

When the Market for Advice Doesn't Meet the Need

by George Kinder, CFP[®], RLP[®]

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Dave took his jacket off, tossing his keys nonchalantly on the table along with neatly packaged 8½ by 11 financial brochures. The prominent Mercedes emblem caught both Paul's and Tracey's eyes. Dave was affable; he'd just taught a course on retirement to employees of the prestigious university where Tracey was a professor. At the end of the course each employee was entitled to free and personalized retirement counseling in a university meeting room.

Dave launched right into retirement options. Glancing at the couple's financial figures, he spoke eloquently about how much more retirement value they would get if they maximized their earnings now, as well as their remaining contributions, and then as if he'd forgotten himself, stopped awkwardly and said, "But I want to hear about you. Tell me about your life and your goals. This all starts with you." Paul was approaching 60, a non-judgemental man, one you would love to be around. Crackling with ideas, Paul dove in. He was eager to leave the ministry he had served for 30 years to start a new life. Retirement was not even how he thought of it, he said, just a term financial advertisers used. He was already adding characters and developing scenes for a novel he'd begun 40 years before and was surprised it had never lost its spark for him.

Paul had other irons in the fire. He was eager to mentor in a new way, free from the confines of a church, having recently completed training as a coach. He had also become a self-proclaimed accomplished—though unpublished—poet and wanted to dedicate time to publishing both his poetry and his novel. Perhaps most important, he wanted to model living a contemplative life. Over 20 years he had slowly built his "hermitage" in the woods. It was there he wished to write and do spiritual practice.

An Uncomfortable Situation

Dave was clearly uncomfortable reflecting on a life and values so different from his own. He interrupted several times with jokes about his own church and didn't know how to close with Paul.

Tracey was similarly eager to leave the institutional world. Always the teacher, she was tired of the political confines and limited mind-sets of the university; she wanted to bring innovative learning into urban environments. Although she was negotiating an independent institutional setting for her work within the university, she was most excited (and unsettled) at the thought of setting out on her own. She was animated and eager to describe it.

This was an extraordinary, entrepreneurial couple—who after years of being in the service of large organizations, were still passionate and alive but economically uncertain. And there was tension between Tracey and Paul—financial tension and personal tension from wishing to move in such different directions.

These were not the retirement goals Dave had expected, and he quickly felt out of his element. After Tracey shared her vision of the future, Dave changed the subject from goals to one he was more comfortable with, the products he had come to sell. “Great, great!” he said, “So this is what I have.” And he handed them brochures of the annuities he was licensed to sell. “These work well in virtually all retirement scenarios,” he said. “I’ve seen nothing better.”

Paul and Tracey were thrown for a loop by the non-sequitur of products. In fact, Dave never returned to either of their goals for the remainder of the meeting.

At one point, feeling disconnected and confused Paul asked, “Who are you, what are you doing?” “I have a team of specialists,” Dave responded, missing the earnest depth from which Paul was enquiring.

“Financial planners?” Paul asked.

“No, no, they’ll really stick it to you. It’s a bad name in my book. They charge you a fee and then take commissions on top of the fee. They sock it to you twice.”

“Well then, how do you make money?”

“Oh, I do alright,” Dave said. “I get a commission,” he mumbled.

“A commission on what?” Paul asked.

“A commission on the retirement vehicles you invest in at the end of our work together.”

The general impression Paul took from the meeting was that Dave wasn’t interested in his life. The only message that was clearly directed at Paul, separate from Dave’s stack of products, was to make as much money as he possibly could while Paul still had earning capability, not at all what Paul was intending to do. But Dave’s energy around his annuities was infectious. His products seemed really cool to Paul and he worried he would miss out on a secure retirement if he didn’t buy in. “I was ready to sign on the dot,” Paul said, “except, deep down, I didn’t believe him for a minute.”

Identifying the Problem

So what was going on here, and what went wrong?

The university had designed an inappropriate structure for Paul and Tracey's need for financial advice. In fact, there was no financial advice at all, but a product sale masquerading as advice. There was also no way of judging if the products were appropriate. There was neither a structure nor a person in place that Paul and Tracey could trust. If they couldn't trust a great university or a famous brand to lead them to the most appropriate financial advice for their needs, who could they trust? Where could they go? With financial planners dismissed as costly and inappropriate, was it possible that financial advice and retirement counseling didn't exist except as a product sale?

Paul and Tracey are not alone. The primary passion of our dreams for freedom is always tender, flickering and vulnerable to a system, locked in by billion-dollar architecture and incentives to sell that are often predatory around the basic elements of economy that people need to deliver their visions to the world.

What's the Harm?

Paul and Tracey required financial life planning advice. But here, the market for advice was a closed one determined by two institutional powers, the university and the brand—neither an open market nor a free one. And what is the harm, if the products are good ones (if a bit overpriced due to the brand), even if they aren't quite the right fit for the couple they're sold to? In truth, all that's lost here as the "adviser" pockets a fat commission, is a bit of Paul's and Tracey's time that was wasted, two lives that didn't quite launch with vitality into their dreams, a launch that might never take place or might take place now with shakier or inappropriate financial architecture, the cost to society of less innovation, productivity, and entrepreneurial spirit, a potentially rough and costly situation if Paul and Tracey ever realize the annuity was really in conflict with their life paths, and a rockier marriage from not having come together with vitality around their disparate dreams and financial concerns.

All people—regardless of background, ethnicity, education level, or profession—have dreams of freedom. Whether those dreams are to travel the world, create independent films, spend more time with their children, work less, buy a home, educate, live with greater integrity, create a business, save the environment, do community service, or run for political office—all are authentic and entrepreneurial. They drive our passionate engagements in the world. More often than not we are part of a couple—confused, concerned, or excited about how we will merge our disparate dreams.

The tension Paul and Tracey felt is natural and something someone trained in the life planning aspect of financial advising is prepared for, even relishes. Properly handled, more often than not, couples fall in love again, with tenderness toward each other's dreams, brought closer together, but not here. Dave's purpose was not to create dreams of freedom and bring them together, but to sell product.

If Paul and Tracey wanted to buy annuities, Dave might have been one of several people they would talk to. But what they wanted more than anything was their dream of freedom. They needed a trustworthy financial planner dedicated to each of them, and to them as a couple, one who could listen thoughtfully to their dreams, help them establish financial parameters as they go, and then outline the best path (including best product choices) to accomplish their vision.

Afternote: By the time Paul relayed this story to me many months later, he and Tracey had separated and filed for divorce.

This column has been excerpted and adapted from George Kinder's latest book, Model Integrity, Deliver Freedom: A Banking Manifesto, to be published in 2015. Names and some details have been changed to protect anonymity.

<http://www.onefpa.org/journal/Pages/DEC14-When-the-Market-for-Advice-Doesn%E2%80%99t-Meet-the-Need.aspx>