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Five Steps to Building a Retirement Income Planning Business

By Elaine Floyd, CFP®

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A Horsesmouth Special Report

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It seems like everyone in the financial services industry is beating the drum for retirement income planning these days. But this is not a fad.

It's not even a cyclical wave that will be over and done with a few years from now. Rather, it is a fundamental change in the way you and every other advisor will be forced to do business as a new generation prepares to convert assets into income.

Retirement income planning is not new, of course. You've been doing it with your retired clients for years. But there are two ways it's different now. One is the sheer size of the generation that is on the brink of retirement. The other is the fact that this generation is very different in the way they approach their finances and how they work with advisors.

Why retirement income planning?

Why should you do retirement income planning? Studies are showing that those advisors who invest the time and effort to specialize in retirement income planning have seen significant growth in their practices. It just makes sense. When the majority of clients seeking advisory services have a need for retirement income planning, those advisors who specialize in retirement income planning will get the business.

Specifically, retirement income planning can build your business in three ways.

Add Assets

For one, it allows you to add assets. Pre-retirees who have been handling the accumulation side by themselves find themselves completely perplexed when it comes to converting assets into income. If they never saw a need to work with a financial advisor before, they will now. So you can expect to encounter lots of new clients.

Also, you'll get more of their assets. Retirement income planning is a comprehensive process that requires you to understand a client's complete financial picture. This means you'll be consolidating accounts, including IRAs, 401k plans that may have been left at multiple employers, and taxable investment accounts.

Retain clients

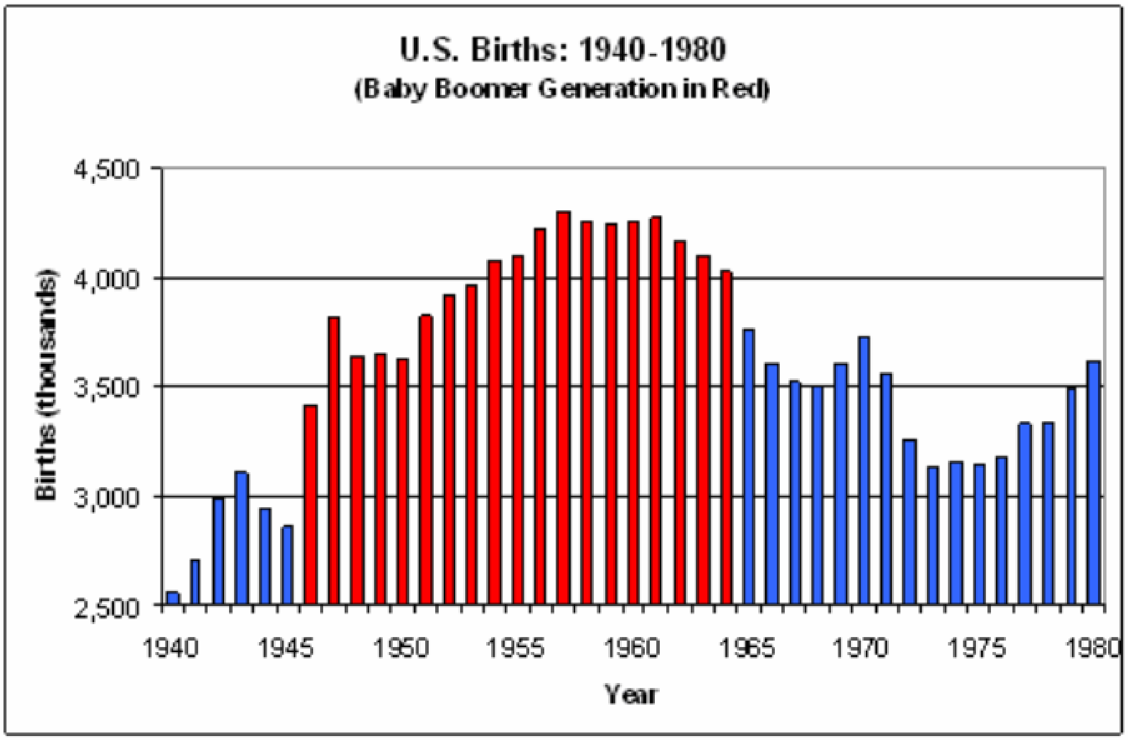
Another reason to do retirement income planning is to retain clients as they age. The process is so complex and comprehensive that once you start working with clients on retirement income planning, they will become dependent on you to manage all the pieces. You'll get to know them better over the years and your relationships will deepen.

Network

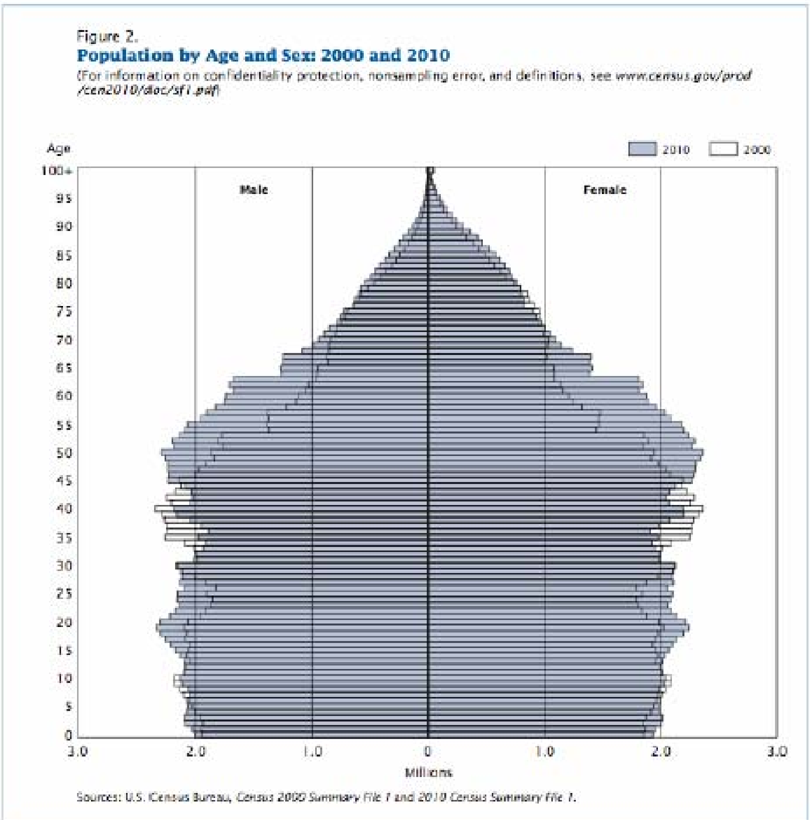
Retirement income planning gives you a reason to network with centers of influence like CPAs and attorneys. These professionals are all serving the same type of client—baby boomers on the brink of retirement who need help with income planning. By specializing in this area, you'll be able to form strategic alliances and build a strong referral network with other professionals.

