Transcription details:

Host:	Bill Coppel, First Clearing Chief Client Growth Officer
Guest:	Heywood Sloane, Diversified Services Group Principal

Transcription results:

Intro	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. Often when I'm speaking to a group of financial advisors I like to start by asking three questions. First, "How many of you have a financial advisor?" Well, as you can imagine, virtually no hands go up in the room. The second question is a little more specific. "How many of you either lead with planning, or planning is central to your practice?" Usually, about a third to a half of the hands go up in the room. And to that audience, I ask this question, "And for those of you who focus on planning, how many of you have your own financial plan? Meaning if I called you up today and made an appointment to come by tomorrow how many of you could actually pull out your family's plan that is thoroughly updated and ready to go?" I'm lucky if I get one hand that goes up in the room. I suspect even fewer hands would be raised if I asked, "How many of you have incorporated health care into the planning process? Not health insurance, but a plan to help you stay healthy and potentially live a decade longer than expected?" My point is that you really can't do planning justice without having that conversation. Without looking at that alignment, that balance between someone's life span with their health span and their wealth span.
BILL COPPEL	So how do you begin to redefine the value we deliver as advisors and to work on helping families achieve that alignment? Well, that's the question we're going to pose to our guest today, Heywood Sloane. Heywood is a Principal with the distribution and health care practice of the Diversified Services Group of financial services consultancy. He brings clients unique perspectives gained through extensive experience across all sectors of the financial services industry. He's worked at the nexus of health care and financial services to help firms, advisors, and consumers understand the disruptive changes in both, and how to best build and execute plans to meet their families' needs. Heywood is cofounder of HealthStyles.net, a platform that engages individuals, their families, and their advisors to better understand and meet the challenges of managing health care and funding over a lifetime. Heywood, welcome to The Next Frontier.
HEYWOOD SLOANE	It's a pleasure to be here and I'm looking forward to our conversation.
BILL COPPEL	Well, thank you for joining. Let me start here, Heywood. I'm curious about the impetus behind HealthStyles.net. What was the opportunity you saw across the broader financial services industry that put you on a course to developing this platform?
HEYWOOD SLOANE	We'd done a lot of work over the years in the retirement income market and preparing for kind of the distribution phase as opposed to the accumulation phase. And we started that probably 15 years ago. It became pretty clear early on when you

looked at the demographics that there was another issue people weren't really focused on but was more important, and that was the expense side and kind of the cost of health and the cost of care. So we focused on that, starting probably about 7 or 8 years ago. And until that point, people were still very much focused on the accumulation side. But since that point, two things have happened. A lot of the Baby Boomers have started retiring and confronting it, and also — probably more important — is there's been a push to get health care and health-related things more onto the individual. Have them be more responsible. Which ripples through what happens in the retirement years.

HEYWOOD SLOANE And if you step back and you think about the importance of that, and you have a portfolio, a health event can go and disrupt that portfolio tremendously. And people in the financial services side of things are familiar with the sequence of returns problem from the financial planning point of view, but a health event can throw that all into a trash basket in a heartbeat. And what that does to a family is pretty much preventable. You can plan for it. You can plan for where you're going to go and let people know how you want to be supported. Make it easier for everybody around you by thinking it through a little bit. And people say, "Well, I can't do that. That's pee in a bottle." Well, it's not pee in a bottle. And people say, "That's not my wheelhouse. I don't know how to do it." And I say back to them, "Yes, you do. Because you're doing it for your family already." And everybody needs to get care, and everybody gives care at least once and sometimes multiple times. And if you don't focus on the expense side, you're not going to succeed in retirement. And really that's what people are trying to do is to save money and invest so that they can succeed.

BILL COPPEL Well, it sounds obvious, but in order for us to make the most of this period of time in our lives, do we wait until then? Or let's talk a little bit about the various life stages we go through and where this process ought to begin.

HEYWOOD SLOANE I tell people it really begins with the first job. I mean, when somebody comes up to their first job, a couple of things are happening. One, they're going to be independent, and they're out from under kind of the wing of the parents and the house that they grew up in. And the other is their employer is going to start talking to them about how they're going to address their health care and their disability and the different kinds of benefits they want.

BILL COPPEL And this is that period -- this is that period of time you refer to as the "invincible 20s and 30s."

