



Life Planning Meets Retirement Planning

A Q&A with Roy Diliberto

by Carly Schulaka

Successful retirement planning and retirement distribution planning not only require smart portfolio management and efficient withdrawal strategies but also the right conversations with clients. Asking clients *when* they want to retire should not be part of that conversation, according to financial life planning expert Roy Diliberto, CFP®, ChFC. And even assuming clients will retire at all can be a fatal flaw.

The *Journal* recently caught up with Diliberto, former FPA president who currently serves as chairman and CEO of RTD Financial Advisors, to talk about the life planning aspects of successful retirement planning.

FPA: *How, as a planner, can you best help your clients shift their mindset from “How much money do I need to retire?” to “What kind of life do I want in retirement?”*

DILIBERTO: This is going to sound overly simplistic, but ask them that question. Ask them about the kind of life they want before you ask them about how much money they need. Money’s the servant, not the master. You don’t live a lifestyle based on the amount of money you have. You live a lifestyle that you’d like and then see if you can get enough money to do it. And if you don’t, maybe it takes waiting a year or two to do that.

The reality is you have to ask people these questions.

A lot of people retire *from* things as opposed to *to* things. And I think it’s extremely important that you retire *to* something as opposed to *from* something. And we have that conversation with people who are approaching retirement on a regular basis. We ask them about what kind of a life that’s going to be, what they are going to do, what their plans are. And then sometimes people just say, “We might want to rethink this,” because they feel they may have nothing to go to that’s satisfying.

We had one client who told me she was ready to retire. She had us run the numbers and so forth, and she told me she was ready to go. In six months or a year, she was going to do it. Then she had a minor medical setback and was forced to be home for a period of time. And then she came back and said, “If that’s what retirement is going to be like, I want no part of it.” So, you have to make sure that you’re doing something that’s going to be satisfying to you—whatever that may be—and fulfilling in your life.

If you want to discuss those things, you’ve got to ask the questions, and maybe some people are reluctant to do that. Some planners think that’s none of their business, that all they need to do is talk about the money. I don’t find that works.

FPA: *What happens when what clients say about their retirement goals doesn’t line up with the actions they take? Can a planner help clients identify some core values?*

DILIBERTO: It’s an interesting question. We can’t approach this as if this is the first time you’re ever having a conversation with this person. So you’ve got to approach it based on everything you’ve learned about this client over the years. In the initial meetings process, we ask clients questions about themselves, about their history, and how they grew up. We need to understand their values and what’s most important to them in their lives so we have a pretty good idea about what really matters to them.

For example, there are people who retire who say they want to travel, and they never travel. There’s only so much you can do, obviously, but it’s a question of just reminding them of the things that they said were important, and if they’re not doing those things to keep reminding them, “This is something that you said was important to you. Is there any reason you don’t want to do it?”

Now, interestingly enough, many times the reason is because they’re not earning money anymore and they’re afraid. They’re afraid to spend their money, even though the projections

indicate that they have more than enough. And you could try to convince them that they are in no danger of running out of money, but since it is an emotional issue, showing them the numbers may not have any effect on their behavior. You've got to go back to the emotions and the things you've discovered and have those conversations about why they're acting the way they are and are not spending the money that they had intended to spend.

FPA: Many planners ask clients, "When do you plan to retire?" Is there anything wrong with asking that question?

DILIBERTO: I hate that question. It's a presumptuous question. We ask, "How do you visualize your life in your 60s, 70s, 80s, and beyond?" not, "When do you want to retire?" I would assume that someone like Justice Stevens was asked that question 100 times and he probably got angry every time he was asked.

FPA: In your book Financial Planning: The Next Step, you write about the importance of avoiding assumptions. What are some common assumptions planners make when it comes to retirement planning?

DILIBERTO: I think the most egregious assumption is that everybody retires. Since people are asked the question, "When do you plan to retire?" they must think that they need to have a date. So they'll say, "Oh, when I'm 65," because that's when people retire. And that's another assumption—that most people retire when they're 65 because that's some magic age that somebody came up with at some point, probably when people lived to be 64.

Another assumption that people make is that their portfolios have to become very, very conservative now that they're retired, even though they probably have a 30-year period of time to go if they

do retire at 60 to 65 years old. So now they start to ratchet down the portfolio. In a way, that may not provide enough growth for them to do all the things that they want to do. That, I think, is a faulty assumption that is reinforced by the things they hear from the media.

Another assumption is you're going to spend less money when you retire. That's ridiculous. Most of our clients who retire spend more money the first few years they're retired, not less. Using rules of thumb, like you need 75 percent of your income—I have no idea where that came from—I think is an assumption people make about how much money they're going to spend.

That you're going to be in a lower tax bracket is another assumption that people make that I think is erroneous. When those distributions start, their tax bracket may go higher than it ever was in their life for all we know.

FPA: If a couple has significantly different images of what their retirement lifestyle should look like, how can a planner help get them on the same course?

DILIBERTO: It's very difficult. You have to make sure that each client is communicating to each other. And I help facilitate that by asking each spouse questions so that they understand what each other may desire. However, we may be limited in what we can do as planners, and if there are significant differences, they may need some help that planners aren't qualified to give.

FPA: Is there anything else you want to say about using life planning to help clients plan for retirement?

DILIBERTO: Ask those questions that are relevant about the person's life and continue to ask those questions at annual meetings. In our firm, we have an annual renewal meeting

(thanks to Elizabeth Jetton), and we don't call it a review meeting for a very good reason. A review meeting perhaps only looks at numbers. Our renewal meeting is about renewing your goals and your life and revisiting what is important to you.



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FPA has formed a strategic alliance with the International Foundation for Retirement Education® (InFRE®) and the InFRE® Retirement Resource Center to help FPA members meet the retirement planning and income needs of the estimated 78 million Americans reaching retirement age over the next 20 years.

This alliance will provide FPA members a 15 percent discount on InFRE Retirement Resource Center signature training and education resources.

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Read more about Diliberto's client-centered approach to financial planning in his book *Financial Planning: The Next Step, A Practical Approach to Merging Your Clients' Money With Their Lives* published by FPA Press. Find it at www.ShopFPA.org.