Step 1: Recognize the opportunity

The first step in building a retirement income planning business is to recognize the opportunity. Who are the people? Where are their assets? And what do they need?



Here's a chart of live births from 1940 to 1980. The term "baby boom" was used to identify a massive increase in births following World War II. In 1945, members of the armed forces came home en masse. They got married and started families. Baby boomers are those born between 1946 and 1964. Three and a half to four million babies were born every year during the baby boom. Now all those baby boomers are between the ages of 45 and 65



Age	Population
50-54	22,298,125
55-59	19,664,805
60-64	16,817,924
65-69	12,435,263

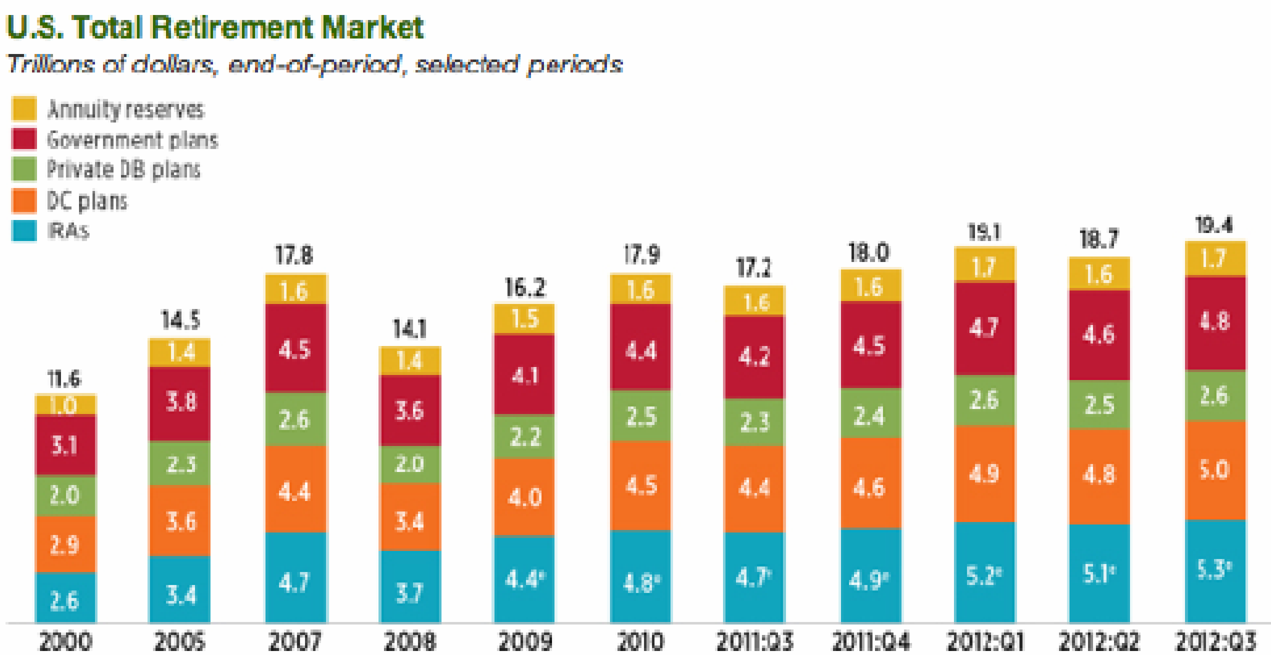
This population pyramid from the U.S. Census Bureau shows the baby boom bulge advancing in age, with the 2010 population overlaid on top of 2000.

Right now, the most populous group is about 50 years old. In five years they will be 55 years old. In 10 years, they will be 65 years old. The aging of the baby boom generation has been compared to a pig moving through a python. Of course, some of them will start dying off. But we can still expect this population pyramid to show a bulge at the advancing ages compared to other segments of the population.

Ideally, retirement income planning starts around age 50. This means your universe of potential clients is about 70 million people. Of course, not all of them will be potential clients for you. Unfortunately, many boomers are sadly unprepared for retirement. Too much debt and too little savings will make it difficult for them to retire. So part of building your retirement income planning business will be identifying those people you can help—people who have assets that can be converted into income.

