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A booming opportunity

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Until recently, baby boomers approached financial planning and personal savings in a very optimistic fashion, essentially seeing their future with the same rose-colored attitude that epitomized most of their lives. However, events in the financial markets and global economy over the past few years may have served as the wake-up call that ejected many boomers from their overly optimistic worldview.

With uncertainty around every corner, boomers are taking more of a balanced approach to their personal financial situation that includes a more conscious optimism regarding the future. According to a study by the Boomer Project, boomers asked about their predictions for the future indicated that although times are difficult now, the future looked more positive.

While generational optimism may be based on the experience of growing up in periods of unprecedented prosperity or confidence in which financial markets historically have always bounced back, the difference in this recent period is timing. This particular downturn has occurred during boomers' peak earning years, just prior to the retirement life stage when they plan to begin living off the money they worked all their lives to save. Unfortunately, for many of them, the economy dealt their retirement assets a huge blow. Many individuals' 401(k) programs now resemble more of a 201(k). That, combined with people spending more than they earn (think the recent mortgage crisis), paints a very bleak picture in which nearly 40 million boomers will need to rely on Social Security (if it still exists) and Medicare to cover basic living expenses and health care costs. Not a situation many people actually care to face.

What is a problem for boomers presents an opportunity for those in the retirement planning business.

One option financial professionals can present to boomers is an annuity solution that uses income riders to meet long term care expenses. Many of today's boomers are recognizing that they may live 20 to 25 years during retirement, and should expect to need some sort of skilled nursing care. An annuity with a Guaranteed Lifetime Withdrawal rider (GLWR) solves their quest for an income they can't outlive. Additionally, there are annuities that will boost the guaranteed lifetime income payment by as much as 50 percent to 100 percent when certain long term care qualifications are met. Once the annuity value is exhausted, the owner can still expect continuing payment from the carrier. Boomers interested in conserving their capital may be forgoing long term care products due to the expense. According to LIMRA, stand-alone LTC sales declined in 2009 by 23 percent, and 8 percent annually in the past five years. By LIMRA estimates, fewer than 5 million individual long term care coverages are in force. With 39 million boomers rapidly approaching retirement age, GLWRs present an opportunity to offer solutions that a large segment of our aging population might be interested in exploring.

Annuities provide a simple answer for boomers who want to reposition their money and avoid the risk of losing more. Most people would strongly consider a product that provided no direct downside market risk, guaranteed rates of return, and guaranteed income for life. Our job as financial professionals is to identify products available to boomers that provide what they are seeking.

Offering a guaranteed source of income to cover health care expenses, prescription drugs, food, housing and transportation costs during the many years your client can expect to live during retirement may be the most important option you can offer them. Be prepared to ask your prospects and clients what is important to you regarding your retirement money, the money you are going to live off in retirement for the next 20-25 years. You won't be surprised by the answer, but you will be prepared to offer them products that will live up to their expectations.

When clients have all the information they need to make a decision and they fully understand their options, it is amazing how simple the sales process can be.

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