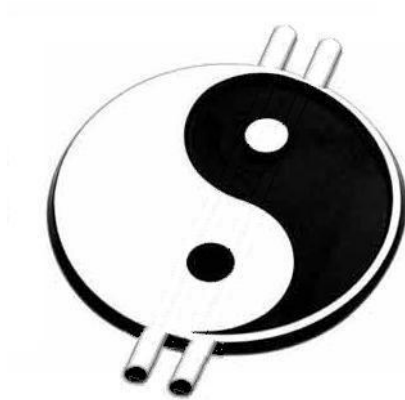


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# *The Integrative Adviser*

## *The Association for Integrative Financial and Life Planning*

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# *Can Seniors Make Wise Decisions?*

by Jack Marrion

A research article published last December proclaimed that 35% of the older adults in the study were mentally impaired due to aging, and provided evidence that they made bad decisions (Denburg *et al.*, 2007). This University of Iowa study went on to say that their research shows why a sizable portion of seniors fall victim to fraudulent advertising, and posit this could explain why seniors are often victims of fraud in general.

## ***Are the decision-making powers of 35% of seniors impaired?***

The claims of the Iowa study are so specific that I have gone back and looked at over 50 additional academic journal studies on aging and cognition published through the end of 2007 to see whether the view that many seniors are impaired was supported or contradicted by other research. I use the term "seniors" but the exact age of when one becomes a senior is undefined. The average age of the older adults in many studies hangs around 70, but the Iowa study used age 56 as the cutoff for becoming an "older adult". My article begins with a look at the Iowa study, and then compares their results with other research.

## **Background**

The dominant view in gerontology says that neural tissue in the frontal lobe or, to be specific, the ventromedial prefrontal cortices (which is the part of the brain on top of and slightly back from the eyebrows) is more likely to be dam-

aged by aging (Band *et al.*, 2002). This frontal lobe hypothesis has many supporters, with these researchers saying that premature frontal lobe aging is probably why some seniors make bad decisions, since the frontal lobe supports the working memory that contains all of the current data we are comparing. If it is on the fritz we are doing an incomplete job of thinking through all the possible outcomes and will wind up making lousy decisions.

To measure this hypothesis, several researchers have used a test called the Iowa Gambling Task (IGT) to see whether a person's decision-making is up to snuff. The test has four decks of cards. Two of the decks offer occasional \$100 winning hands but ultimately you will be a big loser. The two other decks have a maximum payoff of \$50, but there are a lot of winning hands so ultimately you will be a big winner (Bechara *et al.*, 2002). The people that are not impaired quickly figure out that the decks with big early \$100 payoffs turn out to be losers and switch to the \$50 decks that offer long-term rewards. The impaired people keep playing the decks with the \$100 hands and thereby lose in the long-term.

The Iowa study had 40 young adults (age 26-55) and 40 old adults (56-85) take the IGT test. It found that 37 of the 40 young adult subjects eventually wound up choosing the decks that maximized long-term rewards. However, of the 40 older adults only 15 were "unimpaired" in that they strongly

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made decisions to lower long-term punishment, and 14 older adults were “impaired” in that they continued to make decisions to maximize immediate rewards even though the long-term punishment was higher; the remainder of the older adults produced mixed signals. In other words, while fewer than 8% of the young adults made bad decisions a clear 35% of the seniors made bad decisions.

Another part of the Iowa study took the 15 unimpaired and 14 impaired older adults from the IGT study and had them examine ads that were viewed as deceptive by the FTC. An example was a luggage ad talking about “American Quality Luggage.” Because the ad did not specifically say, “made in U.S.A” the unimpaired adults were more cautious about the “American Quality” claim, while the impaired adults did not have the same red flag mentally flip up and did not think to question where in America the luggage was made. In fact, the luggage was made in Mexico. The authors concluded, “From a public policy perspective, our research has immediate implications for the voluntary and regulatory control of advertising.”

### **What could the IGT studies mean?**

If it is true that 35% of older adults may suffer from impaired decision-making without displaying any clear outward signs of impairment, the impact could be enormous. Older adults are making life and death decisions about their own medical care, and protecting their beneficiaries and themselves from financial risk. If these findings are supported that one out of three people over age 55 are decision impaired, what do we as a society do? The necessary fix would be far greater than banning lunch seminars.

Should older adults be subjected to mandated decision-making tests every so many years, and if found impaired should the court then order a conservator to make all meaningful decisions for the impaired adult?

There are studies that specifically debate the very validity of the Iowa Gambling Task in determining impairment (Dunn and Lawrence, 2006) or say the interpretations of the findings are fundamentally flawed (Castel, 2005). It should also be strongly noted that this was only one study involving only 14 “impaired” people. For me this raises concerns that the sample size is too small to accept the findings without comment. This does not mean that I dismiss the findings. There is a pile of research that has been conducted over the last several years supporting the contention of frontal lobe aging damage, and this study is one more piece of the pile. Rather than accepting or rejecting the Iowa study results, I looked to see whether there were alternative explanations.

There have been numerous studies that conclude that our working or short-term memory gets worse as old age progresses (Verhaeghen *et al.*, 2003). A part of the socioemotional selectivity theory of aging says our goals change as we realize death is nearing, and we shift from seeking knowledge to deriving meaning from life and ensuring good feelings (May *et al.*, 2005). Because of this, emotions become more important in processing information and seniors use more emotional cues to enhance memory rather than factual details. In the 2005 study by May *et al.*, seniors were less likely to remember whether the hot food was on the left or the right, or whether the car in the picture was red or blue, but they were just as likely as young adults to remember which

food was rotten and which car was dangerous. And seniors were just as likely as young adults to remember if the price of a can of soup was higher today than last time (Castel, 2005).

***Simply put, seniors remember the information that is important to them and ignore the rest.***

In the studies, therefore, seniors were remembering the knowledge that could affect them, rather than the minutiae (perhaps, for example, the reason seniors sometimes do not remember specific annuity surrender charges is because they have no intention of surrendering the annuity and so these charges are perceived as irrelevant and therefore forgotten). This theory indicates that the decision-making process does not necessarily become impaired as we age, but transforms into a process that intentionally becomes more driven by the emotional context of the decision rather than the simple facts. It is not "impaired" decision-making but rather "appropriate" decision-making based on the senior's needs and goals.

Socioemotional selectivity theory may offer an alternative explanation for some of the Iowa study results and help explain why some seniors do not get overly concerned about the origin of the Mexican luggage. Perhaps the seniors' goal is met because the luggage makes them feel good and whether the luggage is made in Acapulco or Abilene simply is not important to them.

In addition, testing on socioemotional selectivity theory has found that seniors remember socially meaningful data to a greater extent than factual data. It could be that the structure of the IGT does not offer a socially meaningful context and therefore is not remembered, but if the methodology could somehow become more relevant then the im-

paired seniors would make more unimpaired decisions.

### **Less Deliberation But....**

A 2007 article pointedly asked the question, "Are older adults' decision abilities fundamentally compromised by age-related cognitive decline?" The authors' conclusion was Yes. Essentially, their research echoed the results of similar studies by finding that seniors tend to seek less information before making a decision and rely more on mental rules of thumb using past decisions as a guide to future decisions (Mata *et al.*, 2007). The "however" in all this is: often this is enough information and brain power to make a good decision. A 2006 study agreed that seniors do not dig as deep as young adults when getting data for the decision, but found the magnitude of errors was the same for both groups (Musielak and Chasseigne, 2006).

