Retire-EASE: A Process to Ease Clients Into Retirement
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Several years ago in Denver I had the opportunity to speak at the MDRT meeting about the “Power of a Process” we were developing in our practice for income distribution planning. We are now several generations removed, or should I say improved, from that presentation, and I look forward to sharing with you how we define our process today.

I, along with Jeff Maas, my business partner, and our team have been developing this process for income distribution since the early nineties, which feels like yesterday, but I realized as I was preparing this workshop, it has been over 20 years.

I began developing a different approach out of necessity since many of my clients at that time were entering or nearing retirement age. The most common comment I received was, “You know Briggs, you have done a great job getting us to retirement, but now what?” What they meant, many times without knowing, was what is the defined plan for spending their money versus saving it? It occurred to me that I did not have one nor had I seen anything that was unique that I could use.

Consequently, I began to develop my own process, which started out with an interactive computer program from Vanguard along with a pyramid image that I designed as a tool with clients to explain and illustrate how to categorize expenses and link their income sources in retirement. What you will see today is the generational development of that defined process for income distribution that we have used successfully with thousands of clients in our practice and have shared with many of our colleagues at Lincoln Financial Advisors.

First the necessary disclaimers. It occurred to me over the years as I developed our process that we had never really defined the process in its entirety, only the individual components, which were difficult to quickly and succinctly explain to clients or prospects or convey in a marketing sense. Consequently, what I am going to share with you today is our four-step process for how
we work with those in the retirement income distribution space. We refer to the process with the acronym EASE.

First, let me say that I love to use graphics and images in my presentations. The old Chinese proverb that “a picture says a thousand words” certainly holds true with me. So let me begin at the top of the circle or high noon if you will. [Slide]

Step one is **Envision** (as it relates to the client, but can also be thought of as Engagement when we are training other planners). Envision consists of many steps, which I will address in a minute, but the best way to think about it is that it is a combination of what I like to call Life Planning coupled with preliminary discussions about the economic aspects of retirement income distribution planning. We think it is important to quantify the clients’ visions of retirement before we focus on their assets, income sources, and expenses and try to qualify whether or not they are in sync (which generally they are not). What we find is that most people have not gone through a thorough scientific process about what is probably going to be one of the most important decisions in their lives. I will be covering this step in more detail later.

The second step is **Analyze**, which is by far where we spend the most time in this process. What makes this part unique is that we use sophisticated software that we helped develop to create a graphics- and image-based interactive experience for our clients, with an accent on the interactive piece. It is the most powerful part of our process since it is done live in front of the clients and allows them to interface with the experience. In other words, they get to participate as opposed to being “presented to.” And we have the ability to make changes or play “what-ifs” with them in real time without the need for multiple meetings. The results and client affirmations over the years have been tremendous and have reinforced our approach as not only unique, but meaningful in helping to lead clients to action. I will be detailing this part of the process later in the presentation.

The third and one of the most important steps is **Solutions**, which is what clients are ultimately looking for and is an important component of how we get paid in this business although not the only way, which will be discussed later. Solutions can only be arrived at by performing steps one
and two. However, when they are presented as a result of good work in steps one and two, they are almost universally accepted without objection because the client appreciates and understands how we arrive at our recommendations. By the way, not all solutions are product centric, but more on that later.

Finally, the fourth and most important step is Evaluate as this is the glue that really holds the plan together into the future. Ultimately success of any plan is a result of regular monitoring and reinforcement of the various steps of the process. I will be discussing how we meet with clients on a minimum of annual basis to adjust their plan, maintain their focus, and gather more business through positive affirmations and referrals.

We believe that by establishing and understanding people’s priorities and communicating through the use of interactive technology we can help people create confidence, maintain dignity, and experience economic freedom in their retirement.