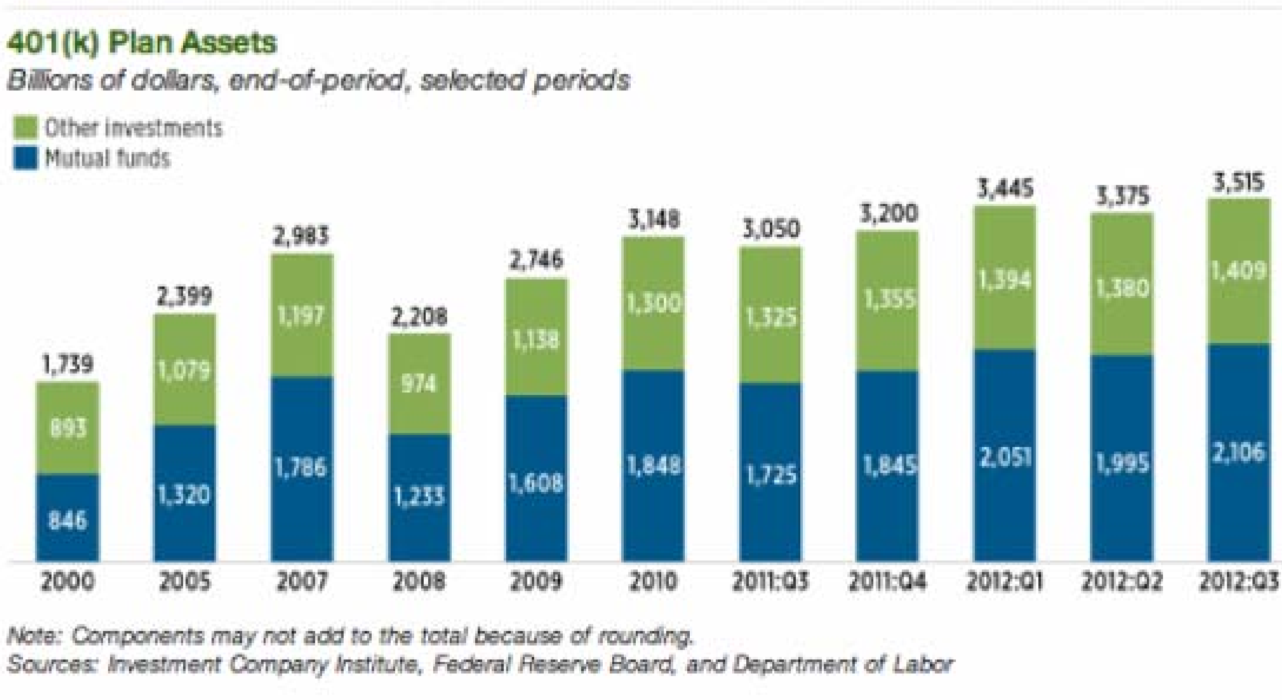
Total Retirement Assets

Just because it's fun to look at large numbers, let's consider the total amount in retirement plans and IRAs. Assets were up to $19.4 trillion in 2012. This considers all assets, not just those held by boomers. But because boomers have been saving longer than younger workers, a fairly large percentage of these assets are held by people who will soon be looking to convert them into retirement income.



[e]Data are estimated.
Note: For definitions of plan categories, see Table 1 in "The U.S. Retirement Market, Third Quarter 2012." Components may not add to the total because of rounding.
Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

There is $5 trillion in defined contribution plans, including $3.5 trillion in 401k plans.



Total assets in IRAs are up to $5.3 trillion now.

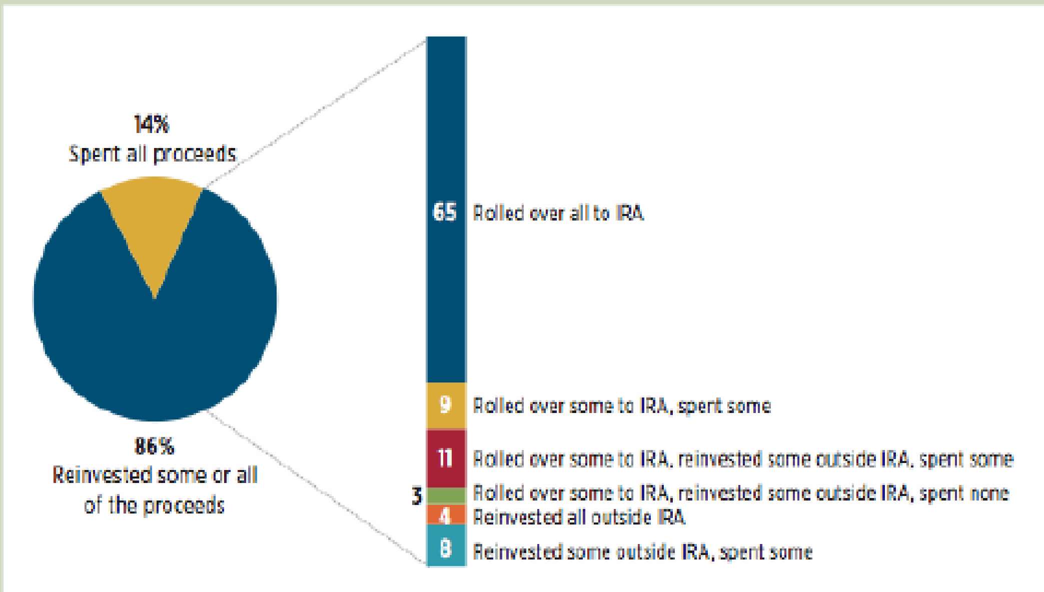
65% of lump sum distributions are rolled over to IRAs

The trigger for many people in seeking an advisor's help is the rollover of assets from an employer sponsored retirement account.

FIGURE 7.10

Use of Lump-Sum Distributions from Defined Contribution Plans at Retirement

*Percentage of respondents**



* Based upon respondents' recall. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.

Source: Investment Company Institute, *Defined Contribution Plan Distribution Choices at Retirement*

65% of lump sum distributions from defined contribution plans are rolled over to IRAs. This is when people really need help.

They need to know how to avoid taxes on their lump sum distribution, they need to know how to do the rollover properly, they need help investing it, and they need help converting it into income.

Client triggers for retirement income planning

The primary triggers for retirement income planning from the client's perspective are:

- Lump sum distribution
- Age 62 (Social Security decision)
- Desire (or need) to retire

As we mentioned, the receipt of a lump sum distribution is a specific event that requires action. The autopilot that has been deferring salary and directing it into mutual funds is now off. The client will be given a choice about how he wants to receive his retirement money and now he must make some conscious decisions.

Another trigger event is age 62. This is the age for the Social Security decision. Should I apply for early benefits? Should I wait until full retirement age? Or should I delay benefits to age 70? There's a lot more to this decision than many people realize. The Social Security claiming decision is a big one and integrates all aspects of a client's financial picture. For ongoing training and support in this area, please take a look at our Savvy Social Security Planning for Boomers program.

The third trigger is simply the desire—or the need—to retire. Clients who are tired of working in their jobs or who may be laid off or even forced to quit for health reasons will be faced with the question of how to generate income to replace that lost paycheck. This can really happen at any age.

The most important thing to keep in mind about these retirement triggers is that you must get to people long before then. Most people plan ahead to some degree. They don't wait until the retirement check is in their hands or their 62nd birthday is upon them. They anticipate these events several years before they happen. This gives them time to shop for an advisor and start putting plans into place.

Step 2: Shift your mindset

We've established that the first step in building a retirement income planning business is to recognize the opportunity. The second step is to shift your mindset. This must happen in two ways.