These authors said while young adults do better on cognitive tests they do not perform better than seniors when confronted with real life problems. As an example, seniors were more accurate than young adults in coming up with the best answers for complex financial planning problems. This could explain why seniors performed worse than young adults on the IGT test – it was not real and the decisions did not affect the senior's reality.

### **Multitasking & Too Much Info**

Although studies show that multitasking hurts decision-making accuracy for both young and old, the inaccuracy of seniors while multitasking is greater (Verhaeghen *et al.*, 2003). There is much evidence showing that seniors do not multitask well (Kray and Lindenberger, 2000). The implication is all adults, but especially seniors, should focus solely on

the decision at hand and not attempt to do additional things at the same time.

What this means is that while everyone can suffer from the negative effects of too much information, seniors are more likely to make decision errors when they have too many choices and too much information is given. One way to cut down on decision errors is to use distinct symbols for the values of the decision components (Peters *et al.*, 2007).

A possible explanation for poor senior IGT performance could be that four decks of cards are used and this represents too many choices. An alternative test might be to use only two decks – one good and one bad – or perhaps three decks, and see whether the level of impairment drops. It is one thing to flatly state that 35% of senior subjects are impaired, but the power of the claim drops if you must say it as, “when seniors are overburdened with choices and information 35% are impaired.”

### **Declines Are Compensated For**

Many studies say seniors do process information more slowly than young adults; however, some argue that the loss of speed is traded for greater accuracy (Band *et al.*, 2002). Seniors use their lifetime experience and concentrate on the decision at hand – rather than trying to multitask – to reach decisions that are every bit as good as young adults.

A 2000 study found that frontal lobe activity in seniors showed greater vulnerability to aging, but that this frontal impairment may be offset by the use of other brain regions (Reuter-Lorenz *et al.*, 2000). The study said that although senior responses took longer, the ultimate responses were as accurate as the responses of young adults, so it could be possible that as front brain neurons

become impaired other parts of the brain are used to compensate. This finding was strengthened by a similar 2002 study that said any impairment in the frontal lobes was offset by using other brain areas (Cabeza, 2002). This same 2002 study also indicates that greater brain use while young may aid in developing these other brain processing centers for future use, and it appears seniors with higher educational levels are less likely to be impaired.

Another way that seniors cope with changing mental powers is by relying more than young adults on mental shortcuts developed over the years in making similar decisions (Mata *et al.*, 2007). The problem is that these rules of thumb may overlook fresh aspects of the new decision, resulting in a less than optimal decision. One way to help assure the new decision is getting sufficient attention is to present the decision when the seniors' mental powers are sharpest. Mornings appear to be the optimal decision time for seniors (Yoon, 1997).

These results appear to largely contradict the findings of the Iowa study, but the scope of these studies were sufficiently different to make direct comparisons difficult.

### **Conclusions**

A long list of studies says judgment and knowledge are relatively intact in the aging mind (Carstensen and Mikels, 2005). Essentially, these studies conclude that if the data is presented in a clear manner, and the senior is given enough time to make a decision, a good decision will be made. By contrast, the frontal lobe hypothesis school might say this is only true for those seniors that do not have impairment – for impaired seniors all the time in the world will not

help.

Although there are other studies that offer alternative explanations to the conclusion reached by the Iowa study I could not find data that would disprove their conclusions. It is likely that more seemingly "normal" seniors than young adults have impaired decision-making powers. Determining the extent of the impairment, and whether it is treatable with drug therapy or perhaps with a type of decision-making training, will require a lot more research.

It should be noted that the Iowa study did not attempt to reduce impairment. However, there are things that can be done to help seniors (and everyone else) in making better decisions. Here are some guidelines, including some examples pertaining to decisions on the use of annuities by seniors.

- ***Disclose all relevant facts.*** In the Iowa Study when the luggage ad said the American made luggage was made in the Mexican part of America even the impaired seniors were able to make the same quality decisions as unimpaired seniors.
- ***Disclose only relevant facts.*** The studies show that giving too much information and too many choices to everyone – especially seniors – can cause inferior decision-making, and yet variable and index annuity providers seem to delight in making their products ever more cumbersome and complicated. The simple solution for both consumers and agents is: if the product looks more like a Swiss army knife than an annuity, do not use it.
- ***Use symbols.*** I only found one study (Peters *et al.*, 2007) that directly tested this, but seniors made better decisions when they could use symbols to evaluate and compare

choices. It's the idea of perhaps noting mortality expenses by \$ (lowest) to \$\$\$ (highest) symbols rather than as percentages. Or, a fixed annuity might represent a 3% minimum guarantee with a happy face, a 1% guarantee with a sad face, and a floating guarantee with a neutral face.

- ***Determine the senior's goals.*** The goals of a 75 year old are different from those of a 25 year old and the decision-making process reflects this. A senior is less likely to want to know how the watch works, but be more interested in knowing how owning the watch will make life better. Concentrate on solving the emotional needs.
- ***Give them time.*** The Iowa study says more time does not help impaired decision-makers, but many other studies clearly say not rushing people and allowing them to make decisions in their own time results in better decisions.

## Summary

Much of the research concerning aging and decision-making has been to determine whether aging worsens these skills. After conducting this review, I believe that decision-making powers probably do get worse for some otherwise normal seniors. More research is needed on both the magnitude and timing of age impaired decision-making as well as developing ways to cope with the impairment.

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# *Should We Talk About the Weather? The Role of Conversation and Choice in Professional Planning*

by Matthew Clement, CFP®

## **Something's Missing**

It's November 2006 and I've just finished my third, and ultimately final, meeting with a prospective client. Susan, late-fifties, is in her second marriage, and so despite sharing a home and most of her free time with her new mate, many of her decisions seem to remain distinctly her own. The reason they 'seem' that way is because I've not asked her the question; I've assumed it. Her behaviors, and the fact that I've not yet met her husband, are clear signs of her willingness to contemplate such matters independently.

But are they really clear signs? And if they are, is that the whole story?

You might guess that I was sensing resistance from Susan, and you'd be correct. And yet it's not because I was wrong about her decision-making style; it was because *she did not know that I was right*. Never during our three meetings did I engage Susan in conversation about how she had chosen to structure her relationship with her second husband, and how that might influence how I work with her, or with them. Never did I ask what principles guided her choices in life, the goals that she sought, and her areas of greatest attention. She was looking for a new adviser, she stated, because her current adviser had been selected by her ex-husband. There I sat, with lucid insights that likely would have led to a successful profes-

sional relationship, and yet she did not know of them — as how could she? She knew only of what we actually discussed: time horizons; asset allocation; diversification; future income requirements; fees. I never led her into higher-level conversation and, well, I never did get the business.

With every loss comes opportunity. My subsequent discoveries about *conversation* and *choice*, my involvement with AIFLP, and this article all arose out of my meetings with Susan and others like her. I will present two related concepts that, if used consistently, will leave you confident that the outcome of your preliminary meetings with potential clients has been arrived at with the proper foundation, expectations, and fundamentals. You'll still need the suitable skill-set, environment, and "bedside manner" to gain client commitment, but you'll be far more effective in enunciating those qualities.

## **Conversation**

I'll describe four separate and progressive levels of conversation, each corresponding to a respective level of individual thought, although I make no claim that this is the only spectrum of classification. Together, they characterize every expressed thought out of the mouth of humans.

