Client Services

Managing the Career Asset

Introducing what may become the next important service in the planning profession.

by Bob Veres

If Mitch Anthony is right, and the traditional no-work-at-all retirement is a dysfunctional concept that should be eliminated altogether, then planners will eventually have to make a significant change. They will have to replace their retirement planning services with something more like career planning--helping clients find business activities that they would enjoy doing past the traditional retirement age 65.

But how? Is there any systematic process that advisors can follow to address the career choices of their clients?

Meet Mike Haubrich, of Financial Service Group in Racine, WI and Phoenix, AZ. During his more than 20 years in the planning field, Haubrich noticed something that you've probably seen as well: that a disturbingly high number of clients were coming to him with a certain manic urgency about retiring. "How often do you have somebody come in and before they're even sitting down, they tell you that they're really, really interested in taking early retirement?" he says. "They're maniacally wanting to save and focusing on getting assets together so they can retire as soon as possible." When he helped these people accelerate their savings and leave the workforce, he discovered that the outcomes were never producing the happiness that was originally envisioned. Within a year, two at the most, the clients would get restless and start looking for something more... *substantive* to do with themselves.

"The problem is that they're retiring for the wrong reasons," says Haubrich. "Helping them retire was a defective solution to the real underlying problem, which was that they're in a dysfunctional work environment, and they're really unhappy, and they don't see any way out except to quit working altogether. They don't have any idea there are alternatives."

ARE there alternatives? Haubrich started with the premise that instead of needing to retire, clients like this probably had another problem: they didn't have a good work/life fit. Then, as he began looking at how to address this alternative problem, he had an additional insight: that each client's career represents a valuable asset in their portfolio--potentially more valuable than the retirement account or any other traditional asset.

Before long, he was quantifying the actual dollar value of that asset, and recognizing that he had found a way to dramatically raise the value of his services in hard dollar terms. To take a simplified example, suppose a client is earning $150,000 a year, and wants to retire at age 60 because she hates her job. Instead, you help this person find a less-high-paying job that she really enjoys, so much that she'll work for an additional eight years. Haubrich calls this "extending the career asset."

If you assume that the first three years after age 60 are generating 75% of the original $150,000 salary and the next three at 60% (working part-time) and the final two at 40% (working two days a week), factor in a six percent discount rate and the net present value of the additional income stream comes to just under $350,000.

Better yet, the client earns an increased pension, may be qualified for more Social Security benefits, experience dramatically increased job satisfaction and generally get more fun out of life.

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"In all the years of working with clients, I have not ever seen such a value that I am adding, of real relevance, in our relationship." Haubrich says. "This is by far the highest value that I can imagine somebody in financial planning can deliver to the relationship, particularly if he's working with what I would call the middle to upper middle market. The improvement in the quality of the clients' lives is dramatic."

In addition, the career asset service addresses a larger societal problem of longer lifespans translating into increasingly long (and possibly unsustainable) periods of retirement. "The underlying problem is that many people tend to take a binary approach to retirement: they either work or don't work," Haubrich explains. "I try to show them that there are alternatives, and help them explore ways to achieve a better work/life fit. The key insight is to view the career as an asset, and I'm here to help them get the most out of this asset just like the assets in their retirement portfolio."

The challenge, of course, is that nothing in the traditional financial planning curriculum prepares advisors to offer this service. Haubrich is overcoming this limitation in two ways, first by working with Cali Williams Yost, author of "Work Plus Life Fit: Finding the Fit That's Right For You"--which Haubrich now uses as a textbook for his client seeking early retirement.

He also brings in an outside expert. Looking around for somebody with the expertise and training that he lacked, Haubrich discovered a growing ecology of career coaches, career advisors and career counselors--three distinct professional groups who are all, intersetingly enough, looking for the kind of services that financial planners provide. "The interesting thing about my search," says Haubrich, "is that when I started talking with career professionals--and I have interviewed more than a dozen of them--they would tell me that the biggest problem they're having with getting their clients to optimize their careers is the financial roadblock. They don't know whether they can afford to make the jump that the counselor has identified that they need to make. So they get really excited about the chance to work with a financial planner to address this roadblock issue. In each case, they were excited to hear from me."

The cost is typically $1,500 for a retainer relationship, and this fee includes a full evaluation, including the standard Myers Briggs, emotional intelligence tests, career anchors and and resume evaluation.

To explain the concept to his clients, Haubrich compares the career asset to a rental property. "If you want to maximize your current income, you might get the tenant from hell in there, who nobody else will rent to, and you can premium-price him right now," he says. "The problem is that he'll beat the hell out of your property and you'll get deferred maintenance issues, and the useful life of that asset is going to be diminished. And your long-term cash flow is going to be negatively affected, even though short-term you may be getting a lot of money.

"The idea," he continues, "is: if you get the boss from hell, you make a lot of money and you try to survive, hoping your health doesn't give out, and accumulate enough money to try to quit. It's a defective approach."

The analogy covers a lot of different issues that a person may encounter in her career. For example, Haubrich sometimes will suggest that his clients take time off to get retrained. " Think again about the rental property, where you have had the tenant from hell in there, and you have deferred maintenance," he says. "It may be best, instead of trying to rehab the property with that tenant in there, to kick the tenant out. You might lose three or four months worth of rent, but you rehab the property and bring it back on the market, you extend its useful life and increase the net present value of it because of the future cash flow."

Interestingly, managing a client's career as an asset can bring up a lot of dysfunctional money scripts--issues that present people from moving forward. Some feel trapped in their job. “One woman who worked with me was in a dysfunctional job where it was emotionally abusive,” says Haubrich. “But she didn’t want to go without an income, even though she had money in a trust. We finally rearranged her finances and set up an account to direct deposit $3,000 a month into her checking account to pay herself for the sabbatical.”