HEYWOOD SLOANE Yeah. Yeah. People say, "I don't need it when I'm-- I don't have to worry about that. I'm healthy and I'm young and I'm strong and I'm invincible." And what they don't appreciate is that's exactly the time that you need to focus on it. Because you may not be able to put much aside. You may not be able to do too much at that point, but everything that you do at that point does two things. If you're putting money away then you're getting compounding working for you in an investment. And if you're starting earlier, you're ending up learning more about the contingencies and how the system works. And you're going to need that later. So you may need it sooner to navigate things for your parents or grandparents, but you know you're going to need it later. So to the extent you start paying attention at that point, not just to the financial piece of it but to the social and family piece of the implications of that caregiving part, the better off you're going to be when you have to confront it for yourself or for your spouse or your kids.

BILL COPPEL So what I hear you saying is that's it's interesting. So even when you're in your 20s and 30s, when the furthest thing from your mind, in most cases, is your own health care, the reality is that that's the time to start to educate yourself, think about it, begin to plan. Not only does it help you in the future but it also-- I'm assuming what you're saying is that it educates you to begin to deal with perhaps your parents or your grandparents where you may become an instrumental part in their care.

HEYWOOD SLOANE: Yes. And it's a two-way street, too. Because if I'm a grandparent, and I've got sufficient disposable income, and I've got assets and flexibility, and I want to have a gifting strategy for my grandkids, and I've got somebody who's a grandchild that's just started in a workplace situation, I can go and put a contribution to an HSA so they can take on a high deductible plan, reducing the expense that they're going to have to lay out of pocket for the health plan, the insurance, and free something else up in the cafeteria plan. So I can go and put that into it, just like I can gift money to somebody to go into an IRA. And they'll get the deduction, they'll be put into an account that builds tax-free, and if something medical comes up that does hit them out of the blue, they'll be able to cover the deductible and not have to pay taxes on it when it comes out. I mean, the HSA is a really underappreciated tool to help younger people, and a grandparent can help their grandkids do that. Parents can too.

BILL COPPEL: That's exactly a very interesting insight you just shared. I want to drill a little deeper because I think you're touching on an area that most of the time we don't really think about straight up. A big part about what we often don't talk about is planning for a medical event. A medical event could occur at any age, and the continuum of care from birth to death, that's the continuum. So, is this just a conversation for older people?

HEYWOOD SLOANE: No. Not at all. Not at all. One of the things that personally got me focused on it early on was when I was in my 30s or 40s and a good friend of mine, a neighbor, had an experience. Well, two experiences. One, his father died and he had to find a place for his mother, and that introduced me to the concept of continuing care retirement communities, and I started talking to my parents about getting on waiting lists for them. And the other was he had a car accident, and the car accident meant he couldn't practice law anymore, but he'd gotten disability and income replacement insurance. So he'd thought about that contingency. And his family was taken care of and are still being taken care of because of his prior planning. It can happen any time.

BILL COPPEL: And this influenced your thinking at a relatively young age, professionally speaking?

HEYWOOD SLOANE: Yeah. Yeah. It made an impact on me. And when we were starting to-- I guess the first conversation I had about long term care insurance was sometime around that time, my 30s and 40s-- and probably a little bit later, maybe. It doesn't matter, really. But there was a fellow that was running the investment programs up at Citibank, and he pointed out that it was a no-brainer to get long term care insurance, but the problem was nobody wanted to buy it until it was too late and they couldn't afford it because as you age there's an underwriting process that goes on, whether it's done formally in a long term care policy or whether you do it informally as you age you end up going and losing some of those invincibilities. And that makes it more risky. So if you let it go too long, then it becomes much more difficult to fund properly and prepare for properly.

BILL COPPEL: What's interesting is in the financial services industry, and I'm sure a lot of our listeners can relate to this, we typically wait until people have accumulated wealth to engage with them. By this point, they're often in the last third of their life. How can advisors play a role in helping clients prepare better and earlier, managing information overload, identifying trusted resources, and perhaps understanding what their real options are?

