

## Helping Seniors Navigate the Economic Crisis

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Today's economic turmoil is particularly hard on seniors. For those who lived through the Depression, foreclosures, bank failures, and high unemployment are all too familiar, and especially difficult to deal with all over again. The numbers of bankruptcies are up for people 55 and older. In a recent AARP survey, more than a quarter of all respondents are having trouble paying their mortgage or rent. Many have postponed plans to retire and are delaying saving in their retirement accounts. Seniors who are in the most dire circumstances are having trouble paying for medicine, gas, food and utilities and have postponed major purchases and travel. We look back and wish we had seen it coming, that we had made more plans, had spent less and saved more.

Many seniors planned on selling their homes to finance their retirement. With the decline in real estate prices, seniors now face an uncertain real estate market and reduced options. Even assisted living facilities are experiencing reduced occupancy levels because many families are unable to sell their homes to make the move. The situation has caused demand for senior housing under \$1,000 per month to nearly double.

It's no surprise that seniors are being forced to re-think their retirement. Due to the decline in retirement plan account balances, many already retired seniors are having to return to work, and others who were planning on retiring in the next few years, are now planning to delay retirement. According to the Bureau of Labor Statistics, the number of seniors working is expected to grow by 74% by 2014. Of course, finding jobs will be a challenge during an economic climate of high unemployment where competition for jobs will be fierce.

All of these unfortunate circumstances are causing a great deal of worry and concern for seniors, and understandably so. Twenty-eight percent of Americans have cut back or delayed purchases because their financial situation is worse. However, twice that number have delayed or cut back purchases because they expect things to get worse. The biggest issue for seniors is the fear that they won't be able to afford future expenses.

There are two different senior groups, those who are healthy and active and those who need some form of care. The healthy seniors are trying to cut-back, reduce their spending and are waiting for things to turn around. They feel trapped because they can't sell their houses right when they are ready to simplify their lives. They don't feel like they should travel or enjoy the things they hoped to in retirement.

Those seniors who have health issues, or a life-altering event or illness, feel they have fewer options and many are confused about what to do. Especially since in many cases, their adult children are experiencing financial difficulties of their own and are unable to provide much help. Some adult children, who have lost their jobs and their homes, have been forced to move back in with their aging parents.

One calculation estimates 56% of men and 43% of women ages 18 to 24 are now living with one or both parents. Also, an estimated 65% of all college graduates have moved back in with their parents. Even

adults in their 50's are having to depend on their parents during this difficult period. Most parents are willing to help their children, no matter their age, even though it may mean jeopardizing their own financial security.

The increased demands on Social Security and Medicare, caused by fewer people contributing due to the higher unemployment rate, along with the increased number of Baby Boomers applying for benefits every day, are creating an unprecedented level of anxiety for seniors, and all Americans. So many of the assumptions that seniors made regarding their retirement planning have now changed with the economic crisis.

These tough economic times, and the reactions of seniors, are resulting in huge challenges for the professionals who advise them. The news about shaky banks, government bailouts, and financial scams are also causing some seniors to shy away from seeking advice, right when they need it most. When they look around, they wonder who they can trust. It's a natural reaction to feel frozen and unsure of what to do in a time of unprecedented change and uncertainty.

When times are tough, the most important thing a good financial advisor can do for their client is to listen to them. It's important for the advisor to not assume they know the problem until they hear it, and to make sure their client knows that they clearly understand and care about what they are going through. It's important for advisors to remember that every person is unique and so is their story.

The current financial climate has increased the urgency for all seniors to evaluate their current financial situation and discover how they have been personally affected by the economy and the change in the market. The advisor needs to ask the right questions, such as - will you and your family have enough to maintain your current lifestyle? What should you be doing differently to insure your long term financial security? If you want to leave a legacy to your children and grandchildren, what do you need to do to increase the odds that there will some money left over? Does your current financial situation cause you anxiety and concern? If so, what actions do you need to take now to reduce those feelings?

The best decision for seniors to make is to discuss the various options available with their advisor and educate themselves about those options. A trusted advisor will provide financial solutions that the senior may not be aware of, as well as utilize a wide variety of tools to assist senior clients and families. Clients expect and deserve unbiased counsel. An ethical professional offers objective advice and educates rather than dictates. A good advisor won't project their own values onto their clients. Instead, they will respect the values of the client and help them implement financial strategies that support those values.

Everyone is feeling uncertain in this shaky economy. Seniors are looking for answers and for people that will provide easy to understand, intelligent and timely solutions. They also want someone who will truly empathize with their situation and concerns. The economy isn't going to turn around quickly. Like it or not, it will take time to recoup financial losses and regain trust in financial institutions. Those who prevail will need patience and the willingness to assess and plan for the new realities ahead.

References: The Economic Crisis: Helping Seniors Cope in a Broken Financial System, a White Paper presented by CSA, The Society of Certified Senior Advisors.