So perhaps you have already established the income distribution aspect of your practice or maybe you are just looking to get started. What I thought I would do is share some of the things that we and others we have trained have encountered as challenges or opportunities such as:

• Making the bridge to distribution from accumulation
• Too busy with other aspects of my practice
• Difficulty integrating this into my practice consistently
• Challenge in building a team or infrastructure
• How to market to my clients
• Takes too long
• Materials not coming back
• Software familiarity
• Using the software interactively is difficult
• Problems with implementation or converting process to product sales
• Already successful with product centric approach
• Measurement system not in place (what gets measured gets done)
Hopefully by seeing the details of our process you will get some answers to these problems, and I will be happy to address some of these points in our Q&A at the end of the session or if you would like to email me at a later time.

So let us go back to the four steps of our EASE process. As I said earlier we like to think of the first step in the Envision segment as Life Planning. This is where we really try to understand the clients or prospects. Yes, I said clients because we have found that no matter how well we think we know clients, we are always surprised what is in their heart and minds when they are contemplating this important life transition. Furthermore, we find that many times their ideas are abstract and not specific and also are not in line with their spouses—so much so that sometimes we feel like marriage counselors. It amazes me how people can be together for so long and still have such different perspectives about their retirement. Some have very narrow and limited ideas about what they will do, and many have unrealistic expectations about how they are going to change in retirement.

For instance, some hard-charging managers or other professionals (we currently work with quite a few health care professionals) think they will just garden, play golf, and travel when in reality they have defined themselves (or self-actualized) by their work for the past 30 to 40 years. We find it interesting that people think they are going to just flip a switch and become a quiet reader or spend time with their spouse (who, it is said, married you for life, not for lunch) when they have been leading or interacting with a group of people for years in their work. Many times the change in one’s lifestyle in retirement is so drastic that we see signs of depression, anxiety, or substance abuse. Or to put it another way, after you have cleaned out the garage, filed all your pictures, realized you can’t do your hobbies every day, you end up wearing your pants high up around your waist and going down to the coffee shop to meet your other retired friends and talk about your ailments or complain about the government. Then, after about a year of that, you will have lunch with anybody. While this is not always the case and is somewhat of an exaggeration, people do need to be challenged on their goals and how they are going to prioritize their lives. One of the things we love to do is to open up a blank Outlook page and say, “This is your calendar in retirement. It is blank. Now let’s fill in the ideal week.” It is amazing that even those
people who have specific ideas about what they are going to do in retirement have a little difficulty with this assignment.

So how do we help clients set goals, figure out what they really want to do, challenge their thinking, and prioritize it all? We have several books that we like to give as gifts. Here are the top three books that we hand out to clients to help them think about the non-financial side of retirement.

*My Next Phase: The Personality-Based Guide to Your Best Retirement* by Eric Sundstrom, Randy Burnham, and Michael Burnham is a great book that discusses how our personalities don’t change much in retirement and how we can find lifestyles that are compatible with who we are. In fact, it has a test to take that is Internet based and helps you define your personality. We find those that read this book usually have one or two epiphanies.

*Dare to be 100* by Walter Bortz is a great book as it addresses longevity as well as outlining 99 steps to live to 100. Some are humorous and some are serious. The first half of the book is devoted to the findings of the author, Walter Bortz, MD, a Stanford physician who has devoted his life studying and categorizing common threads among centenarians. The second half lists the 99 steps. It’s a good read that has been appreciated by our clients.

*The New Retirementality* is a great book written by a mentor of mine, Mitch Anthony. Mitch is a great, gifted industry speaker and spends a lot time thinking about how we, as financial professionals, should be interacting with our clients from the life-planning aspect. While he has authored many books, I like this one for clients who are slouching into retirement thinking they are old and entering the sunset of life. His upbeat and unique perspective is thought provoking for those who take the time to read and digest his message.

Other details in the Envision step involve discussion about longevity risk in general and their personal health factors to include family and personal history. At this time we also fact find to discover if clients may have friends or relatives who have had a long-term care experience or any
premature death experiences. By asking these questions we are able to better measure client sentiment and mindset for later discussion in the analysis and solutions sections.