In another case, a client loved his job, but his boss kept dumping non-core-competence work on his desk, to the point where it was affecting the quality of his work. “It turns out, he worked for a company that has committed, publicly, to being work/life friendly,” says Haubrich. “So we had him go back in and renegotiate his employment within that framework, and it worked.”

Before sending the client in for the scary renegotiation process, Haubrich bolstered his confidence by pointing out the next-best alternative and the worst-case scenario. The worst-case alternative would be taking the early retirement option and bailing out of the company, which is what the client came to Haubrich wanted to do to begin with. The next-best alternative was related to this: taking early retirement and then taking consulting work from competitor firms. “A lot of times, you can help them see that their worst fears are really unfounded,” Haubrich explains. “Once they have faced the worst-case scenario, they realize that it is not as bad as their imagination was telling them.”

Once the pain is alleviated and the initial problems are resolved, the ongoing service involves periodic review of a client’s skills to make sure they’re still relevant, and networking with peers inside and outside the workplace. Haubrich calls this ongoing career asset management--managing the career the same way that advisors manage a client’s retirement portfolio. “You want to be constantly positioning yourself for project-based employment,” he says, “because that is the future of the workplace. Someday, most workers will be entrepreneurs, and everybody will work on projects for whatever organization has the contact with the consumer.”

It seems to me that this is one of those client service breakthroughs that dramatically enhances the value of the financial planning engagement and, at the same time, addresses one of those social issues that the world is groping for a solution to. The fact that there are thousands of career management professionals out there in the marketplace looking for somebody with financial expertise to help their clients get over their biggest hurdle to change means that this may be a significant marketing opportunity as well.

And Haubrich believes that so far he has only scratched the surface. “These career coaches are so excited to hear from me; they are practically orgasmic,” he says. “They can’t wait to work with a planner. Planners are also going to have huge opportunities to work in captive markets with corporations that want to implement the work/life fit that Cali Williams Yost has already talked about with the executives to these companies,” he adds. “She thinks that planners and career professionals can take this concept to small companies of under 1,000 employees, because everything she has been working with has been 10,000 employees and above.”

Eventually, Haubrich wants to create an alliance between planners and career professionals around the country, probably with fee-compensated advisors (he’s a NAPFA member) to minimize the concerns of HR professionals about giving access to their employees to a salesperson. In the meantime, I think every advisor should be thinking hard about whether clients who come in with an early retirement goal might be better served with a discussion about changing careers and finding a more satisfying (perhaps part-time) work life. ■

THE PRACTITIONER FORUM

A COMPENDIUM OF THOUGHTS, IDEAS AND PRACTICE ISSUES FROM AROUND THE PROFESSION.

The One-Question Survey

Mike Haubrich, who you met earlier in this issue, has begun using a marketing concept that has been floating around some of the Fortune 500 companies recently, adapting it to his planning practice. "The basic idea is to give your clients a one-question survey," he says. "Before you ask your clients for referrals, you ask them, on a scale of one to 10, with 10 being the highest, what is your likelihood of referring people you know to us and endorsing our services?"

Then you collect the surveys, paying attention to two things: which clients have a low likelihood (you want to follow up later to see if they, themselves, are disgruntled), and the overall aggregate score. "If the overall score is anything lower than 8.5 on a 1-10 scale," says Haubrich, "then you don't want to ask for referrals. Instead, you want to work on your value proposition, get input from clients on how you could improve services, and generally shore up how you're perceived--and then do another survey, when the changes have had a chance to have an impact.

If your overall score IS 8.5 or above, then you should be able to formulate your value proposition and ask clients to refer specific types of clients (your target market) in your direction.

Charitable Appreciation

When clients refer somebody to you, how do you handle it? Haubrich has begun sending letters saying, basically: Thank you for your confidence in us in referring (name of the friend or relation). As an expression of our appreciation, to which charitable organization would you like us to send $100 in your name?

Not only do clients appreciate this, but so also do the charitable organizations themselves. In fact, the concept recently offered Haubrich an unexpected bonus, when a local charity put into their annual report, sent out to all of its donors: if you refer somebody to this planning firm, they'll donate to our cause. "I had people call me and say, if I come in for an initial consultation, for planning work, would you be willing to make a $100 donation?" Haubrich reports. "Of course, I said I would."

The Key Practice-Building Question

In a session at the FPA convention, the subject of closing ratios came up, and the fact that many advisors measure themselves by the percentage of people who walk in the door who actually sign up to become clients. But Ross Levin, who practices in Minneapolis, has a slightly different ratio he measures himself by. "We want to close 100% of the clients who are appropriate for us," he said to the audience, "and 0% of those who are not appropriate."

Deena Katz, of Evensky & Katz in Coral Gables, chimed in with her own take on the concept. "For us, and increasingly for the profession of real planners," she said, "it's never about closing. It's about starting or not starting a relationship."

Capacity for Profits

If you're looking for ways to scale your firm quickly and easily, Tom Sullivan, who practices in Roseville, MN, suggests you look at the writings of Eliyahu Goldratt, author of The Goal and Theory of Constraints. "Using his experience leading a pack of Boy Scouts, says Sullivan, "he points out that the troop can only hike as fast as its slowest member." The point: businesses can only function as well as their weakest link or bottle neck. Finding the link is crucial to progress.

"Another great point he makes," says Sullivan, "is that profits are usually made by having adequate reserve capacity"--a counterintuitive idea in a profession that always seems to be trying to run at maximum capacity. "How many businesses do you know (including machine shops, gas stations, retail stores etc.) that are as busy as can be, and yet their whole year can made or broken in a single week or two," he adds. "Reserve