First, you will be dealing with a new generation now. The baby boom generation tends to be not as trusting of advisors as the generation that came before them. They also like to remain in control. If you are used to having your retired clients put all their trust and faith in you to manage their money for them, you may be surprised to find that boomers—especially those who have been handling the accumulation side on their own—are very different to work with.

The second way you'll need to shift your mindset is that *decumulation* is vastly different from accumulation. We'll talk more about this in a moment.

Baby boomers: who are they and what do they need?

Baby boomers are a very different generation. Don't call them seniors. And don't assume they'll passively go along with the conventional wisdom that's been preached by the financial services industry for the last several decades. They are their own people and have always had an impact on society as they've moved through the various stages of their lives, from starting school, to building their careers, and now to retiring from those careers. Here are some of the ways baby boomers differ from other generations.

They've always been optimistic as a result of a strong post-war economy and relative prosperity throughout their lives. This could always change, of course, but boomers' general outlook tends to be positive about the future. As we saw back in the 1960s, they are rebellious against convention.

They are the most educated generation in history. They tend to look up the answers they need rather than turning to advisors for help. They have a strong work ethic—which actually may keep them working longer than previous generations.

And they need to know they are valued. Always make sure your baby boomer clients know that you appreciate their business.

A recent Horsesmouth article by Dan Richards talked about the coming retirement revolution and what it means for you. He cited a Merrill Lynch study that compared boomers' retirement expectations with those of the previous generation. It turns out that 85% plan a more active lifestyle, 84% say their retirement will look different. And

72% expect a higher standard of living. The article went on to list seven implications for retirement planning.

To read the article, just enter the ID number 86304 in the search box in the upper right hand corner of the Horsesmouth home page. If you're not currently a Horsesmouth member, you can sign up for a free trial and access the archived articles, including this one.

How boomers' retirement will be different

Boomers' retirements will be different in several ways: Longer life expectancies and, until recently, earlier retirements make for extremely long retirements. Thirty or forty years, in some cases.

Some boomers actually believe they will spend more time in retirement than they did working. The math of this is somewhat hard to comprehend, which is one of the things you'll help them with.

More reliance on personal savings

Boomers were caught in the transition from defined benefit plans to defined contribution plans. Consequently, many baby boomers will retire without a traditional pension. They will be relying more on personal savings, both inside and outside qualified retirement plans. This means it will be up to them to ensure the stability and continuation of income through their entire life expectancy. Traditional pension plans have the advantage of mortality pooling—the ones who die early subsidize the income for the ones who live a long time. But when people are relying on their own personal savings, they have to manage it for a very long life expectancy, just in case the worst happens and they live to age 100 or beyond.

This is one of the most significant aspects of boomer retirements, and it translates to a high demand for financial advice.

Low interest rates

To add an even trickier curveball, low interest rates and an overall low-return environment mean that boomers aren’t earning as much on those personal savings. The income that can be drawn from those savings is lower than it might have been in the past and it will be quite a challenge for boomers to manage their personal assets so they don't run out of money.

Lifestyle

Compared to the generation that came before them, boomers have higher lifestyle expectations. They never lived through the Great Depression. The recent Great Recession notwithstanding, times have always been relatively good for boomers, and they don't think they’ll have to adjust their lifestyle by much, if any, in retirement. They'll still want the latest gadgets. They'll want to take vacations and eat out a lot. They think they can retire from their jobs and continue on as before with no sacrifice in lifestyle. This just adds one more challenge to the retirement income puzzle.

Health care costs

Health care costs are out of control. They are rising much faster than the rate of inflation, and even healthy boomers will be forced to pay ever higher amounts for Medicare premiums and other out-of-pocket costs.

Medicare used to be cheap insurance for retirees. But no more. The average couple pays about $700 per month in Medicare and supplemental insurance premiums. They basically have no choice about it, and these costs will continue to rise in the future.

Retirement planning for baby boomers

The financial services industry is working on developing new products for retiring baby boomers—things like annuities and mutual funds designed for income. But really, retirement income planning is a process, not a product. It involves making assumptions and doing the math. Compared to allocating 401k savings into a mutual fund, the process could not be more different.

Retirement income planning is holistic in that it combines estate planning, long-term care planning, survivor planning, even career counseling. There's far more to it than just allocating assets and rebalancing periodically.

Retirement income planning is also very complex in that it must incorporate the different phases of retirement. During the go-go years, up to about age 75, clients will want to have enough income to travel, engage in hobbies, and do all the things they didn't have time to do when they were working. During the slow-go years, from 75 to 85, they may not need as much income for activities, but they may need even more income for health care expenses. And during the no-go years, after age 85, they may incur nursing home expenses. Each of these phases must be planned for.

How to work with baby boomers on retirement income planning

More than any other financial objective, retirement income planning hinges on the kind of lifestyle a retiree wants to have. Because income planning touches on every area of a client's life, you'll be talking to boomers about where they want to live, how they want to live, what values they hold, and all the other matters that come up as people grow older. Listen so they know you understand what they need. Educate them about investments, Social Security, Medicare, and all the other issues that come up in retirement.

But be careful about offering advice as if you know what's best for them. Collaborate with them. They may have some good ideas too.

So let them express them and work together to develop a roadmap to the future.

Cracking the nest egg: shifting from accumulation to decumulation

The second way you—and your clients—have to shift your mindset is to get rid of some of the ideas you've always held about investing.

Decumulation is vastly different from accumulation. When you're draining a pool of assets in order to have income, the principles and processes are very different than when you're building that pool of assets.

- **Dollar-cost averaging works in reverse.** Clients have learned that investing a fixed dollar amount during volatile markets allows them to buy more shares when prices are down. This is a good thing. But when clients are withdrawing fixed dollar amounts from a volatile portfolio, temporary dips can do serious damage because more shares must be liquidated to provide the same amount of cash.

- **Compounding also works in reverse.** In the classic "Why save now?" pitch, clients learn that the early build-up of an investment account provides a larger base for future compounding. The rule comes into play a little differently when determining withdrawal rates : taking out too much too soon will diminish the impact of compounding on the remaining assets.

- **The sequence of investment returns matters.** Under an accumulation strategy, dips in asset values can be made up by a bull market or increased savings. What matters is the average annual total return. During the distribution phase, poor returns in the early years can cripple a portfolio and cause money to run out early.