The first is ***Situational***. Conversation related to *what's going on*, falls within this level — current events; your daily

schedule; traffic; who was born, married, divorced, or died, where it happened, and who was invited; and of course, the weather. Situational conversation is arguably the most common, and most broadly insignificant, of verbal communication, and while it may lead to other levels, there's never any guarantee of it.

The second is **Logical**. Conversation related to *why it's going on*, falls within this level — what caused the traffic, the death, the weather, and what is its likely *effect*. Whereas Situational conversation is the acknowledgment and expression of one or more *percepts*, Logical conversation is the first step toward expressive *conceptualization*, defined here as *the inventing or contriving of an idea or explanation and formulating it mentally*. The result of Logical conversation is the communication of cause and effect, as well as the progression of events through time. History and the physical sciences are good examples. And while concepts may be expressed at this level, their world significance and moral value requires another step.

The next, therefore, is **Theoretical**. Conversation related to *how should it be going on*, falls within this level — philosophy, politics, religion, and all expression of values. This is the level of *judgment*. Using the “facts,” and the progression of those facts, Theoretical conversation is the subsequent application of ideals to the topic at hand; it attempts to answer not only the causal/chronological question of “why,” but the eternal question of “why.” In this way, Theoretical conversation is the temporary suspension of the constraints of our physical reality for contemplation of all issues spiritual and emotional. It is at this level

that the human condition is fully expressed, that questions of right and wrong are decided, and that individual and societal responsibilities are debated.

I encourage you to read the above paragraph once more, as it will serve to help answer some upcoming questions. The fourth and final level is **Strategic**. Conversation related to *what are we going to do about it*, falls within this level. Whereas Theoretical conversation is arguably the highest, intellectually, of the four levels, Strategic conversation may be defined as the practical discussion and extension of Theoretical conversation upon one's self and one's particular situation. It is at this level that all expressions of *planning* take place—the decision to do something as a result of contemplative judgment, and plan of action necessary to materialize it within the world. To be fully understood, Strategic conversation must be differentiated from the reaction/response mechanism that accompanies all non-contemplative activity. In other words, Strategic conversation is only properly established out of *higher-level* values-driven conversation. Lacking that progression, any action that follows is merely a response to stimulus, and is in no way Strategic.

The professional planning process, and its subsequent and continuing professional advice, is an intensely valuable endeavor when approached from values-based fundamentals. During such a process, the extent to which you are able to elicit the progression of conversation described above will correlate quite markedly with your success in the *implementation* of such a plan, as it is only a plan that resonates with an individual's (or family's) mental, spiritual, and emo-

tional faculties, and that will command acceptance and a healthy sense of excitement and urgency.

It's very likely that each of your client relationships is different. In the relationships where stronger, deeper conversations take place frequently, I'll wager that those are the clients who: (a) you most appreciate; (b) most appreciate you; (c) most effectively follow your advice and guidance; and (d) are most likely to stick with you and recommend you to others. I would also wager that their *results* are almost universally better than those who remain at the Situational and Logical levels of communication with you.

So, the questions I warned you about are these:

- (1) Are you aware of your current peak level of communication (the highest level that you generally reach during the course of a full conversation) with each of your clients?
- (2) Are you able to determine some or all of the contributing elements that explain why you are at that particular peak level with each client? Can you predict how each client would likely respond to an improvement in your conversations?
- (3) Do you see the value, both for you and for them, in seeking higher-level conversation with every prospective client within the first two meetings, and in working toward ongoing higher-level conversation with all existing clients? And how would such a result change your view of your role and responsibility as a professional planner?
- (4) What steps will you take to begin

this process? Are you willing to commit them to paper? Are these actions the result of your continuous or renewed commitment to reaching your highest potential as a planner and an individual?

In case you didn't catch it, *I'm doing it to you*. In presenting these questions, in this sequence, I'm guiding you up the spectrum from Situational to Logical, then to Theoretical, and lastly to Strategic, and while I cannot literally converse with you, my hope is that the sense of importance and power of this progression is evident.

It is worth repeating that Strategic conversation, and its material representations, i.e. the financial plan, the career plan, the business plan, the life plan; is only meaningful to the extent that it arises out of Theoretical conversation. In this respect, you may feel naturally inclined to revisit client planning sessions from the past. If they were not fundamentally anchored in Theoretical conversation, what's missing? Find it, enhance your communication to the extent necessary, and create a new plan from your now higher vantage point. This is not the type of "change" that a client will resist often, but when, on occasion, you do meet such resistance, and you come to believe that compassionate but resolute communication will not improve the matter, you will rarely find a better time to graciously disengage from that particular client.

Our time and energy, our life's work, must be earned by those we serve, not only with financial compensation but with the confident belief that their purpose is genuine and relatively virtuous — 'relative,' here, because each of us has our own standards, or judgment, of virtue. It is with this in mind, and with great respect for your

clients and mine that I state: they don't know any better. They will never tell you that they seek more meaningful dialogue. They will never tell you that before you start discussing time horizons they wish to first discuss their core values, life views, and driving purpose. They read and watch the same junk you try to avoid, and so they believe, unless you inform them otherwise, that your job is to fix their problems *du jour*. You alone have the responsibility to bring them along that path of a grander purpose.

### Choice

Choices are acknowledgments of value and are likewise a form of judgment. As such, value-choices are made by the client during Theoretical conversation. Just as important, it is the planner who must elicit such choices from the client because the planner cannot, by this definition, make choices *for* the client. Some choice-evoking example questions may serve useful:

- What gets you up in the morning and motivates you during the day?
- What type of lifestyle most appeals to you? Describe your ideal day.
- What people, causes, or organizations do you wish to support?
- How do you define financial independence or financial freedom? How would such status change your view of yourself and your family?
- Fifteen years from now you're told you have just one day left — what accomplishments between now and then would you be proud of?
- What's important to you about planning your future?

Answers to these questions may not all seem like choices, but that's be-

cause they are choices of what is valued by the client. A full reflection on these and other questions of values may take a full meeting, and probably ought to. You will reach a point, however, where the client's judgments of their present and future/ideal environment will become well articulated. It is at this point that transition into Strategic conversation will be most appropriate and effective.

The Strategic conversation is a collaborative process only in that the client controls the early part and the planner controls the later part. It is here that roles must be clearly established. Recall that "*what are we going to do about it*" is the essential consideration at this point. For the client, they need only contemplate what material goals they feel will allow them to move toward their value-choices. As examples, six goals, corresponding to the six value-choice responses, are as follows, and result from the question, "What specifically would allow you to accomplish that choice?"

- Value-choice: A large vegetable garden gets me up in the morning, and my grandchildren motivate me during the day. **Goal: A new home with an acre of property on the same street as my daughter.**
- Value-choice: A lifestyle close to home — with lots of friends and neighbors and the ability to go out for meals and entertainment whenever I want. **Goal: A significant budget for discretionary entertainment.**
- Value-choice: My grandchildren's education, water-pollution, and the American Cancer Society. **Goal: Pre-funded 529-plans; Annual donation to ACS and a charita-**

**ble remainder trust.**

- Value-choice: Financial freedom means never having to worry about running out of money; being able to easily live off earnings. This status would probably make me even more charitable and a little less frugal when I'm shopping for new clothes. **Goal: Permanent purchasing power protection and a clear picture of what will be available for spending each year.**
- Value-choice: That by fifteen years from now I saw all three grandchildren get married; that I was still as physically active as I am today; that I continued to educate myself and stay involved in the community. **Goal: Gym membership; Classes at community college.**
- Value-choice: I think if you have a direction, you're more likely to accomplish what you are hoping to accomplish. I want to know that my goals for the future and my goals right now are working together. **Goal: Balanced plan that allows for smooth transition into retirement.**

Some additional refinement will make

these goals even more specific and actionable. This is where it's perfectly acceptable to create dollar figures, timelines, and growth expectations. At this point the client is still controlling the goals, just as they control the value-choices. When their values are fully articulated and their corresponding goals are established, the client's job, for the moment, is complete. The question is: Do they know that?

