologist, author, and speaker discussing life planning. It has often been said that people spend more time planning a vacation than their 30-year retirement vacation and Kelly is going to give us some things to think about to help us better enjoy our retirement years. Welcome, Kelly.

0:30

KELLY FERRIN: Thank you, Jim.

0:31

JIM: Hey, it’s been such a long time and I’m so looking forward to having you back. I’ve shared this with so many clients because we talk about aging and the aging process and, if I recall correctly, you got a golf scholarship at the University of Berkley, you were studying gerontology, and here you are when you’re going to your golf practices and there’s all these 80+ people on the golf course yet, during your studies, you were going to nursing homes and healthcare facilities and you saw a little bit of a disconnect so tell us what’s new about the financial gerontology and what you’ve learned and what are you doing with that information.

1:07

KELLY FERRIN: Thanks, Jim, so much and, first, let’s clarify, my in-laws went to Berkley but I’m a Trojan so I’m a USC girl so I want to definitely make that connection.

1:11

JIM: Okay, I’m so sorry.

1:16

KELLY FERRIN: No, no, no, and it’s important. I don’t even know if Berkley has a gerontology program, which is part of what the challenge is. It’s very unusual. SC has the top school in the nation for the field of gerontology. You’re right on as far as going on a golf scholarship but there was a connection there between golf and gerontology and the financial gerontology world is becoming a very important part of this industry, the blending, really, of the financial industry and ours, and really helping people understand the impact, the financial impact particularly, of longevity. As you said, people are not really used to having these types of conversations, they shirt around a little bit, so what we’re trying to do now in my work is really make advisors and help advisors feel more comfortable having these conversations with clients by really understanding really nothing more than positioning products and tools, if you will, as the solution for some of these longevity challenges so that’s really what financial gerontology is and what I’m trying to help advisors be more comfortable about having those conversations.

2:12

JIM: I just met with a client earlier today and we had to have kind of a tough discussion because the Baby Boomers, my generation, is the ones that are retiring. I’m on the tail end. We’ve got 10,000 retiring every day. The Baby Boomers were the greatest spending generation of all time. I think a lot of them are kind of in denial as to how long they might live and how much resources they’re going to need to have. There’s a real disconnect there so is there a psychology effect of this longevity and what role does it play in financial retirement planning from your perspective?

2:47

KELLY FERRIN: Yeah, that’s a great question, Jim. The one thing that I would say, the good news is we’re living long, the bad news is we’re living long so, you know, it kind of goes both ways but there’s definitely a psychological component. On the one hand, I’ve always told advisors and clients as well that we don’t look forward to getting older. We’ve had a very negative image of aging in this country up until very recently, maybe the last 20 to 25 years or so, and so people weren’t real excited about the idea of planning for a phase in their life they weren’t looking for to, particularly if we felt that it was going to be involving nursing homes, which has changed so drastically and radically. That, I think, plays a part. The other side of the coin also is the fact that a lot of boomers, particularly because they were brought up through all the wellness and the Jane Fonda and, wow, does she look insane, she looks great at 70, whatever she is. As a result that, though, they think well if I just eat right and I exercise a little bit, then I’m never going to have to deal with these longevity issues and the downside of it. You and I both know the reality is very clear. The number one fear among consumers right now is healthcare cost, period. Just as recently as 10 years ago, outliving their money was the primary concern. It has been replaced by almost four times in effect by healthcare costs because it is the big unknown, for what, how long, and how much, huge uptick in retiree healthcare costs something in the neighborhood of 500% in the last 20 years, so, clearly, this is becoming a conversation that we need to start having with people. Like I said, we’re navigating through unchartered territories. We’ve got early diagnosis, detection, treatment, that’s keeping people alive longer than they’ve ever been, and, so, you’re right, Jim. People have no idea how long they’re going to live and, more importantly, I think let’s talk about how many of them are financially prepared to live that long because we’re going to see 80 and 90 across the board, I mean without question. How you’re going to be here at 80 and 90 is going to be the biggest question but, financially, how we’re going to afford is the other part of this. I just saw a study that was done by USA Today not too long ago, actually, that showed 56% of the population is financially prepared to go to 75; 85+ is the fastest growing segment of the US population so if we have 50% prepared to go to 75 and about 46% prepared to go to 85, that’s a problem so getting people to just understand that, I think, is something that we want to help people but I think we also, Jim, and this is one of the things that I try to do so well, and that is taking the fear out of it. People are afraid of the unknown and they are afraid, that’s where the psychological component kind of comes in as well. They don’t have a real positive image of aging and of the frailty, which we’re not seeing as much, and what I try and help people do, live long, die short. In the past, we’ve lived too short and died too long and that’s something that I think is a critical part and you can imagine the financial ramifications of that second scenario. That’s something that we need to help people with.

