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Innovation Insights — Jubescence Trumps Retirement For The Middle Class

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Oh boy, using the word “trumps” these days has a whole new meaning. Anyhow, the point is that retirement has been replaced by a new and very exciting construct.

LIMRA and Maddock Douglas have embarked on a study that unveils significant findings among mass-market consumers and their attitudes about retirement, which is fundamentally being reinvented by today’s middle class.

WHY THE MASS MARKET?

There is significant opportunity for providers who can crack the code in the mass market, also known as the “middle class.” This study aims to learn about the middle class, not from a demographic point of view but from an attitudinal one. Some significant findings include: Middle class is a state of mind, not an asset or income level.

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Interestingly, 36 percent of people in lower income ranges and 81 percent of people in upper income ranges consider themselves middle class. So that state of mind is quite widespread, and 74 percent agree that middle class values are worth protecting.

WHY IS TRADITIONAL RETIREMENT PASSÉ?

We found out that only 25 percent of people who define themselves as middle class are thinking of retirement in the traditional sense (stopping their current work at age 65). Another 22 percent are thinking retirement will be after age 70, and 39 percent think it will be by age 64 or earlier. A full one-third say they very well may not retire at all.

In addition, the notion of retreating on beaches and sailboats is also passé, as many report they aspire to a lifestyle that is more down to earth, makes more time for family, or for pursuing modest hobbies, health and faith. In fact, in the 2014 study on authentic communication done by LIMRA and Maddock Douglas, consumers gave the industry low grades for being down to earth relative to how retirement products are marketed. The imagery suggested that everyone needed to aspire to an upper-class lifestyle.

The notion of retirement in general is being replaced by the notion of a lifestyle change, but one that is firmly rooted within a middle-class mindset. It’s not about a life of leisure; it’s about being active with a different purpose. This can happen in any timeframe and with many different catalysts.

REPLACING RETIREMENT WITH “JUBILESCENCE”

We should stop thinking about retirement as a bright line goal and be more fluid in our ways of helping people navigate their path to “jubilecence”—a new word coined by combining the Spanish translation of retirement (jubilación) and the idea of adolescence, a transition to a future self. Some people may have several jubilecence phases in their lives; some may have one. Some may be brought on in a positive and proactive way; some may be thrust upon people unexpectedly. Either way, the opportunity for professional advice is abundant. Perhaps the planning time horizon should be shorter and make room for more than one transition.

In addition, jubilecence is highly individual. We cannot use demographics as an indicator of what people need or want. In an analysis of individuals in the same demographic class and circumstance, we found high degrees of individuality, even uniqueness, in terms of priorities and needs. One size does not fit all.

THE “ISH”

Considering that time horizons are no longer fixed and so long term and people are defining their futures in a very fluid way, everything is “ish-y”—65-ish, work-ish, vacation-ish, still taking care of kids-ish, small-ish homes or large-ish homes, etc.

That being the case, what does the advice model look like? Some would say it is hard to have a face-to-face model and be profitable. Others would say robots can’t possibly create custom solutions.

WHAT ABOUT THE HUMAN ROBO COMBO SANDWICH?

As we examined the different needs of middle-class consumers, many of their financial concerns and aspirations are driven by both common needs among all consumers (like budgeting, saving and insurance) and also individual needs (like career situations, living scenarios, relationships and even crises). That said,

there are some things that can and perhaps should be automated and other things that artificial intelligence is just not ready for.

So this opens up the discussion about getting the combination of the two “just right.” There are many ways to do that when you consider all the different doors consumers might come to us through. Some might come looking for financial advice from an advisor. Some might come looking to the web for guidance. Some might come across a financial tool that leads to the need for additional, personalized guidance. Others might have a specialized need, such as real estate, that could lead to the need for more financial advice or budgeting help. Regardless, there are many ways to build the combinations. The key is to leverage technology not to rid the experience of the human touch but to make it more accessible and more cost effective.

THE TIMING IS GOOD

About one-third admit they don’t have an advisor AND believe that’s appropriate. Yikes. This suggests that we have a lot of work ahead of us to change the model, change the perception, and change the outcomes for consumers and ultimately the industry. If the current incumbents of the industry don’t, then disruptors

will because the new Department of Labor rule will force some players out of the game, making opportunity for others.

Finally, this study opens up spaces for new kinds of expertise beyond current products. We should be thinking about developing and delivering expertise that addresses needs that go beyond saving, investing and insurance and assist in skilling up for new work opportunities, maximizing the value of living spaces and managing crises. This could be a transition opportunity for the advisors of today or a recruiting opportunity for the advisors of tomorrow.

SO THE QUESTION IS...

Can this industry commit to serving the middle class in a way that is attractive, unbiased and also profitable? With the right work, analysis and innovation, the answer is yes. ■



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