If you have ever experienced attempted collaboration, or even second-guessing, in reference to your industry-specific *solutions* to a client's particular goals, it's likely that the role of choice was not fully explained. The **values and goals** are the client's job, but the **solution** is your job. If you fail to establish with the client where they must evoke choice in the process, they will decide for themselves. And if they decide, they will invariably focus on the solution step of the planning process simply because it is the most tangible. By discussing in advance of, and then during, the process where the client's input is needed, you will dramatically reduce the client's likelihood of trying to do your job. Coach your clients until they are confidently aware of the difference.

***Client Determines (with help):***

- (1) Situational: What's going on?
- (2) Logical: Why is it going on?
- (3) Theoretical: How should it be going on?
- (4) Early Strategic: What goals will support my value-choices?

***Professional Planner Determines:***

- (5) Later Strategic: What advice/solution best achieves the goals?

The final step #6, as alluded to before, returns back to the client, as they must now decide whether or not to *accept* the advice/solution and implement the plan. They do not have the option of *changing* the advice or the solution, any more than you have the option of changing their values or goals. Your advice is your trade — it's the culmination of this entire process of conversation, contemplation, and assessment. Ultimately, if you have allowed your client to feel that they have fully articulated their values and goals, the space will open for your advice to be enthusiastically received.

### **Choice**

I've yet to see a fool-proof procedure for communicating with prospects and clients; this article is no exception. Each of us has a unique practice, with a unique set of clients, each with their own eccentricities. But there are, in the end, some fundamental characteristics that define the client/adviser, client/planner, client/coach relationship, and I hope I've illuminated one area where all such relationships have a common bond, and a common challenge.

Keep on seeking higher-level conversation — the result is a higher-level life.

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Matthew has been the keynote speaker for Fordham's Entrepreneurship Society and recently hosted a thirteen week radio program on the fundamentals of retirement planning. He is a member of the Greater Haverstraw Chamber of Commerce, for which he served three years as Executive Director, and more recently as President. He is also now a proud member of the Association for Integrative Financial and Life Planning (AIFLP).

In his personal life, Matthew is an avid skier and marathon runner, and he reads heavily in the areas of philosophy, psychology, and human development.

## *The Ultimate Changing of the Guard: Lessons from CEO Succession*

by Kris Jensen

CEOs rise to the top of their organizations by being decisive, confident and courageous. But the decision to retire and lead their firms through their own succession can bring any executive to their knees. Personally, their preparation for retirement is focused almost exclusively on financial security. Yet it is the emotional and non-financial elements that will predict their success in the after-Corporate-life. Although perhaps unintended, each leader's organization is simultaneously forced to consider financial and non-financial issues as it anticipates the CEO's succession. Given the duality of this transition, the more effective the CEO's personal planning, the more resilient the organization will be to thrive after the leader's departure.

The incidence of voluntary and involuntary departures of CEOs is once again on the rise. These departures, based on performance, health and cultural clashes, are exacerbated by the fact that over 50% of corporate executives in U. S. organizations will be eligible to retire by 2010. While succession planning typically focuses on top talent in an organization, not just the CEO, one of the most impactful, and potentially polar-

izing, transitions any organization will face is the change of leadership at the very top of the organization.

Regardless of their size, many organizations approach succession in their executive ranks as informal replacement planning, allowing the existing promotional processes to identify and "select" a position replacement. While larger companies have resources that afford them more resilience in these informal planning efforts, smaller organizations should formalize succes-

***"ABC Company" is a 152-year-old, employee-owned organization in a technical service industry with a client base from Guam to the Caribbean. Their products span more than 10 product segments. The company became employee-owned after 140 years of family ownership, growing more than 10 times in 10 years following the transfer of ownership. In that same time period, the Company established a growth strategy of merger and acquisition in addition to aggressive organic growth. They have sustained more than 10 years of consecutive profitability as a privately held organization. Today, they generate revenue of more than \$1.5 billion with over 2,000 employees of whom more than 300 are stockholders.***

sion planning to assure long-term organizational viability. I make this statement with absolute conviction because it is shaped by almost 20 years of working in the talent management arena; the last 6 in an instrumental role partnering with a

Good-to-Great Level 5 CEO who was orchestrating his own succession. This leadership transition represented the first at this level since the 150 year old company became an employee owned business in a buyout from the last family owner.

Naturally, lessons we learn from our direct experience are more powerful than those we learn through study. Since few human resource or administrative professionals may get the opportunity to shepherd an executive through the transition of a lifetime, the insights from this case study can help sharpen your talent review and planning processes.

### **Preparing to Plan**

Without exaggeration, "ABC Company" simultaneously inherited a 140-year-old company while creating a start-up operation. Consequently, certain decisions regarding governance, made at the time of the buyout from the family, needed to be redesigned to facilitate a series of decisions that were envisioned over the next 4-6 years. With the help of the General Counsel, we set in motion the steps to transform a Board made up entirely of internal managers, many of whom were potential candidates for the CEO role, into a Board composed of both internal and external directors with clear charters for succession among other organizational charges.

Critical to the success of the succession plan was the incredible partnership among the Board, the incumbent CEO and my role as the Sr. VP of Human Resources. Given that few, if any, consulting firms have the expertise, let alone the experience, in working with employee-owned organizations, this partnership served as an

exceptional think tank to customize the process on any timetable. While consultants who specialize in working with family-owned businesses could offer some insights into a successful process, ultimately we were pioneering succession in an employee-owned company.

***Successful Succession:*** *Start with Board Governance. Establish clear jurisdiction and credentials for those who have the critical task of succession planning and executive selection. Determine if any By-Laws or Charters create conflicts or obstacles to Board execution of talent management decisions.*

*Don't shortcut the process. No one learns the CEO role well in a few months when the incumbent took a lifetime to master it; the better the planning and the timeliness of implementation, the less you will stress the resilience of the organization. One of our measures to assess a well-implemented succession plan was how well we got through the transition as a company, not just how well the incumbent and candidate fared.*

### **Planning for the Person**

I didn't clearly understand the deep truth in the statement that "it is lonely at the top" until I was privileged to work with CEOs. The power of their position along with their personal charisma places a weight on every thought, word and deed, although perhaps unintended. Never is this more evident than when a current CEO announces their departure, even if the reason is to accept a well-earned retirement. Just as with any two-week notice, co-workers, vendors, suppliers, direct reports begin to reshape their work and routines...with-

out you. Although the status and prestige of the title may not tarnish with those outside the organization as quickly as it does internally, the process of suddenly turning into an ensign of industry instead of a captain is demoralizing.

The individual is also required to think about benefit and administrative decisions they may not have considered since their first day of employment. For an executive, these decisions have typically been delegated years ago to their spouse, their family and even their Human Resource Department. We all likely hold the perception that executives have planned well financially for their future. In many ways, this is typically correct, but nuances forced by a change in employee status can have serious consequences on healthcare, stock, or pension payments. These concerns become especially apparent if the CEO has a younger spouse, extended families or other under-age dependents.