- **Time is the enemy.** Under an accumulation strategy, the longer the money stays invested, the more it will grow. When funds are being withdrawn, the opposite is true.

- **Mistakes can be fatal.** During the accumulation phase, mistakes in planning, saving, or investing can always be fixed by adding more money, revising the portfolio, working longer, and so on. In retirement, when money is coming out and no new money is going in, there is far less room for error.

Step 3: Become the expert

Step three in our five steps to building a retirement income planning business is to become an expert. Focus your practice on retirement income planning, and specialize in the services boomers need to successfully retire.

Everyone likes working with a specialist. If you were having a heart operation would you rather go to a general surgeon or a doctor who specializes in heart surgery? If you were having your BMW repaired, would you go to the corner mechanic or an authorized BMW repairman? Likewise, if you were getting ready to retire and needed help doing the math and establishing a withdrawal program, would you go to a generic financial advisor who claims to do it all, or would you go to an advisor who specializes in helping people convert their assets into income?

Why specialize?

Surveys have shown that many investors who deal with a stockbroker, financial planner or advisor will change advisors before retirement. I ran across an article that didn't cite the source, but it did say that 70 to 80% of investors will change advisors before retirement.
.
It does makes sense that clients might switch advisors at this important time of their lives. If you've been working with an advisor who's been helping you build assets for retirement but has never demonstrated any expertise in converting those assets into income, wouldn't you think about changing advisors in order to get the

expertise you need? Now is the time to start letting your baby boomer clients and prospective clients know that you specialize in retirement income planning.

What you need to know

What do you need to know to become an expert in retirement income planning?

First you have to know the rules that pertain to all the various retirement issues. You need to understand the guidelines for prudent income planning. You have to understand the products designed for retirement income, especially some of the newer ones. And you have to know your clients.

The Rules

Some mistakes can cost clients dearly, starting with distributions from qualified plans. Mess up an IRA rollover and you're on the hook for taxes and penalties. Fail to take your required minimum distribution and it will cost you as well. To be a retirement income specialist, you'll need to brush up on—and stay abreast of—the many rules and regulations concerning retirement income.

Horsesmouth offers a wealth of information on the technicalities of IRAs, including rollovers, Roth IRAs, beneficiary designations, required minimum distributions, and more. In addition, you might download and keep handy a copy of IRS Publication 590: Individual Retirement Arrangements.

Along with your expertise in IRAs, clients will also look to you for help in taking distributions from qualified plans.

Retirement plans are governed by two sets of rules: federal rules mandated by ERISA, and the plan's individual terms. When helping clients maximize their retirement plan benefits, you'll need to know when distributions can or must be taken and how to help clients analyze their individual distribution options. You might even be called upon to help clients track down old pensions.

Social Security is another area of expertise required for retirement income advisors. A working knowledge of the rules will help you advise clients on when to apply for benefits, how much they can expect to receive, whether benefits will be taxed, and how much income clients can earn without sacrificing benefits.

Guidelines

After understanding the rules, you have to know the guidelines. New research is coming out all the time concerning the best way to take retirement distributions. Before computers were put to work crunching numbers for a million different scenarios, withdrawals were generally based on investment returns. "Living off the interest," it was called, and it represented the assurance that clients could never outlive their money. But as we've learned more about risk and volatility—that variations in interest rates and inflation can be just as harmful as market risk—new theories about withdrawal rates have emerged.

Here are three other withdrawal strategies to keep in mind when attacking the problem of distributions.

- **Mandatory vs. discretionary**. This is where you help the client determine which expenses are mandatory and which are discretionary. Then you arrange to have the mandatory expenses met by some form of guaranteed income stream such as Social Security, a traditional pension, or immediate annuity. The discretionary expenses are met by withdrawals from an investment portfolio and may fluctuate depending on investment performance.

- **The 4% rule**. The second strategy is the familiar 4% rule. This is where you set the first withdrawal at 4% of the portfolio and then increase each subsequent withdrawal by the inflation rate each year.

- **The bucket strategy**. This is where you identify different buckets based on either time horizon or spending goal. If you do it based on time horizon, you might have three different buckets, one for expenses within the next five years, another for expenses 5-10 years out, and a third for expenses more than 10 years out. Then you can invest each bucket differently based on the time horizon and replenish each bucket as funds are taken out. If you arrange your buckets based on expenses, you might have a vacation fund, a rainy-day fund, a health care fund, and so on.

As tax laws change and new theories come to light, new guidelines emerge for which accounts withdrawals should be taken from. Not so long ago, advisors routinely recommended taking withdrawals from taxable accounts first so the other accounts could continue to grow tax deferred or tax free. But with tax rates on dividends and capital gains at historic lows and likely to head higher, experts are beginning to question the wisdom of converting large amounts into ordinary income. Depending on how the assets are invested and whether or not the client is taking RMDs, sometimes it makes sense to take withdrawals from tax-deferred accounts first.

And who knows what's going to happen with future tax laws? Any long-term income planning you do for clients will have to be adaptable to tax law changes, including those we don't know about yet.

Products

Besides the rules and the guidelines, you also have to keep on top of new products. Product sponsors are preparing for the wave of baby-boomer retirees by creating a plethora of new investment products focusing on income. As a retirement income specialist, you'll need to stay on top of these sophisticated new products and carefully examine their features.

There are pros and cons to every investment product. Due diligence will be the key to helping retirees take advantage of the many new income products coming down the pike in the years ahead. More than ever, clients will need you to help them figure out the complexities and decide which products will meet their objectives.

Clients

Finally, and this may seem fundamental, you have to know your clients.

Designing a retirement income strategy for a client is far more complex than building an investment portfolio designed for growth. Components of an income strategy include not just the income itself—including how that income is taxed—but also a plan for keeping up with inflation and making the assets last. The details of the plan will hinge on the client's individual circumstances, including sources of income beyond the investment portfolio. There is no one-size-fits-all when it comes to retirement income planning.

Recommended reading: articles

Here's a list of Horsesmouth articles that can help you develop expertise in the area of retirement income planning. This is just a sampling.

To access an article, just enter the ID number in the search box in the upper right hand corner of the Horsesmouth home page. Then the article page itself will have more related articles.

