



UNDERSTANDING THE ROLE OF CLIENT EMOTIONS WHEN TALKING ABOUT RETIREMENT

What's the best way for financial professionals to help clients achieve financial security? Try tuning into their values and emotions first, and then explaining the benefits and attributes of financial products they should consider.

Are your client conversations in sync with their emotions? What motivates them? How do they feel? According to new research that maps how people think about finances, uncovering the deeply held "values" behind people's emotions will help financial professionals lead them on the right path to financial security. There's one path that most people take; understanding this "landscape of thought" can help financial professionals become attuned to their clients' objectives and provide meaningful solutions.

"You know it in your heart because you've helped so many clients: We persuade people

through reason, but they become motivated through emotion," says Michael Harris, CFP, CLU, ChFC and a senior educational advisor with the Alliance for Lifetime Income. "When you show them a product, you say, 'Here is how it works, and here are the benefits.' But it's the emotion that's triggered by that benefit that makes people say, 'Okay, that sounds good!'"

There's new research from the Alliance for Lifetime Income that supports the idea of reaching clients on an emotional level. Artemis Strategy Group conducted a proprietary study of more than 1,000

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Americans aged 45 to 74 with \$100,000-plus in assets to find out how they think about retirement and what tools they use to get there. "There are emotional components to the way we make financial decisions," says Anne Aldrich, an Artemis partner.

Here's a guide to how you can put this research into practice.

VALUES: ACHIEVING A FULL LIFE

The researchers found that the majority of Americans seek a "full life" in their retirement years, marked by peace of mind, security, enjoyment, independence and being "free to live as I choose." These are their core beliefs that drive decisions. To best reach clients, financial professionals should consider reframing the end goal. The goal isn't retirement planning. The goal is to live a full life. Emphasizing that you're there to help clients lead a "full life" in retirement allows a financial professional to really talk to consumers about what's important and what they value.

EMOTIONS: TUNING INTO OPTIMISM

There are two primary sets of emotional drivers that people feel when they think about achieving a successful retirement: feeling safe and secure, and feeling optimistic and proud. As a financial professional, you can tie into those client emotions, to get off on the right foot.

What's the meaning of safe and secure? Survey respondents said they were "content about circumstances," "in control of finances," and "confident about plans." By emphasizing these emotions of contentedness, control and confidence in their conversations with clients, financial professionals can underscore the safe and secure message, setting a comfortable stage.

Harness the power of optimism. Sometimes it feels like the industry and some financial

professionals tend to focus on the negative by talking too much about risk. Risk is there. It's something you deal with on the path to a full life, one of the bumps in the road. Consider shifting the focus away from risk. A better place to start the conversation is to recognize that people are fundamentally optimistic about retirement. This optimism extends into the past, present and future. Survey respondents said both: "I'm excited about what I will be able to experience," and "I'm proud of what I've been able to do."

BENEFITS: CHOOSING A PATHWAY TO FINANCIAL SECURITY

The Artemis researchers found that seven out of 10 survey respondents follow similar trains of thought regarding reaching a "full life" in retirement. Once you understand what clients are seeking in retirement and the values and emotions that drive them, then you can discuss the associated benefits.

For someone whose primary emotions are the need to feel safe and secure, financial professionals can address the benefits of finding "safe income" that will help achieve a "good retirement lifestyle." Survey respondents said the benefits they were seeking included being protected from market or economic downturns, and knowing that their income will be protected from adverse events. They wanted assurance that they'll have a steady stream of income when they retire, funding for basic needs such as housing and healthcare, and money for special projects and undertakings. The "good retirement lifestyle" is the top pathway by age subgroups, gender, and those with a financial professional versus those without.

The researchers looked at what strategies Americans employ on the pathway to a "good retirement lifestyle" and a "full life," and most people say that two things are the most important and realistic strategies.

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The first is insuring against short-term risk. That means making sure you've got your car, home and health insurance right-sized to make sure that you've taken care of things that could knock you off your arc to successfully reach that full life in retirement.

The second – investing for long-term security – means putting your assets into a diversified investment portfolio and investing in financial products that offer a guaranteed income stream. The benefit of having these types of investments is safe income. What financial professionals need to stress is that insuring against short-term risk is a critical strategy to take but it should be complemented with investing for long-term security. Note that the important benefits of risk mitigation and aspirational fulfillment can co-exist.

ADVICE: GUIDING CLIENTS THROUGH DECISION-MAKING

The final step is to layer on the financial tools that clients can use to get to financial security. According to the Artemis research, clients gravitate towards building security through both steady-return investments and adding flexible investments.

By tuning into their emotions, as a financial professional, you can reassure them they are making smart and responsible decisions about their strategy or pathway, not abandoning the quest for security too early, nor shifting toward riskier investments too early. Some annuities, for example, can fill the role of steady-return investments by providing protected income and a level of principal protection.

It's important that financial professionals make sure clients know they're available to discuss opportunities and help them make smart, responsible decisions. When you talk to clients about planning for retirement, it's not just about planning for how much income they're going to have but also about what kind of investment products they need.

The message you should try to get across is that what they want to do is plan to live. Lifetime income is a component of that. To have the best chance of a successful, happy, full life in retirement, they should consider putting a portion of their assets into protected lifetime income as a retirement strategy.

As the financial professional, you have a very important role. The two sets of



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client emotions are “safe and secure” and “optimistic and proud.” They are the building blocks for which you, as the financial professional, become the mortar that solidifies these emotions. “You provide the glue,” Harris says. You help the client become smart and responsible so they can feel safe and secure, be optimistic and lead that full life and get the things in life that meet their values.

CONCLUSION

Don't be afraid to connect with clients on an emotional basis. Their powerful emotions

of excitement, optimism and pride lead to deeply held values of peace of mind, enjoyment and independence. Financial professionals can better connect with clients by showing them they understand where they're coming from — starting with what they value, tuning into their emotions, and then explaining what financial products can best fit their needs. “We want to lead them down the right path emotionally,” says Harris, “so they can make the right financial decisions that are best for them without their unconscious defenses getting in the way.”

Annuities are long-term investments designed for retirement purposes. The value of variable annuities is subject to market risk and will fluctuate. Product guarantees are subject to the claims-paying ability of the issuing insurance company. Earnings, when withdrawn, are subject to federal and/or state income tax, including a 10% tax penalty for withdrawals before age 59½. Some income guarantees offered with annuities take the form of optional riders and carry charges in addition to the fees and charges associated with annuity products.

There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. Investments in annuity contracts may not be suitable for all investors.

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