***Successful Succession:*** *Think very carefully about when to make public a CEO's decision to retire. Emotionally, incumbents have seldom considered how changes in their work will affect relationships at home or with peers, the role work has played in maintaining their self-esteem and how they will fill their time if not consumed by an executive role. While CEOs are trying to put their self-interest in perspective in order to do what is best for the company, there is likely to be some "buyer's remorse" and enlightening but frightening personal insights as the process unfolds. Organizations like Wisdom Worker Solutions offer holistic, life and pre-retirement planning, focused on non-financial preparation, to help people assess their mental, physical and emotional pre-*

*paredness for a successful life after exiting a prestigious role.*

*Especially for those executives who may have a younger spouse or other dependents, plans need to consider provisions outlined in the Company's financial benefits, healthcare contracts and pension and 401(k) plans. Reversals of fortune, uncertainty in their investment portfolio and the ability to bridge the gap from the company's health plan to Medicare all need to be weighed and agreements outlined. This is especially critical if the Company has no retiree healthcare benefits.*

## **The Replacements**

Organizations still have a preference to "grow their own" executives according to a recent study by Heidrick and Struggles. Beginning in the 1980's though, organizations began firing home-grown CEOs who were incapable of adapting their leadership abilities to changing market conditions – e.g., learning to lead in a 30-year maintenance business cycle proves to be little help when assigned to a small, aggressively growing start-up operation. Cloning the current CEO can certainly be the ultimate compliment or a recipe for failure if market conditions are demanding that a company make radical adjustments to remain competitive. Additionally, loyal and knowledgeable employees who have been working all their lives for the ultimate opportunity should be given an indisputable yardstick for how they will be measured as a candidate for the CEO role. For "ABC Company", this was essential since all the candidates held irreplaceable expertise as well as stock positions that could affect the financial outlook of the firm should they opt to leave the

Company if they failed to be selected.

At this point in "ABC's" plan, a consultant proved invaluable in objectively assessing potential candidates against a set of success factors established by the Board. The Board's competency model outlined knowledge, skills and abilities required to lead the Company into the future in addition to directing its success in the present. Any disagreements about the type of CEO that should be hired were eliminated through the interactive competency building process, providing unwavering clarity when the actual selection occurred. The competency model also allowed "ABC" to shape candidate assignments over the period of more than a year to "test" candidates in performing at a CEO level and develop skills to close identified performance gaps.

***Successful Succession:*** *Whether promoting internal candidates or hiring from outside the organization, companies need to establish clear qualifications for the CEO role. Success factors should consider the company's business direction and strategies over the next 3-5 years. This exercise will be particularly critical should all internal candidates fail to perform or withdraw as candidates, and the company is faced with initiating an external search. Both internal and external candidates should be held to the same promotion/hiring standards.*

*Select a well-qualified consultant as the candidate assessor. Employees who are rejected after the initial evaluations will be more than curious about the feedback and how that information will be interpreted to make other career decisions. If the assessment process has been fair and conducted by an objective professional,*

*employees are more willing to accept, not only their individual verdict, but also the ultimate CEO selection.*

### **Planning for Everyone**

Obviously, the entire Company is "invested" in the outcome of any replacement or succession plan. Rumors naturally occur as employees anticipate the timing of leadership changes and entire teams can spend hours in unproductive speculation trying to design the resultant organizational chart if succession planners haven't executed appropriate messages with precision timing.

"ABC's" strategic communication plan for succession initially focused on keeping the entire Board and candidates informed of the process. Then the strategies expanded to include employees, vendors, key clients and suppliers such as banks and risk management stakeholders, potential targets for merger and acquisition and finally, the general public. The plan's timetable was coordinated with other corporate events and benchmarks such as the annual stockholders' meetings and "ABC's" 150-year celebration. These are natural times when employees speculate that rumors will either be confirmed through important announcements or allowed to linger if unfounded.

***Successful Succession:*** *Create a strategic communication plan that includes all stakeholders and consistent messaging for every group. Anticipate what information and just how much needs to be communicated on a timely basis to keep the organization productive. Planners want to make sure key employees don't opt to leave the company because of high levels of uncertainty about the process or the*

*outcome. Finally, make sure the candidates themselves are communicating consistently. No candidate should be representing to the organization that he or she has been selected when in fact the process has not been completed. This abhorrent behavior will undermine both the process as well as the candidate's credibility; in some cases, it may even eliminate the candidate from further consideration. Candidates are always being observed and "tested".*

*Don't be afraid to talk with key contributors personally throughout the succession process. While you can't communicate proprietary information, you can certainly reassure people about the discipline that has gone into the process and how committed the Board is in being fair and objective.*

### **Transition Planning**

For those who are involved with the succession planning process from its inception, we can easily make the mistake of believing that the actual selection of the new CEO is the final outcome. In many ways, this is only the beginning of another phase of the implementation plan. While we can breathe one sigh of relief when the preferred candidate actually accepts the job, a strategic transition plan will keep the organization on oxygen for the next year to two.

"ABC Company" created a 90-day and a 6-month plan that were subsets of a year-long transition outline. Once again, the incumbent, the "winner" and the "losers" will go through a series of emotions as they come to terms with the now public outcome. Retention of all candidates is a critical element of the transition plan along with the acceptance by the organiza-

tion of the new CEO.

I found that maintaining discipline (the willingness to adhere to a process or follow through as agreed) in this stage of succession planning to be one of the toughest aspects of the entire process. And yet, this is one of the most critical steps in a successful implementation. There is a delicate balance of honoring and finding value for the incumbent, orienting the new CEO to assure his/her success with all stakeholders and reigning in the desire to set the world on fire. Then there is the potentially overwhelming task of managing the complexities contributed by employees, the public, spouses and other stakeholders.

***Successful Succession:*** *Stay disciplined especially after the candidate has been selected. Components of the transition plan should include retention strategies, individual coaching for emotion management and behavior modifications, orientation to new roles and public introductions. Strategic communication should extend beyond the public announcements of the new leader and companies may want to consider cultural audits before and after the transition as an early warning device to spot any negative organizational ripples.*

### **Conclusion**

I would be doing a disservice to any succession planning practitioner to lead them to believe that we have exhausted all the fine points of CEO succession. There is no substitute for the experience of watching and responding to a plethora of organizational dynamics as they unfold over a 4-6 year period. Lessons, however learned, are invaluable in assuring that those responsible for one of the most impact-

ful events an entire company can experience are well-equipped to partner in leading such an event.

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Jensen has not only spent her extensive human resources career guiding people through their work lives but she also epitomizes those who continually reinvent themselves in their own careers. She has been an underwriter, a recruiter, a coach, a strategist and an entrepreneur. She has worked in such diverse industries as entertainment, financial services, construction, and criminal justice.

Wisdom Worker Solutions™ encompasses a family of services designed to help employers effectively manage their multi-generational and aging workforce, and individual workers navigate through the various phases of their lives and careers. My Plan After 50®, their holistic career, life coaching and planning service for individuals, is based on The Eight Elements Essential for a Vibrant Life After 50®, and utilizes a proprietary web-based coaching platform. [www.wisdomworkersolutions.com](http://www.wisdomworkersolutions.com)

# *Planning, Spirituality, and Non-Spirituality*

By C.S. Yanikoski

Financial planning has started probing the boundaries of spirituality in recent years,\* while life planning and life coaching, of course, have always embraced spirituality to some degree. But the connections are often left fuzzy, and the discussion is usually truncated out of respect for (or fear of dealing with) individual religious beliefs.