- *Become a Retirement Income Specialist* (76468)
- *Planning for a 30-Year Retirement* (80820)
- *Cracking the Nest Egg: When Accumulation Becomes Distribution* (79507)
- *A 6-Step Retirement Income Strategy for Mid-Market Clients* (84475)
- *The Art of Managing Retirement Assumptions* (80471)
- *Drafting Clients' Retirement Plans—A Checklist* (73051)
- *The Zone System for Choosing Retirement Income Products, Parts 1 & 2* (79765 & 79766)

Recommended reading: books

Here are some books on retirement income planning. Most of these are for advisors and deal with the technicalities of managing portfolios and establishing sustainable income streams:

- Retirement Portfolios: Theory, Construction, and Management by Michael J. Zwecher
- Unveiling The Retirement Myth by Jim C. Otar
- Pensionize Your Nest Egg by Moshe A. Milevsky and Alexandra C. Macqueen
- Retirement Income Redesigned: Master Plans for Distributions, Edited by Harold Evensky & Deena B. Katz
- The Buckets of Money Retirement Solution: The Ultimate Guide to Income for Life by Raymond J. Lucia
- In the Presence of Taxes: Applications of After-tax Asset Valuations by William Reichenstein

These are all available through Amazon.

Certifications

To learn even more, and to obtain a certification that shows to the public that you are an expert in retirement income planning, consider pursuing one of these certification courses.

- Certified Retirement Counselor®
    - International Foundation for Retirement Education
    - http://www.retirement-resource-center.com/

- Chartered Retirement Planning Counselor℠
    - College for Financial Planning
    - http://www.cffp.edu

- Retirement Management Analyst℠
    - Retirement Income Industry Association
    - http://riia-usa.org/training/rma.asp

Step 4: Define your offering

Step four in our five steps to building a retirement income planning business is to define your offering.

When you think of retirement income planning, you probably focus on the portfolio aspect—how to allocate the assets, manage the investments, and set up a sustainable withdrawal plan.

But when clients think of retirement income planning, they think in much broader terms, starting with what they're going to do with their life. Once they have an idea of where they're going to live, what they're going to do with their time, whether or not they're going to work, and so on, then they move into budgeting, or figuring out what their actual expenses will be. Next they look at their various accounts and what they need to do with them, such as IRA rollovers. And finally, after all that, they consider the portfolio itself and how to draw income from it.

I would like to propose that advisors who wish to specialize in retirement income planning design an offering that includes all of these areas. Don't expect a client to get all the life planning, budgeting, and account stuff figured out before coming to you for portfolio management. Offer to help them from the outset, when they're just starting to think about retirement. It means you'll spend quite a bit of time with them before you get to the portfolio management, but maybe you can reconfigure your fee structure to get paid for it.

You'd better believe that clients who find an advisor willing to help them with life planning and budgeting will stick with that advisor when it comes to portfolio management. But I believe you can help them without spending too much uncompensated time—just ask a few questions to get them started, give them homework assignments, and support them in their decision-making.

In defining your offering to clients and prospective clients, you will essentially tell them what process they can expect to go through when they work with you. You might say something like this: First we'll sit down and help you determine what kind of life you want to live in retirement. Next we'll help you draw up a retirement budget so you'll know what your expenses will be. After that we'll help you arrange your accounts so you'll be able to withdraw the amounts you need in a tax-efficient manner. And finally, we'll help you with the investments by managing your portfolio all throughout your retirement.

Life planning

Here are some simple questions to help clients imagine their life in retirement

- Where will you live?
- What will you do?
- How long will you live?
- What surprises does life hold?

The questions might seem simple, but the thought processes that help clients come up with the answers are anything but simple.

Depending on how involved you want to be in this process, you can continue to probe and explore each question in more depth.

By the way, the last question—what surprises does life hold?—is customarily considered the risk management question. This is where you discuss potential health issues, life expectancies and protection for the surviving spouse, even economic crises and all kinds of black swans.

You can also explore the happy surprises, such as new grandchildren that need to be incorporated into the financial plan. Clients can define "surprises" any way they want, but do make sure they consider events that can influence the amount of income they'll need in retirement. That's really the purpose of this exercise.

Life planning resources: Horsesmouth

Here are some articles on Horsesmouth that can give you insights into life planning. Again, just enter the article ID number into the search box.

- *Reinvent Your Practice With a Life-Planning Approach* (85858)
- *How Life Planning Changed My Practice* (79710)
- *Life Planning: 11 Areas to Cover With Clients* (71670)
- *5 Questions to Ask Clients 5 Years Before They Retire* (75015)
- *16 Lifestyle Questions to Ask Retiring Clients* (76728)
- *Explore Clients' Meta-Goals Before Setting a Strategy* (78283)
- *8 Reasons That Clients 'Flunk' Retirement—And How You Can Help* (76224)

Life planning resources: books

And here are some books on life planning. These are consumer-oriented books, so feel free to make this into a recommended reading list for clients. There are many more out there, of course. Just go to Amazon and start exploring.
:

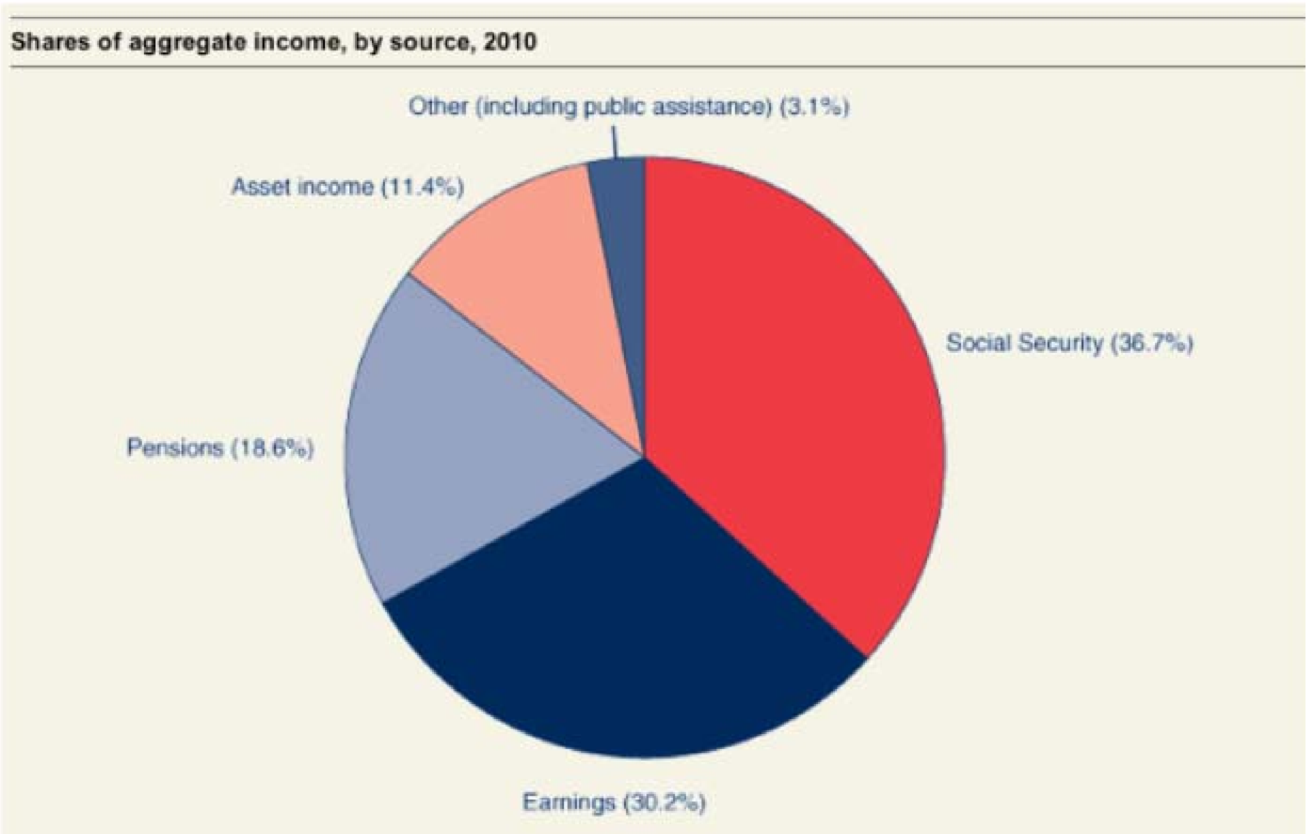
- What Color is Your Parachute? For Retirement by John E. Nelson
- How to Retire Happy, Wild, and Free by Ernie J. Zelinski
- Super-Charged Retirement by Mary Lloyd
- Your Retirement, Your Way by Alan Bernstein and John Trauth
- The Big Shift: Navigating the New Stage Beyond Midlife by Marc Freedman
- Portfolio Life: The New Path to Work, Purpose, and Passion After 50 by David D. Corbett

Budgeting

The second item in your list of services is budgeting. This is very straightforward.

First determine income needs in retirement, dividing them into categories that help clients separate mandatory from discretionary expenses.

Then identify sources of retirement income. These include Social Security, pensions, income from work, and asset income.



Here is an income pie for the average retiree. Keep in mind that this is average.

Social Security provides about 37% of total income; earnings about 30%; pensions about 19%, and asset income about 11%. For high-income clients, the Social Security piece is smaller—about 18%—and the earnings piece is larger—about 44%. The income pie will be different for each client.

Account management

Account management is one of those services that you take for granted because you do it all the time, but is very valuable to clients.

Clients on the brink of retirement are entering tax and penalty minefields, and they don't even know it. Clients expect their financial institutions to do everything properly, but all it takes is one clerical error to subject clients to taxes and penalties. And the clients are the ones who pay, not the clerk who made the error. Of course clients themselves may make mistakes out of ignorance or just not being careful—missing the 60-day window for rollovers, for example. These four administrative actions will require your oversight to make sure they are done properly.

- Roth conversions
- Taxable income
- Sustainable withdrawal plans
- Required minimum distributions

Roth conversions are now available to everyone regardless of income, and a Roth conversion analysis should be part of every retirement income plan. Don't dismiss Roth conversions because they require an up-front tax payment. For wealthy clients in high tax brackets, the tax-free income that a Roth IRA provides can be extremely valuable.

Taxable income is what determines taxes on Social Security benefits and Medicare surcharges, so you'll want to help your high-income clients shelter some of that income by converting all or a portion of their IRAs to a Roth.

Our third bullet here, sustainable withdrawal plans, looks deceptively simple. But of course this is the crux of retirement income planning. The client seminar that goes with this advisor/client program talks about four ways to create income from assets. We touched on them earlier. One is to live off the interest. Another is to separate expenses into mandatory versus discretionary and arrange a guaranteed income stream for the mandatory expenses and variable withdrawals from an investment account for the discretionary expenses. A third is the 4% rule. And the fourth is the bucket strategy. The client seminar is intentionally a little vague on these strategies and discusses the pros and cons of each. This is so you will have the latitude to recommend what you think is right for the client. And giving an overview this way suggests to seminar attendees that they really need to sit down with you to determine which strategy will best meet their needs.

Required minimum distributions are another one of those services you take for granted, but many clients don't know that when they turn 70-1/2 they will have to take a certain minimum amount out of their IRA or face penalties. When you are defining your offering and describing your services, be sure to include items like this that are very important from the client's point of view.

Account management resources: Horsesmouth

Here are some Horsesmouth articles that can help you brush up on account management.

- *IRA Rollovers: Pros Generally Outweigh Cons* (74925)
- Taxes Will Make or Break 2010 Roth Conversions (84059)
- *The Portfolio vs. the VA: Which Is More Capital Efficient for Retirees?* (84855)
- *What the Experts Say About 4% Withdrawal Rates* (80037)
- *The 'Bucket' Approach to Asset Allocation* (79704)
- *Inherited IRAs: Preserving the Stretch* (82003)

Portfolio management

The fourth service, portfolio management, is what you do. Helping clients manage their investments and directing them toward suitable financial products is the crux of your business. This is where you would differentiate your philosophy and approach and explain your processes and procedures as they relate to retirement income planning.

Step 5: Market your services

The fifth step in building a retirement income planning business is to market your services. Once you've recognized the opportunity, shifted your mindset, developed your expertise, and defined your offering, you'll want to get out there and market your services.

This is what Horsesmouth can help you with through our Advisor/Client program.