Next we discuss the difference of risk tolerance with investments while accumulating (working) versus what to expect when they retire and have no more money coming in. We jokingly refer to this as the client going from Dr. Jekell to Mr. Hyde. At this point we are subconsciously trying to define and set expectations as well as understand what the client’s perspectives are along with her or his level of investment sophistication.

In order to open up the conversation with people about income distribution, we use a pyramid image to present a visual for clients to relate to. I have found over the years that clients tend to retain images versus narrative, and it has proven true over the last 15 years that we have been using this pyramid.

The conversation that transitions from accumulation to income distribution begins something like this. “Mr. and Mrs. Client, if you are like most people I know when it comes to thinking about retirement, you might have some difficulty thinking about how to categorize your expenses and link them to your income sources and assets. Would you agree with that?” (Typically they do.) I then say, “Would you mind if I share a concept with you?” I then go on to explain the pyramid matrix as follows: We suggest that you divide your expenses into three categories, Core, Joy, and Legacy. For those of you who are familiar with the pyramid, you might remember four levels. We recently integrated the second and third levels to further simplify the discussion.

Let me go through each level. First the bottom level or foundation of the pyramid is the Core level, also known as the essential expenses or what we like to call the “big six.” They are food, clothing, housing, transportation, insurance, and taxes. These are broad categories for sure, but they represent expenses that you cannot outlive. In other words, they can never be paid off. For instance, while you might have your home paid for, you will always have maintenance and utilities. Our objective is to use or create income streams for life that you cannot outlive, such as some employer pension plans, governmental plans like social security, and personal pension annuities. These all represent income streams that you cannot outlive and are generally protected
from creditors and predators, in-laws and outlaws. That usually gets us a laugh and positive agreement.

The second level is what we call Joy expenses—you know the fun stuff in retirement, such as travel, hobbies, entertainment, and gifts. There may be more broad categories here but you get the idea, and ideally we fund these with dividends and interest from existing capital. It could also include any money that is left over from the sources after core expenses are satisfied. We have also incorporated Goals into this level. It is the broadest of categories but could include college for grandchildren, a vacation home or timeshare, boat, RV, or other things. Once again, we can use leftover income from the sources or we could sell capital assets like a coin collection, art, or other real property or investments to satisfy these expenses.

Finally, if you have done everything right on the first two levels throughout your retirement, then you will usually have a legacy or you may be planning for one. (We then ask if clients are interested in leaving something to their heirs or charities to determine their frame of mind as we will later be making recommendations that might suit their intent or, at the very least, we have a better idea of what objections we might encounter.) Usually we fund the Legacy section with remaining assets or insurance proceeds, which lead to some good fact finding and interesting conversations.

What we have found is that this simple matrix and explanation resonates with clients and creates a sense of understanding, trust, and, ultimately, continued engagement in the process.

The second phase of our process is Analysis and involves the use of sophisticated software interactively or live with the client on a big screen in one of our five conference rooms that is set up for this experience. We believe the bigger the better when comes to display and impact to the client.

This is a screen shot of an output of a client’s expenses with the different income sources and assets layered over top. [Slide] The software allows us to solve for longevity risk, expense risk, investment risk, and inflation risk simultaneously and project it forward for the client’s assumed
lifetime. This gives us the ability to explain complex concepts in a simple and succinct manner, which is easy for clients to understand—so much so that they generally have several epiphanies in the process.

We can also play multiple “what-if” scenarios with the client after we discuss the Seven Optional Solutions (SOS).

This SOS explains what variables we can adjust or action that can be taken if a shortfall exists in a client’s plan. As you can see, there are many answers or solutions for a client to achieve success in her or his plan, and it is just a matter of selecting the appropriate choices that suit the client on a customized basis.

