PUTTING BOOMERS IN THE DRIVER'S SEAT

A process-driven approach is key to Matsko's success with income distribution for baby boomers

by Brian Hall

When it comes to income distribution, **Briggs A. Matsko, CFP**, has a pretty good idea of what retiring baby boomers need from financial advisors.

"Boomers naturally resist product-centric approaches — they don't want to be sold to," said the 17-year MDRT member from Sacramento, California. "However, they do embrace a process-driven approach that is personalized and customized to their situation, and lets them drive results through choices and flexibility. They want to be involved in the process."

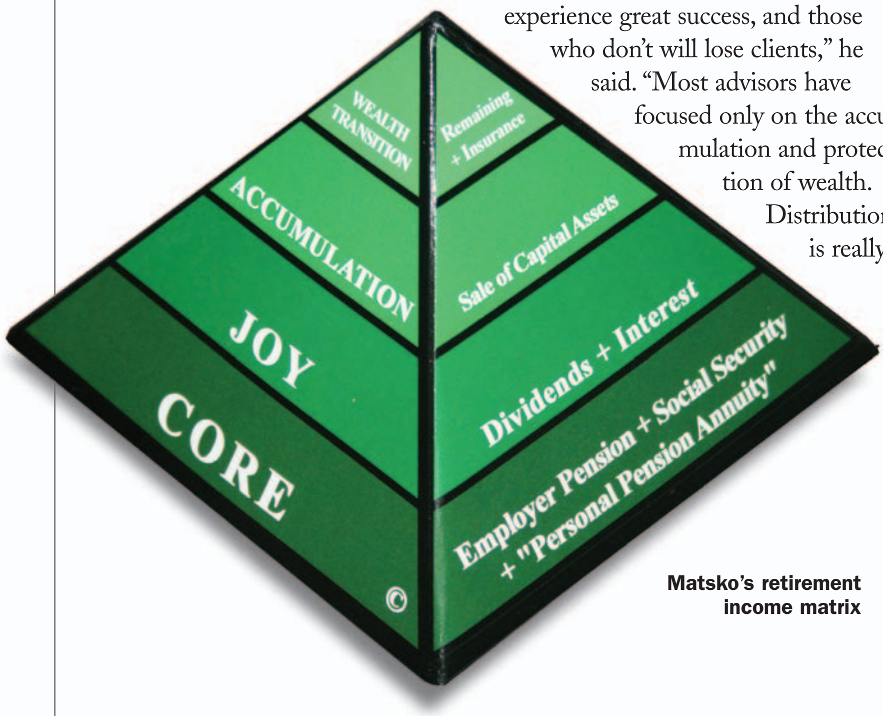
With millions of baby boomers needing income distribution solutions as they retire during the next two decades, Matsko said MDRT members face both a tremendous opportunity and a tremendous challenge.

"I believe that MDRT members who add distribution planning to their practice will experience great success, and those who don't will lose clients," he said. "Most advisors have focused only on the accumulation and protection of wealth. Distribution is really a whole new dimension."

If anyone should know, it's Matsko. He has experienced tremendous success (including 15 Top of the Table qualifications) since evolving client needs prompted him to begin transitioning his business to focus on income distribution more than 15 years ago. Today, his practice employs 23 planners and 26 staff, more than 18,000 employer market customers, approximately 250 clients that he personally meets with and more than $1 billion under management in total. While he says both "customers" and "clients" are important to him, Matsko distinguishes clients as those who have engaged him for comprehensive financial planning. However, many customers have experienced his process-driven approach to retirement income planning.

Matsko says he has honed his income distribution expertise by identifying common concerns of clients and integrating them into a process-led approach that is repeatable, and simple for advisors to use and for clients to understand. He calls it mature simplicity.

"I make it simple because it's a very complex subject," he said. "There is a plethora of information out there, and clients are having a hard time organizing it and digesting it. I think advisors need to avail themselves of all the information that's in the marketplace and really drive a simple, succinct process to their clients. The objective is to lead clients from a sense of bewilderment to peace of mind."



Matsko's retirement income matrix

Matsko's matrix

As part of his highly successful approach to income distribution, Matsko created a retirement income matrix, a 3-D model that helps clients categorize expenses and link them to potential income sources. "The process is image-based, and the pyramid is an object that is easily recog-

SOS: Seven Optional Solutions

What do you do for those baby boomers who simply haven't saved enough to even consider retirement? Matsko encourages advisors to still employ a process-driven approach that allows the clients to articulate their dreams, and then consider shifting their paradigm and redefining their retirement.

Matsko said he then collaborates with these clients to create a customized retirement recipe based on the seven optional solutions they can consider:

1. Work longer.
2. Die sooner (not a popular solution).
3. Spend less in retirement.
4. Save more during whatever accumulation period you have left.
5. Increase the potential rate of return on investments by increasing risk tolerance.
6. Adjust assumptions about the projected rate of inflation to understand its potential impact on portfolio sustainability.
7. Combination of any of the above.

nized and understood," he said. "It resonates with people because it's simple."

The matrix divides expenses into four categories:

Core expenses — Food, clothing, housing, transportation, insurance, taxes and other expenses that must be satisfied to maintain independence, economic freedom and dignity during retirement. These expenses should be linked to income that cannot be outlived, such as defined benefit pensions, personal pension annuities and Social Security.

Joy expenses — Travel, hobbies, entertainment and similar activities. While retirees want the maximum amount of fun during their golden years, Matsko said most can tolerate a fluctuation in the amount of joy income they may have in a particular year. Therefore, these expenses should be linked to income sources that generate dividends and interest income from existing investments.

Goals — Personal aspirations, such as purchasing a second home or boat, or providing college funding for grandchildren. Typically, Matsko said, these should be linked to the liquidation of existing assets, such as home equity and savings.

Legacy — Accumulated assets that are left to heirs and charitable organizations, which are funded with remaining assets and insurance proceeds.

To provide further analysis and what-if scenarios, Matsko and his employees use interactive software programs, which are also customized and driven by the client. Matsko says this process-driven approach leads to tailored solutions that are embraced and owned by the client.

Real-life benefits

One of Matsko's clients, a physical therapist, is a great example of why the approach works so well — especially with baby boomers, who each have a unique definition of retirement.

The client was in her 50s, and working full time in a physically demanding job. Matsko and the client determined she had enough financial assets to cover her core expenses throughout retirement, but not enough to cover any joy expenses. So, they came up with a plan for the client to phase into retirement by working part time just to cover travel and other joy activities.

According to Matsko, the plan worked perfectly. Not only did the part-time work provide income for joy expenses, it gave her more time to enjoy them than she'd had previously. The reduced work schedule also helped reinvigorate her professionally — today, she has increased the number of days that she works each week, not because she needs it economically, but because she enjoys it so much.

Win-win scenario

While the process-driven approach is highly focused on the client, it also has tremendous benefit for the advisor, according to Matsko, who said creating an interactive, personalized experience leads to sales more naturally, reduces objections and increases client satisfaction.

It also produces a natural environment for referrals. "Growth will result naturally as clients tell others they really need to work with this person or this firm because it isn't all about a product conversation," he said.

"If you start with their hearts, their minds will follow." RTT

Brian Hall is a managing supervisor at Gibbs & Soell, the public relations firm for MDRT. He leads the agency's support for the Boomertirement program and its work on MDRT's overall public relations campaign.