First you'll identify prospects and centers of influence. One way to get your message out there is to host a retirement income workshop. We have created an entire PowerPoint presentation and script for you to use for this. You'll then follow up with an email drip campaign, which we have also produced for you.

Recommended reading: Horsesmouth

Horsesmouth has lots of articles on prospecting and marketing. To brush up on marketing and sales ideas, pull up these articles on Horsesmouth.

- *The Prospecting Mindset That Works Today* (84687)
- *"Will I Run Out of Money in Retirement?"* (84018)
- *Change Today, or Lose Clients Tomorrow* (84234)
- *A Single Sentence That Tripled Referrals* (86096)

As I mentioned, there are many, many articles on prospecting and marketing on Horsesmouth, so there is plenty of information and support available to you.

Your target market for retirement income planning services

Here's your target market for retirement income planning services. You want to reach out to people who are over age 50, who have assets of $250,000 or more, and who have an agreeable temperament. You can change these criteria, of course, but the point is that you are not required to work with every baby boomer who walks through your door asking for help. I have a feeling there will be a lot of baby boomers you *won't* want to work with, either because they don't have enough assets or they're not cooperative clients.

If you're going to specialize in retirement income planning, it has to be profitable for you from a business standpoint. And you have develop an effective working relationship. If they're not open to your ideas or not willing to disclose personal information, you're not going to be able to do a good job for them. So make your marketing focus as much about screening the public for qualified clients as it is selling your services to people who need them.

Host a retirement income planning workshop

What are some marketing and prospecting activities you can do to reach new clients and get the word out about your retirement income planning services? How about hosting a retirement income planning workshop?

We would be the first to acknowledge that using a seminar or workshop to get in front of clients and prospects can have mixed results. Product-oriented selling sessions have given seminars a bad rap. But we have also seen with our Savvy Social Security seminars that when they are done right, they can be a wonderful way to bring prospective clients in the door and give them an opportunity to see how you work. Don't think of it as a selling session. Think of it as a service you are providing to both educate the public and, essentially, put your knowledge and personality on display so people can decide if they want to work with you.

Key benefits to hosting a retirement income workshop

One great reason to host a retirement income workshop is that it **allows you to showcase your expertise** in retirement income management. This is your chance to put on display the things you've learned and the experience you've gained that can help people avoid mistakes and properly arrange their assets to draw a sustainable income stream in retirement.

The client seminar that we have prepared for you as part of the Advisor/Client program is a good balance between meaty information and simple, common-sense ideas. It's really designed to get people thinking about their own situation and to understand some of the complexities of retirement income planning so they'll have to come to see you.

Don't worry if you're relatively new in the business. The seminar content is not complicated at all. During the Q&A, or client appointments following the seminar, you'll have other chances to further demonstrate your expertise.

A second reason to is to **get in front of groups of pre-retirees**. Hosting a workshop is really one of the most effective ways to get in front of groups of people. This allows you to leverage your time. If you do these seminars on a regular basis, word will spread allowing you to reach even more people over time.

Another valuable result all of this adds up to is **making it easy for clients to bring in referrals.** Clients and referral sources may be reluctant to make a referral by handing out a phone number. But if you hold retirement income workshops on a regular basis, clients can suggest that their friends go and watch you in action. Even better, they can bring their friends with them to the workshop.

You'll be able to **educate clients, prospects, and centers of influence.** There are several reasons why it's good to educate clients, prospects, and centers of influence on retirement income planning.

One is simply to help them understand how complex the process is so they'll discover for themselves a need for your services.

Another good reason is that an educated client is a compliant client.

The medical field uses the word compliant to describe patients who take their meds and do what's necessary to get better. For retirement income planning, a compliant client is one who follows through on life planning and budgeting exercises, discloses personal financial information including bringing the necessary documents to your appointment, and essentially follows your recommendations. Educating prospects and clients from the outset makes for much stronger, more effective relationships.

From a marketing angle, hosting a retirement income workshop allows you to **describe your services and shamelessly promote them** as an offer to help. People need what you have to offer. Defining that offering and making it available to people who need it is just good business. It seems that advisors are so gun-shy about appearing to be salesy that they go too far the other way and almost keep their services a secret. Put it out there and let prospects know you can help them.

We've essentially defined your services for you in a very broad way, encompassing life planning, budgeting, account management, and portfolio management. These are all things people need help with, and you are totally free to add specifics and make them your own.

Still in marketing mode, last but not least, your objective in hosting a retirement income workshop is to **set appointments**. This is where the business gets done. If you are effective in filling a room with qualified prospects, if you educate them as to the complexities of retirement income planning, if you offer your services in a way that shows you want to help, and if your personal demeanor is warm and welcoming, people will want to make an appointment to come see you and take the next step in the retirement income planning process.

It may not happen for every attendee right away. Some people come to workshops like this several months or even years before they are ready to do business. But when the time is right, they will come in. The workshop evaluation form and request for information that we have included as part of the Advisor/Client program gives workshop attendees an easy and nonthreatening way to make an appointment with you or, if they are not ready yet, to indicate when they will be ready.

How to host a retirement income planning workshop

Hosting a retirement income workshop involves four phases: promote, host, follow up, and meeting. You'll promote it by extending an invitation in various formats. You'll host it by taking care of all the event arrangements and actually delivering the PowerPoint presentation. Follow up by making appointments and keeping in touch through a series of emails and phone calls. And close business at the actual one-on-one meeting with seminar attendees.

The checklists and resources that come with the Advisor/Client program will help you run these client meetings in a very professional manner.

Horsesmouth Advisor/Client

By signing up for our Advisor/Client program, you can get access to all the materials and support you need to host a retirement income workshop. The package includes a PowerPoint presentation and script titled "Life After Work: How to Create a Sustainable Income Stream in Retirement." It also includes all the supporting materials you need, including invitations, post cards, workshop sign-in sheet, evaluation form, and client articles and emails. These have all been reviewed by FINRA.

You also get advisor marketing materials, including a strategy brief, a campaign checklist and schedule, telephone scripts, and presentation tips.

With this complete package you'll have everything you need to publicize, host, and follow up on a retirement income workshop as a way to reach out to qualified prospects in need of retirement income planning. As we like to say, we handle the marketing, you handle the clients.