5:23

JIM: Absolutely. I can’t even remember the first time I heard you speak but it’s probably been three or four years ago. You are probably on the leading edge of having these discussion points because, now, we hear a lot more people talking about it but discussing longevity was almost taboo when combining that with their money situation and planning. Nobody wanted to talk about it and I remember, I think it was you that was sharing the story of the retired GM executive who had some serious health scare, decided to retire early figuring he only had a couple of years, and here he was, what, 93. He was the over 90 hurdler.

6:00

KELLY FERRIN: Yep. Easy, Jim, I can’t believe you remember that story. That’s so great. People won’t remember everything you say but they’ll remember how you made them feel and when you share the story of Bert Morrow, retired at the age of 47, three years away of being fully vested, chucked it in. Never thought he would live that long. He lived to his 90s with no money. The reality is, for Bert’s story, I always tell people don’t worry about Bert, he was all good because of his extraordinary talent, a little creative PR genius on my behalf. We hooked him up with a company that owned retirement communities all over the country. He became their wellness ambassador so he had a place to live and healthcare costs were taken care of and all those things but most people don’t have that scenario so we do have to kind of share that story with people but, again, like you just said, getting people to focus on living long and dying short, taking care of themselves, preparing for the financial, because you know this, Jim, and I’m not sure Americans understand that it’s the missing link. People don’t want to have this conversation. They don’t want to address it. Seventy percent of people over the age of 65 are going to need some form of long-term care in their lifetime, whether that’s going to be for a long period of time in a nursing home, whether it will be a short period of time, or homecare service, which is the fastest growing segment of healthcare in our country, which takes the fear out of it. A lot of the long-term care policies unbeknownst to a lot of people is covering homecare. It’s not being in a nursing home. If we don’t make the financial plans, god forbid, then maybe we’re going to end up in one of those nursing homes so these are some of the facts that we need to help share with people and make the proper plan.

7:18

JIM: But, Kelly, I don’t want to talk about planning on going to a nursing home. I want to plan my next trip to Hawaii. That’s a lot more fun. Or how about the next cruise we’re going on?

7:27

KELLY FERRIN: That’s right, that’s right. Always good to have the backup in the pocket, Jim, and I’ve always said it doesn’t have to be a long-term care policy. I think my real issue with all advisors is we’ve got to have a financial plan for healthcare, period, in case the hiccup comes. That’s what we want to do. The 65+ population is the fastest growing sector seeking bankruptcy protection in the last 20 years, 65+ is up 150%, 70+ population up 430%. This is why we have financial gerontology, Jim, but then, like you said, let’s talk about the happy times. I mean Yogi Berra, man, he just turned 90. If I knew I’d be living so long, I would have taken better care of myself.

8:00

JIM: It is a battle. I’ve got a family member who does not like to talk about retirement planning and do reviews. She feels like coming to me is worse than going to the dentist and, yet, she’s planning a trip to Hawaii. She spent 45 minutes on the phone with me talking about some of the islands I’ve been to and she spent hours and hours. I asked her how much time have you spent on this vacation and she said, oh, probably 10 to 15 hours, and I said, now, your vacation is going to be three weeks, your retirement might be 30 years, don’t you think we’ve got our priorities with how we spend our time a little bit backwards.

