

## Transcription details:

Host: Bill Coppel, First Clearing Chief Client Growth Officer  
Guest: Steve Gresham, Advisory Board Chair, Cogniscent Inc. — Part 2

## Transcription results:

Intro [music] Welcome to The Next Frontier, where we examine what the role of the financial advisor will be in a world that's being disrupted by artificial intelligence and algorithms. Our mission is to spark new conversations that create stronger connections and build greater client confidence. Join us as we look at our industry and others through a new lens and explore the opportunities emerging at the intersection of high tech and high touch. It's time for a new conversation. Are you ready?

BILL COPPEL Hi. This is Bill Coppel, and welcome to The Next Frontier. In this episode, we'll continue our conversation with industry veteran and thought leader Steve Gresham. Let's jump right back in. It seems to me that for those advisors that follow the path that you've laid out, they are likely to become the beneficiaries of more clients, albeit older, aging baby boomer clients, at the expense of advisors who are not adopting this. So in some respects, it's almost a growth strategy, if you will, for an advisor who becomes very involved in those things. And I think you've hit the nail on the head with the two biggest issues, which are really healthcare planning and caregiving planning, among others. Can you take a moment, for example, to talk about sort of these two issues you've just brought up and expand on other services advisors that you see in the marketplace are adopting and making available that are resonating with this client base?

STEVE GRESHAM Absolutely. So if you walk back into the client solutions and you were to ask yourself, "If I were a 64-year-old client, what is it I would need?" and I think you would come very quickly to the conclusion that the life of a 64-year-old is dominated by the concern about "retirement," whatever that means, or working less or being able to do what they always wanted to do. And how would you facilitate that? And you could start with the income that they'd need to have so that they'd be able to plan. You'd come to the conclusion pretty quickly that except for the most wealthy clients, most of the people that you're talking to are kind of on the bubble and significantly unsure about whether or not they could have enough, do they have enough. So yeah, there's an investment piece, but then it moves pretty quickly into some other areas. And it moves into a concern about, "Do I have any real icebergs ahead of my ship?" And one of those, as I've said, that the boomers have become very much aware of is that they may have not only a time liability but a significant financial liability for their parents who may not have anticipated as well their longevity. So that's a challenge.

STEVE GRESHAM So now, you're going into retirement. Again, most of them are sort of on the bubble. They're not guaranteed that they have enough money by any stretch of the imagination. So they're watching the aging parents, and then they're realizing how badly they could get blown up by another personal iceberg, which would be if they had a healthcare event of their own. It's fascinating to me to see people over the years, unfortunately, including my own now-departed father-in-law and mother-in-law, who had a plan A for their retirement. But plan A of moving off to the south and playing golf very quickly got undermined when my father-in-law contracted cancer, which after a five-year battle, he succumbed to that. I'm pulling in the healthcare aspect because aging is kind of a bad lottery. And if you get the right ticket, it's great, but sometimes you don't. And when you get the bad lottery ticket, it can be

devastating because now here comes the plan B or plan C that you never really thought about, and it changes things. And certainly everything changes as you age. So even if you get started, you may think you got pretty much everything underway, but that might be a temporary condition, again, most usually undermined by some kind of healthcare event.

STEVE GRESHAM

So how would you galvanize yourself? And what I think is beginning to happen is advisors are starting to press on these issues and getting them out on the table. And the best advisors are having a willingness to wade into the murky water of longevity and say, "Hey, what if?" So there are four key transitions of aging that need to get on the table before you can do any real comprehensive financial planning, which again, not everybody does. In fact, most people don't. But, at least, let's talk about the transitions of aging, which is I think how you best insert the discussion of healthcare and longevity and try to put it in context, because I think all these topics intimidate both advisors and clients because they can get emotional very quickly and they can get disorganized very quickly. So it's hard to kind of keep them together. But I think the longevity challenge is-- the four transitions are a good start. And the first one is about living, about where you're going to live and how that might change as conditions change, as your health changes. So where do you see yourself living? And it's usually in one, two, three different kinds of settings over the course of that "retirement."