The Seven Optional Solutions are as follows:
1. Work longer
2. Die sooner
3. Spend less
4. Save more/defer benefits
5. Rate of return
6. Adjust inflation assumptions
7. The seventh option, which is generally a combination of all six.

The next step is Solutions. This process leads us to consider a multitude of solutions or recommendations and not all of them are product specific. For instance, I refer back to the SOS model. Many times just working an extra year or two satisfies the shortfalls that we see later in retirement. Through our real life research, we have found that a good rule of thumb for most people is that working one extra year with some type of savings plan takes care of three years of expenses in retirement in the later years. The reasons are the rules of compound growth and the fact that it is one more year that savings is not being drawn down. Both of these things together have an exponential effect in long-term planning. Many times we discuss with clients the option of phasing into retirement as part-time employment to take care of some or all “joy expenses” such as vacations, which can be very beneficial to the plan. In fact, we find that many clients
never even consider this option because, to most people, retirement is really black or white when in reality, it is a thousand shades of gray. We have found that discussing these types of concepts beyond pure product recommendations really resonates with clients and puts us more in a consultative light versus salespeople who just push product.

Our EASE process also lets us position product concepts as opposed to just selling features and benefits. Remember in the pyramid where we introduce the concept of a private pension annuity? Many people have negative perceptions about annuities, which are mostly driven by the financial media who are obsessed with expenses, when in reality they should be focused on the net benefits to the client. Many of the insurance features that are inside of annuities make them very attractive investments to not only mitigate investment risk, but to provide income streams for life that can be depended on to always be there during the life of the client and beyond.

Quite often we find that it is usually a combination of product and non-product recommendations that solve problems that may be uncovered in the analysis. [Slide] Even if there is no red in the graph, many times our software identifies that, while there may not be a running-out-of-money problem, there is a transfer-of-wealth problem.

This is usually solved through a combination of good trust work done by an attorney (referral in some cases) along with gifting premiums into an ILIT to fund a second-to-die life insurance policy.

Speaking of risk management, the program also allows us to illustrate the impact of a long-term illness on the plan and to promote solution discussions that include long-term-care policies, which we sell a lot of in our practice. In fact, not very often do we sell LTC coverage because someone is looking for it. People really need to be educated as to the potential risks, which our program accomplishes in a simple and succinct manner.

Typically when we have prepared the analysis section we see potential solutions. So if we are comfortable that there will be a high degree of acceptance for one of our product solutions, then we prepare the paperwork in advance. I don’t know about you, but it used to be we spent 10
percent of our time on paperwork, (apps, compliance, suitability, and other regulations) and 90 percent of our time on illustrating and selling the concepts. Now we find that the job just begins once the clients say yes. The mix of work is now about 50-50, so we try to do all we can to minimize the time it takes to get the paperwork done. This leads to a higher degree of implementation and streamlines the process. Of course, we cannot always anticipate what the client will accept or every solution before our meetings, so sometimes an additional implementation meeting is necessary.

Many times planners and companies think that income distribution is just a better way to sell annuities, but our experience is that there are a myriad of products that can be used in the design of a good income distribution plan to include the following:

- Annuities
- Long-term care
- Life insurance
- Investment products (REITS, mutual funds, hedge funds, private wealth management, and Muni bonds)

As I stated earlier we have increased our risk management product sales dramatically through the use of the EASE process.

Step four as I have said before is in many ways our most important step because it helps insure our success as well as the client’s success. We religiously perform annual reviews, which require us to do data gathering to compare what actually happened to the assumptions made by the client (expenses) and by us (rate of return, inflation) the previous year. We then run a new analysis and reassess our strategies. Things such as: Did the client meet her or his rate of return assumptions? Do we need to rethink the investment policy statement generated through the plan? Are expenses in line with the client’s projections, or did we have some one-time unexpected events that took place that may influence the plans long-term viability? Many of these questions are uncovered and can be dealt with early in the retirement cycle, which ultimately insures long-term success.