8:33

KELLY FERRIN: That a boy, Jim. I use a slide, actually. It’s funny that you should say that because 80% of the population will see their dentist annually, 46% will see their financial advisors, that’s if they have one, and I think if we can always remember, and I think this is really important for our industry to remember that the majority of people have never had any formal training in finances, in money management. They look at money and finances as very complex. As a result, they procrastinate over financial matters. The majority of them don’t have a retirement plan. People don’t plan to fail, they fail to plan, the boomers particularly. They don’t want to appear that they don’t know everything and, so, that’s something, too. As soon as we get, Jim, and this is one of my life goals and maybe it’s one of yours as well, as soon as we get this concept into the school district and I have been championing the idea of life planning for as long as I’ve been in this industry, that finances and longevity or gerontology has to be part of that but they’re not the only pieces of all of that. If we can get people to shift thinking from retirement planning, really, to life planning, where we’re talking about, like I said, longevity, financial, legacy, health, the life stages we’re going to go through, residency, where we’re going to live, reinventing ourselves, all of those components that are a part of financial gerontology, those are life priorities, and if we can get more involved in that and bring that into the school system and give people some education about these things, I think they’re going to be much more inclined to understand the importance of the financial planning.

9:53

JIM: And we are definitely wired the same. It’s the whole purpose of this Real Wealth program. It’s to educate people because they are not getting that education in the schools. It’s a poor excuse for financial education, the couple things that they do, and I know a lot of schools don’t even teach how to balance a checkbook, and that’s just some of the basic stuff. I had a guest recently where we talked about how to understand your credit score, what impact it will make, what things you do effect your credit score. Too many people go through life, they don’t know, and then they get a loan and they’re paying an extra 2% on their mortgage or an extra 10% on their credit card purchases or whatever it might be, and they’re spending thousands and thousands and thousands of dollars that could be spent on these very things you’re talking about but it’s going down the drain in interest because they don’t understand how to manage their debt, how to manage their money, how to manage their income. A lot of people are just kind of lost but they don’t take the time and I appreciate so much what you’re doing and motivating people. Hey, we’re going to take a short break and when we come right back, let’s talk about a little bit of the different approaches that people can make and some things that they might think about to help them get started with planning, so please stay tuned.

10:57

BREAK

11:56

JIM: Welcome back as we continue to visit with Kelly Ferrin. She’s probably one of the nation’s most renowned gerontologist, which is a term you may not have heard about if you didn’t listen to our program three or four years ago, but you’re studying and you’re educating people on financial gerontology, how you put together the fact that people are living longer and the considerations that they’ve got to make financially so they can live well longer. Let’s talk about three-prong approach that you have to helping people plan.

12:26

KELLY FERRIN: Okay, Jim, very good. I have kind of decided that we need to focus on three areas when we’re having conversations with clients. That’s life span, helping people really understand how long they’re going to live. The second thing we need to talk about is health span, how they’re going to be here long, and, thirdly, talking about the wealth span. You and I can go through all sorts of statistics and I’m sure that most of your listeners are well-versed in the longevity aspects about what we’re seeing in this country. The chance of living to 100 is up 43%. One hundred years ago, the chance of living to 100 was 1 in 500 and, now, it’s like 1 in 26, so people are living longer but we also have to start helping them understand how to be here long. I guess one of the things that I try and share with people, and I think this is a fun one, you know, what is old? First of all, what is old? Let’s identify around 65 as being the marker of old when you’re eligible for social security for now. What a lot of people don’t realize is that marker of old was actually established in the late 1800s, the Bismarck formula, when life expectancy was 47 so, when life expectancy is 47, then 65 is considered old but, when life expectancy is pushing 80 today, we have to ask ourselves how do you call 65 old? That is one element that we want to start sharing with people. The health span, we do have some control over how long and how well we live and I think the latest statistics now are showing us in the neighborhood of 705 of characteristics of aging are based on lifestyle, 30% genetic. Most people think it’s the opposite but then we have to start talking about the wealth span, how we’re going to finance it. What are we going to do there? Like I said, you folks are the experts there as to what tools to recommend to clients but helping them understand that the majority of them are just absolutely not prepared. Like we said, just kind of shifting this away so much of a focus on financial and particularly the fear factor but, instead, like you talked about, Jim, let’s talk about buying a new car at the age of 90. Let’s talk about my dad who is going to be jumping out of a plane for his 90th birthday. Let’s talk about those types of activities and things to look forward to and, hey, if something else falls along the way, we’re ready to battle that financial hurdle as well. Just look at it from a more holistic perspective and more encompassing, I think.