HEYWOOD SLOANE	Well, that's something we built a platform to help people do. I wouldn't say that that's the only way, but I think the easiest, simplest, most straightforward way is to-- basically, if an advisor pays attention to what's going on in their own family and their friends, and they think about this and they become aware of it and curious about it, they're going to learn a lot about where the disconnects are. And they're in an ideal place because if they bring that kind of a conversation up in a normal planning kind of a conversation, "How are you and your family? Anything going on there? How are your kids doing? How's the health of everybody?" Not to get into an in-depth discussion, but if you uncover situations where your clients are running into caregiving situations and stresses and different kinds of disconnects that they've run into, the stories, you pay attention to the stories, and you learn from your clients as well as your own experience, then you become like a hub and you can reflect back to others' experience in the middle of a network. And the value that the financial advisor can bring to that is the way that those stories connect to the expense side of the portfolio and the opportunities to save money, to invest more money somewhere else.
BILL COPPEL	Well, it seems to me you're talking about something I think is very, very important here around sort of the non-financial risks. What are some of the non-financial risks when planning is done poorly, or not at all? I think you've referred to this in the past as leaving a negative emotional legacy. Can you expand on that?
HEYWOOD SLOANE	Yeah. Yeah. Well, they're two things, there. There's the disconnect in planning, and then there's the negative emotional. And in the disconnect in planning, if somebody thinks about medical and health care, all as one concept, they've already just ignored a huge disconnect. In the medical setting where acute events are treated, there are restrictions that if you haven't put in place the right directives and powers, those people can't even talk to your primary caregiver. They won't even know who that primary caregiver is, and they won't be able to go and share information with the people that you're looking to have responsible for your care. If you don't communicate it and put it in place in a way that can be easily accessed, you leave yourself open for a huge disconnect and the doctor goes off and does what thinks is the best thing to do, but that's not what you want to have done to yourself, and he doesn't really ask the caregivers or the primary people responsible because he doesn't either know who they are, or he can't share that information because of HIPAA. That disconnect is a real problem. But it's avoidable if you get things properly set up and let people know. Communicate with people. Who's going to be responsible for-- what's making which decisions-- who's making which decisions. How they can do that, proceed with that, and give them the documentation to empower them to do it. So that's one piece of it.
HEYWOOD SLOANE	The other piece of it is the negative emotional legacy is not just a financial one. If you don't do that and prepare people ahead of time-- if you don't let people in a family know who's going to be responsible either jointly or individually for making different kinds of decisions, who's going to be responsible for giving care, then you end up passing away, and you haven't communicated that stuff, the caregiver who's been responsible will tend to have an undue amount of stress, and the others will-- some of them will come in and they'll - like helicopter parents, but in this case it's kind of helicopter siblings - come in and want to take care of everything when they haven't been there. It just builds up all sorts of opportunity for animosity and negative feelings. I've seen that happen and fortunately been spared it myself. But part of that was because I think in my personal situation I understood what was going on from the get-go, and I'd already committed myself to playing the caregiver for my mother and making sure. So everybody knew that. And it made it easier. But if you don't do that--

I've seen it come up where it just blows siblings apart, and they don't understand what different people have contributed to the equation.

BILL COPPEL: I'm confident that our listeners probably all have similar stories that they've experienced in their lives. I know I personally have gone through it. Most of us have. Many of us have. And what's interesting to me is what you're talking about here is it's a relatively fragmented set of resources out there. You might hear some of this from your doctor. You might hear some of it from an estate planner or lawyer, for example. But it seems to me this is a wonderful opportunity for advisors to really begin to rethink their value. In a sense, an overused term, quarterback. But someone really should be in a position to put their arms around this to prevent these negative emotional legacies that-- I'm sure we both can spend 20 minutes just reflecting on all the folks we know that have gone through this. So--

HEYWOOD SLOANE: Some advisors have actually already done that. I can think of one in the town that we used to live in-- we moved down to the country a little bit. But this one individual was with a national brokerage firm and was starting up his business, and about the time he was starting up his business, he went home and his mother shoved all the bills and all the paperwork across the table to him and said, "Your father can't do it anymore. He's just not with it. He can't do it anymore." And that was because he was in the midst of Alzheimer's. And it all just got dumped on him because his mother couldn't handle it anymore. So he picked up, and he went with his mother and then went to see the different doctors that were involved. They went to see the accountant. They went to see the lawyer. They went to see the social services people. They went around and they saw all these different people.

