# Tips on Navigating Clients Through an Encore Career

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In my last post, I discussed how advisors can help their female clients prepare for an “encore c... -- a second career for pre-retirees who are too young to retire and have transitioned into another job. I would like to expound upon that subject, and focus on how to advise these clients during this transition.

I previously referenced a report from Encore.org, a nonprofit organization specializing in encore careers, citing statistics from a recent MetLife Foundation/Civic Ventures study, “Bridging the Gap: Making it Easier to Finance Encore Transitions.” The report shows the 9 million people (ages 44 to 70) who are already in encore careers say they started to think about their encores at age 50. However, because the research also found that 40 percent of people interested in encore careers do not feel financially secure enough to make the leap, it’s important to focus on finances to empower clients to make the change they desire.

In particular, during their transition, advise clients to:

- **Continue saving for retirement.** The excitement of beginning a second career can sometimes exacerbate a mistake we all make -- viewing ourselves as younger than we are. I had a client tell me recently that she had told the gentleman behind a hotel's front desk that she didn't qualify for the 10 percent discount noted on her invoice, not realizing that it was offered to all travelers over age 50. She's 58. If your client is 50 and beginning new work, it's important for them to redouble their efforts to save in the company's 401(k). In fact, this year employees age 50 and older can stash away an extra $5,500 using the catch-up provision. Catching up is important, especially for women who may have smaller retirement nest eggs because they stayed home to raise children or worked part-time. Also, for those who are starting their own business or retiring to consulting, make sure they take advantage of opportunities to save in a SEP IRA or help them establish an individual 401(k).

- **Separate "must have" from "don't need."** You'd be amazed when you take pen to paper how many one-time essentials are no longer necessary. For example, your client may still pay for lawn maintenance on a weekly basis when every other week would suffice. You'll also likely find online or grocery club memberships they pay for and never use. The same goes for gyms, country clubs and even Netflix accounts. Another big drain could be a life insurance policy they still have in force -- if the kids are all out of college, it may no longer be necessary. These are all options to discuss with your clients.

- **Adjust the portfolio.** During the downturn, if you moved money to cash, you may be ready to get off the sidelines and back in the markets. It's important to underscore for clients that some costs continue to outpace inflation. Since college tuition continues to increase faster than inflation and health care costs are rising at twice the rate of inflation, it's important to have some exposure to equities in order to provide potential for growth.

- **Manage the big risks.** We're not as young as we think we are. Many clients will read the statistic that seven in 10 people will need long-term care at some point and figure that they will be among the healthy 30 percent. Wishful thinking isn't an insurance policy. Capitalize on the fact that your clients don't want to be a burden on their children and use this to discuss long-term care insurance with them -- not as a way to ensure they'll have coverage if they find themselves in a nursing home, but as insurance that can provide them with control and choices in their later years. Most importantly, a long-term care policy can give clients assurance that they won't become a burden to their children. Since the sweet spot in terms of pricing is in the early 50s, planning for an encore career presents a great opportunity to discuss this coverage.

- **Invest in education.** Some second careers may require additional education or training. If your client has anything left over in her children's 529 college savings accounts, she can name herself as the new beneficiary and use those assets for continuing education. Or, if she has a specific advanced degree in mind, it's also possible to set up a 529 to fund her own education.

If you don't have clients with encore careers, you will. Work is becoming an increasingly real part of the "retirement" picture. According to the Employee Benefit Research Institute "2013 Retirement Confidence Sur... 69 percent of today's workers plan to work for pay in retirement. Furthermore, the 25 percent of today's retirees who currently work for pay in retirement gave a positive reason for doing so, like wanting to stay active. On the other hand, there are plenty of people who take on encore careers for financial reasons. With encore careers starting to become the new norm, it's our job as advisors to guide clients through the uncertainty and help them reach a successful retirement.

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