This article explores more openly the import of a client's spirituality, in hopes of improving our effectiveness as planners.

## **Defining "Spirituality"**

This term is typically used loosely in the context of planning. If we are financial specialists, we probably hesitate to get into detail about it anyway. If we are life planners, we are perhaps content to let "spirituality" mean whatever the client wants it to mean.

Unfortunately, this term does mean different things to different people. It is commonly equated with religion, but not always: many who think deeply about the subject firmly separate the two.

It will help our understanding to note that "spirituality," as referenced by planners and by theorists about planning, is actually used at various times to refer to three connected yet separable and distinct things:

1. What I call the "institutional" definition of spirituality: identification with and participation in a specific religious tradition or religious com-

munity. If clients claim to believe in God, belong to an organized religion, or attend religious services with any regularity, some of us feel that we get to check off the "spiritual" box for them.

2. The "experiential" definition of spirituality: an appreciation for certain kinds of feelings, attitudes, or sensations, such as a feeling of connectedness, a sense of wonder and awe, a deep appreciation of beauty, a sense of the unity of humankind or of the universe, a receptivity toward what is sacred or holy, and so on. Practices such as meditation and contemplative prayer mark the more seriously spiritual under this definition, but even those who only occasionally allow flights of emotion to interrupt quotidian reality may marginally qualify.
3. The "metaphysical" definition: the term "spirituality" is also used to indicate that a person has some stance toward his or her own existence in the world, i.e., a sense of what life in general is about (or at least what his/her own life is about), what is meaningful, what has value, what gives us a sense of groundedness, and a conscious approach to handling how these things change as we age, and particularly as we face our own vulnerability and mortality. As C. Michael Thompson (2000) puts it: "human spirituality is the way in which people connect the activities of their daily lives with their wellsprings of deepest meaning." But I also mean more than philosophical musing here: I intend to include the mean-

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\* A tip of the hat here to the Nasrudin Group, and particularly to George Kinder (1999).

ing and grounding and integrity and thoughtfulness that impels us toward good intentions and good deeds, as well as good insights.

Clearly, these three often overlap, and for some people are fully integrated. Yet just as clearly, for the majority of people, this integration does not exist, or exists only in partial and fragile form. One may subscribe to religious doctrines and even observe religious rituals yet have virtually no spiritual experiences. One may even be deeply committed to religious beliefs and practices, yet, as Mother Theresa confessed in her journal, feel quite at sea about life's fundamental questions. And of course, one may be comfortable that one understands well enough what life is about, and therefore face adversity and even death with equanimity but, like the mythic gunfighters of the Old West, lack any institutional or experiential form of spirituality.

What I am suggesting (and it is no more than a suggestion) is that each person's individual form of spirituality falls someplace on *each* of these dimensions; and that people who talk or write about spirituality also tend to have an intended meaning for that term that can be located on each of these three dimensions; but also that the three dimensions are mostly independent of one another – you can be high or low on any combination of them. If valid, this conceptual scheme would explain why "spirituality" has so many meanings and is often so hard to talk about.

So now let's explore the connections between spirituality and planning, while trying to keep distinct these three different senses of the term.

## The Importance of Spirituality in Planning

As we think about the literature that touches on this subject, four main connections appear:

1. Spirituality (of the metaphysical kind) logically belongs at the top of any planning process. Only if people have some set of coherent beliefs about, or at least attitudes toward, life and death, toward reason and emotion, toward self and others, toward good and evil, toward God (or the absence of God), and toward all the other classic components of Wisdom, including the rightful place of other forms of spirituality, can we expect coherency and continuity in their values and purposes in life. And where values and purposes are out of sync, life plans and goals will fall apart (usually sooner than later), and even more so do we find financial and other practical plans built on sand. But where the personal belief system is strong and coherent, values and goals and plans are able to fall into place and are more likely to work well, especially when an expert guide is present.
2. Certain spiritual orientations (especially in the metaphysical sense, but also in the experiential and institutional senses, where these are strong in a given individual) tend to have certain direct effects on life plans and financial plans. Some obvious areas of impact: attitudes toward health, sickness, and death; attitudes toward service and volunteerism; attitudes toward money and the making, saving, and spending of money; and the importance of charitable

contributions (including tithing, in some religious denominations) and cash legacies at death.

3. As Henry C. Simmons and E. Craig MacBean have emphasized in their books (2000 and 2006), the aging process predictably involves life crises that challenge our equanimity at the deepest levels. How clients deal with these crises depends on the nature and strength of their spiritual grounding.
4. Spirituality of each kind can have a positive influence on psychological "affect": i.e., on peace of mind, adjustment to one's living situation, lower stress levels, and also, therefore, on health and longevity, and therefore indirectly on one's finances. At the same time, however, both institutional and experiential spirituality can have negative influences, depending upon the nature of the spiritual element and the strengths and weaknesses of the individual.

This fourth area has been the subject of considerable research and comment, and the results are not always consistent, so it is worth a closer look.

### **The Links between Spirituality and Psychological Health**

Literature on this subject goes back a long way, and varies in its import. Some studies show positive correlations between spirituality and psychological health, some show no correlation, and some show a negative correlation.

As far back as 1953, for instance, David Moberg reported that psychiatric patients were far less likely to be church attendees than normal people are. Some years later, Andrew Greeley (1965) found religious people to be less

likely to suffer from "normlessness."

Such positive indicators are somewhat offset, however, by others, such as Wilson and Miller (1968), who discovered strong links between religiousness and anxiety, and between religiousness and fearfulness.

Among other early students in this field, Sigmund Dragastin (1968) found both in his own research and in others' that "religion as a demographic characteristic was not found to be significantly related to psychological well-being." A broader survey in the mid-1970s came to a similar conclusion (Argyle & Beit-Hallahmi, 1975).

Statistical studies of this kind are important but difficult to digest, because both spirituality and psychological health are virtually impossible to measure, except indirectly and inadequately.

So we also need to think in terms of common sense analysis. Isn't it *obvious* that a strong spiritual grounding would be found together with psychological health and a positive attitude toward life? The answer is both "yes" and "no," depending on which definition of spirituality you are referring to, and on the characteristics of the people involved.

Consider *institutional* spirituality (participation in a religious group). One interpretation of the data consistent with common experience is that the most actively religious people often tend to be the unusually strong and the unusually weak. Only the strong can support anything resembling the real demands of our great religious teachers. At the same time, many of the weakest are bound to religion by their weakness, because religion offers them so many forms of support. Meanwhile, the average person attending the average religious service is probably not even paying attention much of the time, and has

found other things in life to connect to. Just as pain-relievers are less used by people who feel all right, religion may also be less often or less intensely relied upon by those who are normal and reasonably well adjusted to their lives (a point made thirty-five years ago by Pischkin and Thorne, 1973).

Even so, this would seem to suggest that religion has an overall positive effect, because it does benefit both the weak and strong, even if it does little for many in the middle.

But as with all institutions, religions tend to have some negative effects, too. Religions, in impelling us to be our best selves, set standards that are impossible to attain, so that even the holiest among us feel sinful (indeed, the journals of the saints and mystics often rank among the darkest writings our civilization produces). Religious doctrines tend to engender guilt, shame, and fear in their members, as well as joy and virtue. Of course, different people are affected in different ways and in different degrees.