HEYWOOD SLOANE: And he got it. He learned from that personal experience, and then when he was trying to ramp up his advisory business, he basically held himself out as the person that helped people with dementia. And he didn't have any problem going and getting clients because the first couple of clients he got himself he would take-- basically he said, "I'm going to take you on a bus tour, an imaginary bus tour, and we're going to go around to all of these different people." Sometimes physically, sometimes just conversationally and over the phone. But take them around to a gerontologist and accountant, the legal side of things. All of those things, plus the different doctors that were involved. And in doing that, he got a comprehensive picture, but he also created a huge relationship with that family, and in addition the people that he would go to as he was taking them around to their advisors knew that he was interested in helping people in that situation, so they started referring business to him, without him asking for it. Turns out now that he's one of the top producers in his firm.

BILL COPPEL: Well, that's a real opportunity that's out there. It's amazing that it hasn't caught on more effectively across a broader reach. Well, what I want to do is--

HEYWOOD SLOANE: There are lots of niches like that. I mean, it doesn't have to be Alzheimer's and dementia. You pick a health event that's debilitating and can cause an expense and let people know you understand that situation, they'll come to you.

BILL COPPEL: Well, it seems to me that it's more than a niche, quite honestly, because it really transcends all life stages, as you've already pointed out earlier in the conversation. It's a conversation that should start much earlier. And even though the client may be approaching retirement, helping them navigate through this effectively really takes a huge burden off of the younger generation. Which leads me to my next question, which is we can't really talk about life quality without talking about caregiving. The cycle by which parents care for young children or disabled children, spouses care for each other, and children care for their aging parents. How do we help clients emotionally prepare to be caregivers, especially for a spouse or an aging parent?

HEYWOOD SLOANE: I think the way that you do that is you bring it up, and if you're having an ongoing conversation with a client, you have the ability to bring this up at each time. It almost follows from, "How are you?" then to, "How's the family?" and then a conversation and just making sure you're checking in on those things so that you have an idea when their child is about to leave home, or you find out early that the child's having problems in school and he may have a disability. You find out when the client is worried about the spouse, or the spouse-- if you've done it right, the spouse is comfortable to come to you if there are problems with the client. And it's particularly important to have those kinds of conversations the older the clients get because one of the first things that goes when people have a cognitive decline is their ability to make financial decisions.

HEYWOOD SLOANE: So it's important to build in a rhythm and a comfort factor that you're not probing about something that you don't have any business probing about, but that the client is comfortable having that conversation with you. If you're in that position, then you can talk to them about how it affects their sons, their daughters, their siblings, their parents. And those are all natural conversations to have. And then you can have it in the context of, "Well, if you haven't got enough money here, then what's going to happen to them there? Or if they don't have enough money are they going to look to you to finance some of what they're doing? And if you're going to be a caregiver do you have a caregiving agreement with the person you're doing that with so at least you can recognize that from a tax point of view and get some benefit that way?" Those kinds of conversations come out if it's natural, and if you're not having an ongoing dialogue that includes that, at even a superficial level, if it's all going and saying, "Well, let's review the portfolio and the numbers for this quarter," and it starts and ends with that, it's very difficult to have the next step of the conversation. And, at some point, you're going to lose the portfolio.

BILL COPPEL: What I think is important, Heywood, in terms of how you're explaining this-- and again I'm going to go back and say that I think our listeners are going to benefit from this, but throughout this conversation you've been sharing personal stories, so what catapulted you into this field was what you experienced in your 30s and 40s, began to observe as the two stories you led off with. So this really shouldn't be that hard to do for a financial professional if they reflect on their own life to start with, and then recognize that they are as much a client as they are a financial professional and begin to approach this thing from the perspective of their own personal experiences and those of the experiences that their friends or other relatives may have had to begin what is really just a natural conversation which has little to do with their money.

HEYWOOD SLOANE: Yeah. It is. It goes back to-- you had mentioned before the three questions you ask when you walk into a room of advisors. Do they have an advisor? Do they have a plan? Or, do they do planning and do they have a plan of their own? It's kind of asking them the same question from a health point of view because if they have a plan, does the plan include just the assets and the income, or does the plan include liabilities and expenses as well? And often it doesn't. And if you start to go and look at it as a conversation that includes both the assets and the liabilities and the income and the expenses, then it's much easier to get into this kind of a conversation. It's natural, and it's very helpful because most people don't-- they compartmentalize. It's the way health care services and financial services are built right now, is they compartmentalize both within themselves and between the two. But all of the clients have to operate in between. So if you can understand how the clients are running into problems when they operate between the two, you can certainly reflect that back in your experiences and the experience you gather from other clients, you can amplify that for clients as they come along.