We are able through our “what-if” capability in the software to refine our analysis and create a new action plan if necessary. In addition, while most of our work is done in our offices, many
times we have clients who live far away. We have found that we can be almost as effective in using WebEx with clients to create the same interactive experience without them leaving the comfort of their homes. Isn’t technology great?

We are not believers in the “set it and forget it method” when it comes to distribution planning. We believe that income distribution planning is not a one-time event for us to sell product, rather it is an ongoing process. This not only increases persistency on the products we have under management, but it helps us attract other assets that are not being reviewed in context of a total plan. The other plus is that as clients stay focused and experience success, they are much more likely to refer business. In fact, we tell clients that we get paid in three ways as follows:
1. We get paid a fee for performing an objective analysis of your plan. This ranges from X-Y and guarantees objectivity because we do not have to sell you a product in order to get paid for the work we do.
2. If there is a need for solutions that require a product and then should you implement with us, we are paid a commission or a fee depending on the product. We always disclose our compensation as we believe in complete transparency. However, there is no obligation to ever buy a product from us.
3. The third and perhaps the most important way we get paid is through your active goodwill. If you are happy with the work we do, then we will ask if we can use you as a reference. In addition, we would ask if you know of anyone you think would benefit from our services, then we would appreciate you letting us know. We will always be discreet and low key in our approach and will keep you informed as to the status of your referral up until engagement.

So in summary we have created what we call “we believe” statements in our practice. When it comes to the Evaluate step of our EASE process, we believe the following:
• Income distribution is not a one-time event but rather an ongoing process that should occur, at a minimum, on an annual basis.
• Projections 30 years into the future are going to be inaccurate.
• By creating an ongoing annual evaluation process, we move beyond probability theory into reality customized on an individual basis.
The final step of the analysis is to compare the previous year’s graph to the current projection. We like to think of the Evaluate step as the client’s report card.

So in the end, what are the results from using a defined process like EASE? Well, aside from being able to define the process quickly and succinctly to the prospects or clients, we are able to get them to focus on the long term versus the latest quarter performance which, as we all know, contributes to long-term success. As I said earlier, it really helps us get referrals because we are consistent, have a process that clients’ understand and participate in, and they can measure their success and make better decisions. By being consistent with our reviews (evaluations), we gather more assets from the clients over time even if we don’t already manage everything. A degree of trust is built up along with the logic and reasoning for the way we manage risk and money.

Clients really get it, and this understanding drives the trust that we are truly acting in their best interest through the use of science and technology. It also gives them time to think about concepts that they initially would not have considered, such as life insurance or LTC coverage. So as we measure ourselves, we have found that our EASE process insures high levels of success, which in turn enhances persistency of assets under management, reinforces risk management strategies, and moves beyond Monte Carlo theory and relying on the probability of success.

Finally, from the business operations standpoint, our review process insures predictable ongoing revenue streams in the form of fees, commissions, and referrals to our practice.

In summary our EASE process consists of the four steps and its components as follows:

**Envision:**
- Life planning
- Economic discussion
- Pyramid matrix
- Data sheet

**Analyze:**
- Confirm data
Interactive software presentation
What-ifs
Recommendations

Solutions:
• Non-product (SOS)
• Product specific
• Proposals and illustrations
• Implementation

Evaluate:
• Annual review
• Data gathering
• Reassess and refine plan
• Referrals

One of my mentors, Nick Horn, once told me that “what gets measured gets done,” and I never forgot that so we use a spreadsheet for tracking where we are in each client’s EASE process. This allows us to manage our staff resources, keep us and our clients on track, and contribute to better time management. It also measures the amount of revenue from the products and fees we implement, which helps us determine our efficiency and success.

In summary, we have found the creation of the EASE process has not only given us a roadmap for clients to better understand what it is we are going to do for them, but it demonstrates our objectivity and commitment to a process that provides clients with customized results. It is simple and easy to understand and is different from anything they have ever seen. It helps them to RETIRE-EASILY!