A relevant and important study appeared in 1976 that tended to confirm some of these observations. McCready and Greeley tried to separate people with mature versus immature religious attitudes, and found striking differences between them on scales of life satisfaction, happiness, and especially of personal affect. But even among the religiously mature and psychologically healthy, which is the cause and which the effect?

I believe that the safest conclusion is that religion performs both healthful functions and unhealthful functions, and while it *can* both reflect and assist a beneficial approach to life, this is an individual not an institutional phenomenon.

*Experiential* spirituality, likewise, is a mixed bag, and for the same reasons, though it is probably more consistently positive when it is taken seriously. People who meditate or pray regularly tend to be more contemplative and more open to What Is. They were probably that way beforehand, and this is what drew them into this kind of spirituality – but at the same time, spiritual practices reinforce these personality traits, so we have a “positive feedback loop” (the opposite of a “vicious cycle”), and it is fair to say that, in most cases, experiential spirituality is a healthy thing – for those to whom it is suited. Experimental results generally confirm this connection.\*

As with religious membership, spiritual practices appeal to both the strong and the weak, and are practiced without either conviction or effect (if at all) by the majority in the middle. For those who are well grounded in their religious or other spiritual beliefs and practices, contemplative prayer, meditation or other similar processes are sources of strength and renewal. For the weak, they are attempts to grasp for some level of strength – sometimes successfully. But rote prayer and mere attendance at rituals doesn't do much for anyone. So again, the strong and the weak benefit, at least some of the time, while the large crowd in the middle is mostly unaffected.

But while experiential spirituality, like institutional spirituality, has real benefits for the right people, it seems to have fewer negative effects. It is true that some spiritual practices are intrinsically negative (we usually categorize these as “occult” and often disregard them, but they are widely practiced and can be damaging psychologically); and it is true

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\* See, for example, Gelderloos et al (1990). A useful and readily accessible bibliography is provided by Haynes (2004).

that even positive practices can be used as a form of mere escapism, or carried to unhealthy extremes. But even taking these points into account, it seems likely that experiential spirituality does more good than harm – especially if we consider that those who are harmed by it would probably be equally or more harmed by other ready alternatives (drugs, alcohol, thrill-seeking, etc.).

This does not mean, however, that if everyone followed these practices they would all be psychologically healthier. These practices well suit certain kinds of people, but not, except in watered-down forms, your average Joe.

As for *metaphysical* spirituality, the good seems mostly unalloyed. The metaphysically spiritual person thinks deeply (or at least, at some stage in life, has thought deeply) about the meaning of life, the meaning of his or her own life, and in this context, the precepts and attitudes that should be adopted.

When we meet people who have achieved an unusual level of wisdom, we find a rare calmness about them, and an acceptance of others. Ironically, if we get a chance to talk with them, they may come across as naïve or foolish, because in their own wisdom, they see quickly to the bottom of things and do not get caught up in our complicated superficialities. At their best, these people accept life as it is and death as it is, doing what they can to make them better, but without illusions or despair.

If there is a downside, it probably lies in a certain self-satisfaction that is not always well disguised. Some may also be more passive than they need to be – too accepting of things that don't need to be accepted, or too removed from everyday reality. But these are foibles. The metaphysically spiritual suffer from the same handicaps that all of us do, but

there is a difference: such spirituality is hardly ever – perhaps never at all – the *cause* of psychological ill health, or even an aggravating factor.

In sum, then, there are good reasons to believe that each kind of spirituality has a positive effect on some people, though both experiential and even more so institutional spirituality also have negative effects on some people – and that, probably, spirituality has little effect on most people because, whether by choice or by their nature, they do not really take it enough to heart.

### **Explicitly Non-Religious People**

Meanwhile, many life planners, life coaches, and people who write books or develop analytical tools for such advisers, presume that spirituality is a highly positive or even essential force. This viewpoint is especially predominant among those dealing with retirees, and with the truly elderly.

If our previous analysis is correct, then there is some validity to this positive appraisal of spirituality. But we are now in a position to add more nuance to it.

Most *institutionally* spiritual people are only nominally spiritual. This can lead to misleading evaluations. Someone who accepts – on principle, but without serious evaluation – the doctrines of his or her religion, may be able to fall back on standard tenets about the meaning of life and death, health and illness, riches and poverty. But when facing the failure of one's own body or mind, the inevitability of death, or financial catastrophe, it is one thing to subscribe to religious doctrines about our purpose and fate, and quite another to embrace those beliefs in a way that is transformative.

It is clear, for example, that most peo-

ple who claim belief in eternal life don't fully embrace it. If they did, they would not be postponing their arrival in heaven by every means possible. In some ways, those gunslingers of old were better grounded: at least their beliefs and actions were consistent.

Even so, we might hypothesize (and often do) that those with no religious beliefs are even worse off. C. Michael Thompson, previously quoted in our definition of "metaphysical" spirituality, also says that spirituality, in its true sense, is about our relationship with God.

Yet a Buddhist would not be likely to put it that way. Nor would serious practitioners of certain other religions.

We each have our own prejudices here. Advisers committed to any specific spiritual tradition perceive its strength and, knowing how great its loss would be to themselves, tend to believe that others who don't share it are at a severe disadvantage. Fisher and Simmons, for example, quote Howard Moody (1991) as observing that "What secularity amounts to in practice is that we have no coherent image of the purpose or meaning of old age, nor of the whole of life to which old age is a culmination."

This may be true of our society in general. But we would do well to open our own spiritual windows a little wider. The notion that an explicitly non-religious life automatically fails to adequately ground an individual is simply false.

Those of us who believe that traditional religious tenets are true only, when at all, in a metaphorical sense and that life has no objective meaning or purpose, remain free to give it our own meaning and purpose – which can, arguably, be better attuned to our own needs than some externally imposed doctrine. Our

own life can be seen as a story in which we are the protagonist, and whatever that story has been about, old age is the time to complete it in its appropriate fashion, to write its denouement, to leave one's legacy. A good story – a life story, as well as a fictional one – has a beginning, a middle, and an end. The secularist can still strive to end the story in a fitting way, whatever that means given her or his own personal values. In fact, in rejecting the idea that the story will continue after death, the secularist is much more fully the author of the story, which adds new opportunities for a meaningful and even fearless old age.

The intention here is not to promote secular metaphysical spirituality over traditional religious spirituality, but to illustrate that it can give us, even at the moment of death, a level of support comparable to that of religion – though again, whether and how this works in individual cases is a highly personal matter. Religion (*institutional* spirituality), therefore, is not a general requirement for a good life or a good death, however much it may benefit individual people.

*Experiential* spirituality, meanwhile, can be religious or not. All the major religions have traditions that include contemplation, meditation, and even mystical and ecstatic practices. But in contemporary society, meditation, yoga, and most New Age practices and techniques have an Eastern flavor that is theologically pretty close to content-free. People in our society also use drugs (not necessarily illegal ones) to achieve the desired mental states; and dance, music, art, and even exercise have always been means to expanded feelings of connection, sensitivity, and euphoria. Religious and non-religious experiential spirituality differ from one

another, but in their psychological and personality benefits they can be nearly identical.

