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WEALTH ADVISER

Convincing a Client He's Saved Enough to Retire

By KELLY KEARSLEY
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Minutes into their first meeting, Scott Dougan could see that his new client was stressed. The man sat with his arms crossed and was defensive and frazzled by Mr. Dougan's questions.

"He had worked for the same company for 30 years, and he was frustrated because he felt like he didn't have enough money to retire," says Mr. Dougan, president of Global Plains Advisory Group in Prairie Village, Kan. The firm, which recently started managing assets, oversees $12 million for about a dozen clients.


Scott Dougan

The client's wife was 62 and had already retired from her teaching job. However, the client, 61, was consumed with anxiety that they needed more money, often waking up at 4 a.m. in a panic. So when the client finally slid over a document that revealed his assets, Mr. Dougan was shocked. The man had $1.4 million in savings and pension that brought his total assets to more than $2 million.

The problem, the adviser believed, was that the client was simply accumulating money without a sense of what he was saving for. “I told him that it seemed to me that his money was more of a burden than a blessing,” Mr. Dougan says. “That was because he didn’t know how much he needed or what he was going to do with it, so he was just nose-to-the-grindstone every day.”

Mr. Dougan suggested reserving judgment on the client’s financial situation until he had some facts. That meant first determining the couple’s expenses and creating an income plan that would support them for the rest of their lives.

The couple’s annual expenses were less than $70,000 a year and they had no debt. Mr. Dougan recommended that the man take his pension as a $700,000 lump sum and invest it. The man also had a deferred-compensation plan that provided him another $50,000 a year for the first five years of retirement. With the wife’s pension and Social Security included, the couple would only need another $20,000 a year to meet their needs--something their nest egg could easily provide.

Hearing that he really did have enough money caught the client by surprise. “It took another three meetings for it to really sink in,” Mr. Dougan says.

Even with that information, though, the man was still reluctant to retire: He’d been so busy working that he hadn’t contemplated what his next stage of his life would entail. So Mr. Dougan helped the man make the psychological transition to retirement.

He asked his client about his relationship with money and the man disclosed that he’d grown up poor. He had vowed to do what it takes to always have enough. “He felt like he woke up every morning and did what he needed to do, but in doing so, he'd also delayed his life for 30 years," the adviser says.

Mr. Dougan suggested it was time to think about the future and ways to enjoy the fruits of all that hard work. He reminded his client that retirement would free up 2,000 hours a year, and that he should plan for how to fill them. The man began talking about a much-loved family farm and his dream of bringing it back to working order.

As they continued discussing retirement plans over the next 11 months, the client underwent a transformation. He lost 25 pounds. He bought himself a truck he had always wanted. He took a long vacation with his wife. He started sleeping through the night. And he put in his notice to retire, with no regrets.

Now Mr. Dougan and his client working on a different problem--how to reduce his taxable income in retirement. "It's the opposite of what he thought," Mr. Dougan says. "These are quality problems to have."

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