STEVE GRESHAM

The second is your healthcare and how you actually approach it, because even though these clients are our clients, they're also patients of the medical industry. And they've got a pretty good idea and a lot of biases and preferences about how they want to take in their healthcare and understanding how that works. And frankly, one of the big ones is the gap between your retirement assets and your Medicare supplement, so how that's going to kick in. What's the gap between those two, which is out of pocket? Most people couldn't answer that question with a gun to their head. The third one is their transportation, which is how are they going to get around? And you know where I'm headed, which is how long are you going to be allowed to drive? And you can be a really great financial advisor, and you can be a great child of an older person, and everything is terrific, but the ability to drive or to get yourself around is kind of the last holdout. It's the last bastion for somebody for their independence, and older people prize their independence more than anything else. They fear the loss of independence, generally, far more than they fear death. So how is that going to work? And again, a lot of people don't touch it, but you're going to have to because it's got horrible ramifications.

STEVE GRESHAM

And then the final one is financial decision-making, which at a certain point, since you kind of hit your 50s at the peak of your ability to work cognitively with numbers and it starts sliding off after 53. If you're 73 and you're still really good with numbers, you are in a very elite group of people. So it's not that you can't do it. It's that you can't do it as well, and that's when you become vulnerable, especially to age-related financial abuse and fraudsters and all the rest. So that's a gigantic mouthful. But if we're just talking to the clients about the markets, we're missing the stuff that's actually front of mind, and people who are 64 are thinking about a lot different stuff than people who are younger.

BILL COPPEL

Well, I think you hit the nail on the head with these four. And in fact, I might add that with each of these individual aging transitional elements that you've discussed or issues that you've discussed, they have many, many bullet points underneath them. Whether it's where you want to live and what you want to do, this notion of retirement-- and you and I have talked about this before. And I recently saw a national financial services firm put out an ad on television which I thought was

interesting because the advisor talking to their client-- the client was expressing all of the careers that they had had, leading to the conclusion that he was prepared to retire. And when the advisor mentioned that, the client said, "Well, no, no, no. I'm ready to go to my next adventure." And then the advisor said, "Oh. So I need to help you with the idea of transition." So in addition to the income aspect of retirement, there's probably an opportunity to really help folks figure out what's next.

BILL COPPEL

And then when you talk about healthcare, there's two sides to that as well. There are many bullet points under healthcare, everything from ensuring that they've got enough finances, but also the flip side is how do you remain healthy? How do you remain active? I just saw a report or a survey yesterday where there's a direct correlation between cognitive function remaining high and activity after the age of 50, as an example. Transportation is another great area with many bullet points under that as well. So you've kind of laid out a blueprint, like I asked you, that under each of those issues you've identified, there are many, many things that could be created by a practice as a service that's unique and different.

STEVE GRESHAM

Yeah. And I don't know that we are ever going to, as an industry, get relief in the form of clients understanding and helping us along to know better how we can help them. It's going to continue to be a balance which involves being able to select-- and this is a really tough thing, I think, for even the best advisors, being able to screen clients for the people who really need the help. You've got to have and got to make the leap of faith to know that there are so many people with money that are getting older that really need help. You have to have the confidence that unless you're on a very small desert island, there are plenty of clients. They are probably working with all kinds of other people, but you have to have the confidence that when you are truly a good advisor and truly able to help people resolve these challenges, that there are plenty of people for you to get. You may want to even begin to be somewhat more aggressive about it, not in the sense of-- certainly not disparaging some competition, but instead asking the question, "If you are working with somebody else, that's great. Make sure-- if you would humor me, can you find out what their plans are to help you with these things?" And what are these things? These things are the carefully articulated list of things that you do in your practice.

STEVE GRESHAM

So this is what we do for clients, and investments will be one line out of hopefully several. But you basically say that, "Investments is a part of it, but it isn't the solution. It's a component of the solution, but the solution is actually understanding better the combination of forces that we can put to work and the creativity we're going to use to skin this cat with you because there's a lot of back and forth. You can't just walk in here and hope that we're going to get you 15% every year and call it a day. That's not what we do." Because I think it's a bad, bad situation to put yourself into these days. I think it's so far beyond the concern of anybody listening to this podcast because I think they've all graduated from that phase. But remember, a lot of the clients haven't. And the clients' reluctance to engage on some of these topics, I think, is one of those-- that's the real gold mine. Since so many people are reluctant to engage until there's a trigger or until they finally have to get around to it and get that feeling, you really have a great opportunity because the clients are relatively shut down to the other advisors as well and may just not have gotten into this neighborhood. So that's the trick, is trying to open them up and see whether or not you can hold on to those people, and the best way to do that is to sequentially continue to challenge their issues.

