Prime Time Risks

Buttoning his shirt at the end of the physical exam, he was the very picture of a clean bill of health: A handsome, fit businessman, who, at 47, was in the prime of his life. Call him Matt Parsons. That's not his real name, but what happened next that day in the doctor's office is based on a true — and too common — story:

“Well, what do you think it is, Doc?” a subdued Parsons said. Parsons was having problems walking and his doctor started by explaining that it was due to muscle spasm, which probably meant that some changes were taking place where his nerves originate in the spinal cord. Parsons also had episodes of blurred vision and his doctor discussed them with him, too. They needed to be evaluated and his doctor would schedule an appointment with a specialist as soon as possible.

Parsons broke into this cautious recital with obvious and rarely seen irritation. “Why don't you just come out with it, Doc?” he snapped, “You think it's MS, don't you? I'm no fool and I've looked at stuff on the Internet.”

The doctor acknowledged Parsons' problems were consistent with the symptoms of multiple sclerosis, commonly referred to as MS. As Parsons drove home with a new sense of caution, his thoughts were already churning. So much to rethink — career, family, retirement, college tuitions and medical bills — all swirled in the new matrix of uncertainty he was contending with. One thing was clear, however, he needed to reassess his financial situation and planning — quickly and completely. His “boomer” nonchalance had come to an abrupt end.

The Author Responds

One of the greatest challenges of dealing with the boomer generation is their youth and vibrancy — often bordering on immortality. Born in an era of unprecedented prosperity and quality medical care, no generation has ever been more confident of its future. Advertisers help promote the dream, promising good living, world travel and even virility. In this view of “retirement,” health-related interruptions happen to “other people.” But the cost of not confronting potential risks can be catastrophic to a family.

Parsons, as his subsequent visit to the specialist proved, had developed multiple sclerosis, a chronic, unpredictable neurological disease crippling some 400,000 Americans. They are generally diagnosed with the disease between ages 20 and 50, and women patients outnumber men by at least 2-to-1. There is no specific family history that pinpoints MS, but some genetic factors are evident, and people of Northern European ancestry have a greater likelihood of contracting the disease than those from other areas.

Eighty-five percent of initial MS diagnoses are of the “relapsing-remitting” variety, one of four courses the disease may take. It is characterized by obvious attacks or flare-ups, followed by partial or complete recovery periods. Ten percent of MS cases are of the “primary-progressive” type, a slow but continuous worsening of symptoms with no distinct relapses or remissions. Another type is “secondary-progressive.” It is defined by an initial period of flare-ups (relapsing-remitting), followed by a steadily worsening condition. Half of “relapsing-remitting” patients developed this form of MS within 10 years of their initial diagnosis. The last variety is “progressive-relapsing.” It is also a steadily worsening condition, but with clear attacks or relapses. This form of MS is the most rare, affecting approximately 5 percent of patients.

MS is just one of many ailments that can attack an otherwise healthy body. Cancer, diabetes, heart disease are just a few of the potent threats adults face in their 40s and 50s, as are nonlethal but still debilitating conditions related to arthritis, spinal disc problems and failing vision. All of these medical challenges can force life changes — and clients can avoid enormous losses if they confront the possibility of trouble and take action.

Confronting Risk — Right Now

Parsons is grappling with the impact the disease is having on his life and his family, but like many successful people, he has not taken sufficient precautions to avoid the affect of a disabling illness or accident on his finances. According to the 2005 Phoenix Wealth Management Survey, only 26 percent of millionaire households had a current estate plan, and far fewer owned disability insurance of any kind. Multiple sclerosis is but one of many risks that knows no economic limits. Consider that transportation accidents in various forms alone injure 4.5 million people each year.

Getting clients and prospects to confront difficult issues is never easy, but some times of the year are more productive than others. Chuck, an experienced wirehouse advisor in Raleigh, N.C., holds client reviews based not on calendar quarters, but on a cycle determined by each client's birthday. Chuck observes that birthdays remind clients of their mortality and are, he says, one of the very few times he can safely bring up the risks of not being prepared. Another time that people are thinking financially is tax time — right now. Most top advisors I know keep in especially close contact with their accounting colleagues and referral sources at this time of year as clients reveal their concerns. According to Russ Prince, my colleague and fellow Registered Rep. columnist, accountants are once again the No. 1 source of millionaire referrals to financial advisors.

What Everyone Should Do — A Checklist for Today's Unprepared Households

Risk Inventory: Start with the Wealth Planning Overview (which can be found at phoenixinvestments.com under “News & Events”). Query every prospect about their plans for each area of the chart. Ask each client at every review session for an update of their concerns. Reference the questions on the back, developed by top financial advisors.

Go through each box and rank the issues with the client on the basis of relative risk. In other words, rank areas that present the client with the greatest concern and follow all the way down the list. Note reasons why each risk is located higher or lower so as to help guide how changes may impact the ranking — like the illness of an aging parent or disability of the family breadwinner.

Match relative risks with current preparedness. Do the contingency plans truly mitigate the risks? Premature death risk is a no-brainer — is their enough death benefit in place to provide for the family after taxes are paid? Still, most millionaire households, especially those of the boomer generation, are dramatically under-insured. Even more at risk for disability, many people working for companies believe their group disability plan will cover them in the event of an accident, but very few policies would begin to support a millionaire household's lifestyle. Supplemental plans can be expensive — especially for the self-employed — but the alternative of not having them is far more costly.

Develop a “Risk Report.” Resist the temptation to immediately address risks and the lack of sufficient planning with your prospects and clients. As the retirement doctor, you need time for careful analysis of your findings. Close out your meetings with a promise to research the issues and schedule a near-term follow-up visit — just like the dentist who finds a cavity during your regular check-up. Now create a summary of each risk on the chart, in order of concern to the client or prospect, and show a range of solutions. What is the risk of disability? Who knows, but what is the cost of more complete coverage? George, another wirehouse advisor in Indiana, tells clients that insurance is available for almost everything, even big screen TVs. Would they buy the insurance? Schedule a meeting with your clients after tax time to address the downside of their financial world. There's no time like the present to prepare for the future.

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