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ADVISOR RETIREMENT | THE BIG Q

Some Retirees Are Just Too Frugal. How Advisors Help Them Enjoy Retirement.

By Steve Garmhausen
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Most retirement savers achieve success by working hard, saving diligently, and living a bit below their means. But what should advisors do when retired clients are unable to shift out of the delayed-gratification mindset and live the more luxe life they've worked so hard for?

Barron's Advisor put the question to six successful advisors. It's part of The Big Q, the weekly feature in which we ask advisors and industry leaders to answer compelling questions.


Matt Gulbransen

Matt Gulbransen, president, Pine Grove Financial Group: When a client has a 95% or 100% probability of success based on modeling, sometimes I say very jokingly: "Do you really want to leave this much money to your kids?" You have to use humor, and you have to make statements that disrupt their traditional thinking and allow them to open up and engage. If Bill and Sally have been dedicated savers their whole life, and have talked about how they want to go on international trips in retirement, and then they retire and don't do it, it's almost like, "What the hell are you doing? You've worked so hard to get to this point. You guys have got to get out and spend that money."

Patti Brennan
Courtesy of Key Financial

Patti Brennan, President, CEO, Key Financial: You can't just say, "Don't worry." That will not cut it. You've got to lay it all out, to model it through software programs and let them see the worst-case scenario. Tell them, "We're going to see where you're going to be vulnerable and mitigate or remove as much of that risk as possible."

In some cases, clients have the money to live more comfortably, but they've struggled for so many years that it doesn't seem real. So start putting their toe in the water. If we're taking a distribution of $10,000 a month I might say, "How about we ratchet that up to $15,000 a month? Let's give it a shot. Then if it sits in the bank account that's fine—but I want you to see what your portfolio can still do." Over time they'll begin to believe it. So it's a process, not an event.

Dan Ludwin
Courtesy of Salomon & Ludwin

Dan Ludwin, President, Salomon & Ludwin: At the end of the day, if you've got a smile on your face and you're okay with driving a Ford Fiesta versus a Ferrari, that's your call. My goal isn't necessarily to change their minds, but I do make clients aware of the tradeoffs. I might say, "You can show your kids and grandkids what saving and frugality allow you to do. This is your chance. By age 75 or 80, the wheels on the bus don't spin as well. The opportunity to have new experiences and make memories start to dwindle, and you don't want to look back and regret that."

On the other hand, I've had clients who've spent too much for years, and I've told them, red alert. But they can't stop overspending. Finally, I might have to tell them they have to sell their house and move into an apartment. Relaying conversations like that to my comfortable clients allows me to encourage them to loosen the belt just a little bit. It gives me credibility and shows them that we'll have the hard conversation if it becomes necessary.

Ruth Transue
Courtesy of Wells Fargo

Ruth Transue, financial advisor, Wells Fargo: I educate, educate, and educate. I have found that there's a strong inverse relationship between their knowledge and understanding and their anxiety level. I try to discuss the markets and economy with my clients every time we speak. Reviewing the resolution over time of a previous dramatic downturn, such as the 2007-2009 financial crisis, with a longer-term perspective, helps to alleviate irrational fears. I have a close relationship with my clients, and they trust me. If they feel that I'm confident in the economy over the long term, they become more confident and comfortable also.

And I discuss their fears: Are they afraid they won't have enough funds for healthcare later in life? I review any significant future financial goal in a similar manner. Then I create a scenario that illustrates paying the current rate for assisted living or long-term care, with a high inflation rate built in, for a determined number of years. That shows them, in a visual way, the ability of their portfolio to meet their needs.

Bijan Golkar
Courtesy of FPC Investment Advisory

Bijan Golkar, CEO, FPC Investment Advisory: I make a visual and interactive guide to the time value of money. When clients see the numbers on a spreadsheet and see how much they could have left at what I jokingly call their "expiration date," they start thinking, "Hey, maybe we can enjoy this a little bit more."

We'll set a minimum withdrawal rate that they're comfortable with. And when markets do better than we expect, quarterly, semiannually or annually, we'll actually create little bonuses for them. One couple last year had a $400,000 excess. They said, "We want to take a couple of huge trips with our grandkids." They were able to have a heck of a time, and their plan was in even better shape than it was before.

Jonathan Murray
Courtesy of UBS

Jonathan Murray, advisor, UBS: It's really hard to convince people, no matter which graphs and tables you show them, because of the ingrained culture of delayed gratification. Baby boomers who grew up as children or grandchildren of those who experienced the Great Depression may have spent decades hearing stories about family members running out of money.

One client came in and told me he'd been diagnosed with stage-four pancreatic cancer and was only likely to live another month or so. He gave me a card in an envelope addressed to his wife. In the card he wrote, "Sweetheart, I know you always wanted a Jaguar convertible, and I never thought that was a good idea. I've met with Jonathan, and we can afford it. So go get it." After the client had passed, I called his wife and said, "Can you come see me?" We went to a Jaguar dealership; I'd asked the owner to ensure we'd have a quiet place to sit. I gave her the card, she opened it up and wept.