BILL COPPEL

I think you're right because I think we've been very successful over the last three or four decades at training clients not to expect that. And now we're trying to get them to recognize that we do understand it or potentially do understand it. And you

mentioned something I think is really important and worth repeating, which is that there are more and more [alternatives?] coming up every day that are commoditizing the primary responsibility advisors had maybe 20 or 25 years ago, right, the investment management piece. But they're also offering, in many cases, the kinds of advice you're talking about. So that begs the question, "Is there still value that the intermediary, the human being, can provide?" because I'm telling you, I see it all over the place in terms of services that address each of the four issues you've raised as it relates to aging.

STEVE GRESHAM

Yeah. I don't think it's that hard if you were to have landed from Mars today and set up shop. I think the real challenge is shifting from where you are. My view of so many advisors and certainly companies, is that they're very much-- that the primary hindrance for them, primary obstacle to them achieving their potential is always the burden of whatever they're carrying today. And there's an old saying that if you really want to be able to run, drop what you're carrying. And it's sort of a tongue-in-cheek knockoff of the instructions when you leave the airplane. And if you've said to the financial services industry, "All right. We're in the rough condition of a crash landing. When we hit the ground, it's going to be critical for you to run out the door with nothing in your hand." And as anybody that's - knock wood, I hate to say it - been in a situation like that on an airplane, it is remarkable how many people will stop and grab something to actually put themselves in peril of losing their life.

STEVE GRESHAM

So let's throttle back a second and say, "What you may have today in your practice and the way you're doing things, it's quite possible that you have in some ways weighted yourself down and preventing yourself from being able to grab the future." With big companies, sometimes, we talk about it all the time in terms of the really big firms is that their legacy technology prevents them from doing stuff. How many times have you heard from a client that says, "With Mint or with Robinhood or with Betterment or with blah blah blah, whoever it might be, it's as simple as doing this and this and this. Why can't you guys be that simple?" And you'd like to have a better answer than, "Well, we just actually are burdened by a legacy platform with mainframes and all other kinds of things that you can't possibly understand. And that just prevents us from being able to do some of the things that are more common sense." So I think, unfortunately, of course there's no silver bullet to any great opportunity. But I think that the first step, really, is to be very candid with yourself, ruthlessly candid about what you're doing today and also who you have in the book today that really is not a good fit, and that then kind of clears the deck to move on. That's a historically important first step for advisors.

BILL COPPEL

Well, I appreciate that, and I agree with you 100%. The first step in change is having the willingness and courage to self-reflect and determine what you can leave behind as you move forward on a new path. Well stated, Steve. Thank you. So, Steve, we've talked a lot about what's going on out there, and to a large degree, it's fairly obvious and almost in many cases just common sense. However, why has this not gone viral in our industry? What is the block that's preventing advisors in firms to recognize this reality?

STEVE GRESHAM

Bill, you, of course, have hit the bull's-eye here because, as we would say in any management role I've ever had, there's always a question when you look at associates that you're working with-- there's always a challenge, "Do they have the will and the skill?" And quite often, you have people who have the skill but don't have the will. So when I think about why the financial services industry is not more successful, I would say, first, it is trapped in its current success. At the end of basically nine years of a pretty much, until recently, uninterrupted bull market, there has been very little incentive to figure out the real answer to the question, again, one of those great old

Wall Street says, "Is it bull markets or brains?" And so it's really, really difficult when you are nominally doing well on an absolute basis, having the best years perhaps ever, to be able to be introspective about that and say, "Well, wait a minute. How do we know this will continue?"

STEVE GRESHAM

I keep a book on my desk for as long as I can remember, a great big hard copy now out of print, 1987 book called *The Reckoning* by David Halberstam, which is a really tedious book, but it chronicles in painstaking detail the decline and fall of the most successful industry, I think, in the last 100 years in the world, which was the American automobile industry, and how it came to a real crash in its own success because it wasn't paying attention. And there are three leadership lessons that come out of that experience that I think the financial services industry in its modern form have fallen victim to. And again, the context is your current success. How do we know that will not continue? And there's three things that have to take place, in my experience, in helping companies and advisors to transform, and the first is to establish true customer centricity.