BILL COPPEL

I couldn't agree more. It seems to me that we sort of built a planning platform, if you will, traditionally in the industry around, "There's a bucket called medical," or, "There's a bucket called retirement." We're wonderful at creating paychecks, and as you used the word expense, I'm going to take it one step further to say, there are these life events that occur along the continuum from birth to death, and the planning needs to be around life events and life stages as opposed to specific categories of things, medical, or housing, or long term care of that nature.

HEYWOOD SLOANE

Yeah. Even within, for example, housing. That's a perfect one, but people don't connect them there. If you think about it, they think about a move from one house to another house. They think about expanding and downsizing. At some point, they start to worry about how they're going to afford living in their retirement. But if they think through where they're going ahead of time they may change the decisions they make much earlier on. They may choose not to upsize as much, or they may choose to locate in a different place closer to different people. They may say, "I want to age in place at home and make decisions accordingly to do that." They may say any number of different things. And if they start looking at it that way, then they'll see that the options kind of run from like a hybrid long term care policy that'll help them deal with health care if it comes up. So that's driving the whole kind of housing and care decision from the financial perspective. And then there's another piece of that that's not really related but is. And that's the continuing care retirement community. Well, if you want to get into a good continuing care retirement community, you're going to have to get on the waiting list significantly before you have the need. And that's just the waiting list. And then you're going to have to prepare where you're going to get the liquidity for that particular event. So those are things that-- you're making those kinds of decisions well before Social Security if you're gonna do it effectively.

BILL COPPEL

What I interpret what you're saying here, Heywood, to a large degree is that probably the starting point around all of this is ensuring that you answer the following question with your clients. Which is really determining what matters to them in their life. And I would argue based on everything I've read and the dozens and dozens of experts I've spoken to on The Next Frontier, the last thing is their money. It's really their life, the quality of their life, their imagination, their ability to achieve. What you're suggesting here is-- the approach you're taking is if you can unearth those kinds of answers to those kinds of questions, buying a long term care policy is not really necessarily going to meet their needs.

HEYWOOD SLOANE

Yeah. It's actually kind of -- it's the last resort when you have to go and buy a hybrid life to get your long term care taken care of.

BILL COPPEL

You've missed the opportunity.

HEYWOOD SLOANE

You've missed a lot of opportunities when you get to that point. And I agree with you. Money is nothing more than-- money and wealth, really, are nothing more than an enabling tool. At the core, at the very basic level, health is what gives you mobility, gives you control over what's going on around you, gives an independence, and things like that. Those are the things that money pays for, but those are the things that are important to clients. They're important to everybody. And they become more difficult-- at a very young age, you don't really have a lot of the control parts of that and the independence part, and at the tail end, it's wanting to maintain that as long as possible, hopefully to the end. And if you don't have your health, you can't get there. Because if you don't have your health, the money makes no difference.

BILL COPPEL	Let me wrap up with this final question for you, Heywood. What's the one thing advisors can do now, to help clients align their life span with their health span, and with their wealth span, so they can focus on what really matters?
HEYWOOD SLOANE	I think it really comes down to taking a truly holistic view of your client, and that means you have to look at them over their entire lifespan. You have to look at them and their family, and you have to do it early in the cycle, not late when it's event-driven. You have to make it natural, and again, that holistic approach. If you focus strictly on the money, or the performance, or the value of the portfolio, and you don't focus on what it's intended to do and how long and how healthy they're going to be doing it - because that's the big liability, loss of health - then you're not doing a service to anybody, not to your business, not to your client, not to your client's family.
BILL COPPEL	Well said. If listeners want to learn more about the work that you do, or would like to connect with you, how can they go about that?
HEYWOOD SLOANE	Bill, I know you're going to post my email. I think that's probably the best way. Just pop me an email.
BILL COPPEL	Thanks again, Heywood, for sharing your insights with our listeners today. I'm sure that we'll all take away valuable information to help us prepare for what's ahead in The Next Frontier. To our listeners, please check out our additional episodes we have out there that'll help you think differently about the businesses that you're in today. We hope you'll enjoy these episodes and please take a moment to rate them and subscribe. That helps others find us, and this way together we can change the conversation. Thanks for listening, and until next time, be well.
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