14:22

JIM: One of the points I’ve always made to my clients, when you’re getting ready to retire, you better have something to retire to. Don’t just look at it what you’re retiring from because, after about four or five weeks, you’ve got all those jobs you always wanted to do done, now what for the next 30 years, so if you don’t have a plan, and it doesn’t mean everything’s got to be about insurance or investments or any of that stuff, it’s a matter of how do you want to retire and making sure you’ve connected the dots.

14:49

KELLY FERRIN: Right. One of my favorite stories, too, when you look up the word retirement in the dictionary, it says the number one thing we know in the field of gerontology, which is the worst thing for you, disengagement, pulling back, push aside, no longer having an opportunity to work. I’ll tell you, the most healthiest, happiest retirees I meet are so busy they wonder how they ever had time to work so that kind of shift in thinking and you know, Jim, we’re not going to be able to probably change the word “retirement planning” even though the concept retirement is way outdated. It doesn’t even come close to how people are living in retirement, what we’re doing in retirement, so we can’t talk to people about retirement planning necessarily. It really has to be this new phase in their life like you talked about. Let’s shift from a linear to a cyclic life plan. It used to be you live, you work, you die, maybe throw in a cruise before you die. Now, because of this extraordinary longevity, we’re shifting the linear life plan out to a cyclic life plan where people are interspersing work, education, and leisure throughout the life span so then they retire, they may go back to work, they may retire, then they go back to school, have a vacation, just doing all sorts of great things in life, so this new longevity. What are you going to do with the extra 30 years we’ve given you? What are you going to do with it and it’s going to be a lot of different things and that’s probably the message that’s really important to share with people and then understanding the financial aspects of preparing for that.

16:01

JIM: It’s amazing. I had a lot of people coming here, I think it’s because of the commercial, well we don’t know what our number is, and I said the number is meaningless. You’ve got to figure out what you want to do and I use the term transition. I said when you decide to retire, and I talk kind of the same way you do, you’ve got to be retiring to something so it may be volunteer work, it may be working part-time, it may be more time with the grandkids, but if you’re just going to sit home and watch cable TV, it’s not going to be a very happy or fulfilling retirement so it’s a transition and you may transition to working a little bit less and having more freedom in your day and then maybe when you’re 80 or 85, you might transition and not working at all where it might be more like the definition of retirement but, at 65, for people to retire the way they used to when they had six months to look at their gold watch that they got when they retired, it’s just a whole different world.

16:50

KELLY FERRIN: It is, it’s a whole different world, and it’s all because of longevity and that’s the reality that we need to help sharing with people. We’ve got a lot of work to do. It’s an exciting time and there are a lot of opportunities out there to really share the good news about this new longevity but also being responsible and understanding what that means and helping us get it into the school system someway, somehow, because that’s really where it’s got to go.

17:11

JIM: Kelly, this has been awesome. I really appreciate having you back again. It’s been way too long. I hope that we’ve motivated some people. Don’t try to do this alone. We’re not disciplined type people that can tackle something like this by yourself. You need a team around you. You need financial advisors, insurance counselors. You might need job counselors or career counselors. It’s a different animal but don’t go it alone and the sooner you get on top of it. We interviewed a while back, I remember interviewing Leroy Butler. He was an All-Pro, Hall of Famer for the Super Bowl Green Bay Packers. He was one of the athletes that successfully retired and actually had a retirement that he was looking forward to. He said the last two years of his NFL career, he couldn’t wait to retire because he had the plans in place. It is so critical, whether you’re a superstar in sports making lots of money or you’re doing the daily drudge of whatever job that you have and you’re looking forward to a new beginning, make sure you have the plan in place. Don’t do it cold turkey or you’re going to have a rude awakening so I really appreciate you being on again, Kelly. This was awesome and, hopefully, we can have you on again real soon.

18:14

KELLY FERRIN: Looking forward to it, Jim. Keep up your great work. Thank you so much.

18:16

JIM: Thanks for joining us this week and tune in against next week as we explore another phase of the Real Wealth process and, remember, if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member, just click the Forward to a Friend button.