STEVE GRESHAM

A great guy that I've worked with for a number of years in my last post at Fidelity-- the act of true customer centricity is an act of extreme humility. And humility in the financial services industry are a bit of a mismatch. So a shift from being the industry that has all the answers, that can provide you the performance, "Follow us. Buy this," has got to change. If you really want to be able to deal with the clients that are needing you and willing to pay today, those are the ones where the conversations are all about these issues that we've discussed, like longevity planning and, "What do I do now?" It's a very much more open, candid, humble conversation around people who are really trying to figure something out than it is kind of a follow-me sales pitch which is going to be repeated by all different kinds of sort of nebulous competitors.

STEVE GRESHAM

The second thing, I think, is that we have to brutally, honestly segment the industry. Everybody's just not all the same. The service models have to change. If somebody doesn't really want your help for a part or all of their money, then you've got to be able to access a platform where they can basically do what they need to do, do it yourself. The financial services industry is in the process of finally, finally segmenting itself into what I would refer to as the Goldilocks stratification, which is you're going to have hot, warm, cold. You're going to have very high-touch, high-priced service because it's worth it, and that's going to be for the small number of people who can afford it, who really value it. At the other end of the spectrum, you're going to have a robo direct-to-consumer offering which should really in the future probably cost almost nothing. And that's great because you're going to get almost nothing except investment product that's entirely beta and access to services.

STEVE GRESHAM

And anybody offering that is then trying to hold on to your assets, hoping that you will move up that strata at some point to go maybe even to the middle, where it's an assisted service model where you have advisors available to you, but they're not there all the time. And so they work at a scale that they can keep the prices down. But that segmentation has got to be hard. Right now, it's sort of fungible around the industry, and a lot of people are kind of turning it into a patchwork quilt. But instead, you have to make it a really hard offering because it also is the best way to handle multiple members of a family, multiple generations. That's really how you bring the millennials into a high-touch service. You offer them a low-touch service that is do it yourself and virtually free so that you can hold them for a while until some portion of them will matriculate.

BILL COPPEL

I believe very insightful and very much in alignment with what we've observed here at The Next Frontier. And I've said this myself to other folks, which is we may be having

within the financial services industry our very own Kodak moment, and shame on us if we don't learn from the automotive industry, from Kodak and many other industries that have faced this reality and have failed, because I agree with you, Steve. While I think there's an opportunity, an amazing opportunity, we can't continue to do it the same way we've always done it, even though we think we're doing it differently today. So with that, I want to thank you very much for your time. This has been extraordinarily insightful and enjoyable for me. And I hope our listeners are going to walk away with a perspective and energy to, first, take a look at their own business and their own profession, if you will, and figure out what they can leave behind to move into the next frontier. And so, Steve, I know that I have taken advantage of a lot of the material you've authored, particularly a couple of very insightful white papers. How can our listeners tap into more of what you're doing going forward?

STEVE GRESHAM

My profile on LinkedIn is current, and that will then lead you to [thegreshamco.com](http://thegreshamco.com), where I've tried to warehouse most of the writing I've done for InvestmentNews and for Financial Advisor. We're just starting a new column in FA right now about the intersection of health and wealth. And there's a good white paper in there called The Client Revolution. And then if you're interested, intellectually and for business purposes, in the intersection of health and wealth, I did make a personal investment in a company called Whealthcare Planning, which was started by a terrific software guy, Chris Heye, and a well-recognized MD financial planner, Carolyn McClanahan. And [whealthcareplan.com](http://whealthcareplan.com) - you have to spell it W-H - [whealthcareplan.com](http://whealthcareplan.com) is a place where you can look at a lot of resources for advisors and clients to better understand these four key transitions of aging and where to get some help. So I think that's pretty cool. So those are the areas I'd go to, and as always, any and all comments, suggestions, I'd love to hear those.

BILL COPPEL

Well, Steve, thank you. Carolyn McClanahan is a friend of The Next Frontier. She's been on the podcast, very, very interesting story. I'd ask all our listeners, if you haven't listened to the podcast with Carolyn, I'd think you'd get a lot out of it. I want to again thank you for your insights. And please visit The Next Frontier and listen to the additional episodes we have out there that'll help you think differently about the business that you're in and hopefully begin to change the conversation you're having with your clients. So until next time, please be well. [music]

Outro

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