It is helpful that experiential spirituality can be separated from institutional spirituality, because this makes it more widely accessible. As it is, meditation and other spiritual practices are not well suited to everyone, but the range of both religious and non-religious options puts the benefits of experiential spirituality within most people's grasp. The secularist will probably cringe a bit at this use of the term "spirituality," but planners can avoid that terminology where necessary and still encourage clients to expand their spiritual repertoire, whether through specific religious practice, yoga, the symphony, nature walks, aromatherapy, long-distance running, or any of dozens if not hundreds of other possibilities.

The *metaphysically* spiritual are probably, on average, the best adjusted of all. They have spent a lifetime not getting too high when things have gone well, or getting too low when they are in decline. Nor is death a complete stranger to them, or a completely unwelcome visitor. Unfortunately, this kind of wisdom is not achievable by joining a congregation or learning physical postures or breathing techniques. It runs much deeper than that.

And it, too, is not fundamentally a religious phenomenon. Many religious people do achieve a high level of wisdom, but it is not at all their exclusive province. Metaphysical spirituality can flourish in many flavors.

It appears, therefore, that the more organizational and overt forms of spirituality are the weaker ones, and the more personal and inner forms are the stronger ones; that religion *per se* is not the best source of adaptation to life

(and death), but that wisdom is – and wisdom may be spiritual in the religious sense, or not.

### **Other-Spiritual People**

The non-religious are really just a special case of what we may call the "other-spiritual" – that is, people whose spiritual core is different from our own.

This means everybody.

For as much as we may share common elements of our humanity, and as much as we may subscribe to labels (religious denominations, philosophies, attitudes, and -isms of every kind), any spirituality worthy of the name is deeply personal.

Spirituality, even when it strives toward conformity and orthodoxy, is always subversively, irremediably individual. Any doctrine, however common, is uncommon when it becomes ours, because it is filtered through our own histories, beliefs, needs, aspirations, failures, relationships, and every other aspect of who we are, even our physical attributes and our brain chemistry. Each of us, whether we are highly spiritual or only weakly so, whether we follow traditional doctrines or idiosyncratic ones or none at all, is spiritual in her or his unique way. The labels we use help us only a little. Beyond that they actually impede understanding.

The more deeply we consider this subject, the more we perceive that anyone who is even modestly reflective has a spiritual side, whether or not we or they can articulate it well. The more we, as advisers, define spirituality in terms that try to describe our own form of this, and especially where these definitions intend to exclude other people, the more we fail in our mission.

## Implications for Advisers

Only a fool would want to make prescriptive statements on this subject, so here we go:

1. We should not strive so much to urge clients toward religion as toward wisdom, the beginning of which is usually self-understanding. If religion is someone's best path to wisdom, then by all means let us support that. If it is not, then we should be just as supportive of alternatives. Use of religious terminology and precepts is fine when your client shares your religious viewpoint, but should be used carefully, or not at all, with people whose religious traditions you are not familiar with, and especially with those who are not religious. In this regard, spirituality is just like every other element of planning – your stance, as an advisor, should be adapted to your client; the client should not have to fit your mold.
2. Implicit here is the desirability of opening our own minds and hearts to other traditions – both religious and otherwise – different from our own. If we are truly wise ourselves, or even approximately wise, we can appreciate the wisdom in other religions and philosophies, and even in the workings of minds that do not subscribe to any identifiable ideologies. A habit of asking questions in this conversation will build trust. If we are not wise enough for that, then we should consider staying out of the spirituality business altogether, and leave it to those who are.
3. But let us not give up on spirituality, especially metaphysical spirituality. Just as a well-grounded, wise individual is by far the best suited to

identify her or his core values and beliefs and best able to translate those into life plans and financial plans, so too a well-grounded and wise adviser is best able to help others achieve these ends. We don't necessarily need to be more religious to help clients, but all of us could stand to be more wise. We should foster wisdom in ourselves and in our clients.

4. Digging to the most basic level of assumptions and beliefs is of obvious benefit in life planning. But it is just about as important in financial planning. Risk tolerance, for instance, which is one of the most fundamental concepts in that field – and in many asset allocation models the only required input – is notoriously hard to measure and is also notoriously changeable in individuals over time. Why is that? Because risk tolerance is an expression of underlying attitudes, beliefs, emotions, and values. A wise person understands these within him/herself, and at least has some insight into how they work, and perhaps even control over them. But someone who has not achieved this level of personal insight has one risk tolerance level today, another tomorrow, and who knows about next month? If you are an investment advisor truly seeking to match the portfolio to the client, it is not enough to get the client to complete a questionnaire. Unless you know where those answers are coming from, you have no way to know what the risk tolerance really is. You might as well use a dartboard and, frankly, so might the client (without you!). And this is but one example of the relationship between wisdom and financial planning.

If we do not bring into our planning practices ideas that are "spiritual" in the broadest and deepest sense of that word, we are limited to skimming the surface. For some of us, perhaps, that is all right – there is plenty of good work to be done at the surface.

But those of us who prefer to delve deeper so we can be better advisers should dive as close to the bottom as we can. We never find the most elemental part of our own selves, or the selves of those we work with, but superficial or parochial definitions of spirituality merely mock the reality they seek to affirm.

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Chuck Yanikoski wears several hats, one of which is as general editor of this publication. Also relevant to the subject of this article is his lifelong interest in philosophy, which drew him to leave Harvard College after his freshman year and, after four years of independent study, to enter a Masters program at the University of Chicago Divinity School.

He is the author of an extended essay titled "How to Live Without God," which can be found in its entirety at <http://www.LiveWithoutGod.com>. He was the founder and editor, in 1986, of *Current Philosophy*. His work has also been published in the *Journal of Information Ethics*, and in the Syracuse University Library *Courier*.

A number of his essays on retirement planning are posted on the website: <http://www.StillRiverRetire.com>, while others have appeared in *MarketWatch Retirement Weekly*, the *National Underwriter Income Planning eNewsletter*, *Annuity Association News*, and *DSG Dimensions*. He has also spoken on retirement planning before the National Tax Sheltered Accounts Association and the New England Employee Benefits Council.

## Research Notes

Please contribute to this column by sending us notices or links for research related to aging, advising, demographics, financial decision-making, retiree attitudes or lifestyles, death and dying, or any of the numerous other topics of broad interest to financial and life planners.

### *Psychology and Neuroscience*

[ToBuy&id=2008-07367-018](#)

Do stereotypes about the effect of aging concerning cognitive, physical, physiological and psychological performance affect how older adults actually do perform? A review, by Sean Horton *et al*, of 17 studies suggests that they do. For an abstract of their report, "On the Malleability of Performance," in the *Journal of Applied Gerontology*, go to:

<http://jag.sagepub.com/cgi/content/abstract/27/4/446>

Linda Rueckert and Nicolette Naybar find a not-surprising difference between men and women when tested for empathy, but they also believe they have found a clue that this difference is at least partly due to neural causes. Their paper, "Gender Differences in Empathy: The Role of the Right Hemisphere" appears in the July issue of *Brain and Cognition*. The abstract appears at:

[http://www.elsevier.com/wps/find/journaldescription.cws\\_home/622798/description#description](http://www.elsevier.com/wps/find/journaldescription.cws_home/622798/description#description)

In "Adjustment to and Satisfaction with Retirement: Two of a Kind?" Hanna Solinge and Kène Henkens use a study of Danish retirees to distinguish between satisfaction with the retirement process and satisfaction with retirement itself, arguing that different factors are determinative in each. The abstract can be viewed at the *Psychology and Aging* website, at:

<http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2008-07367-017>

Ben Seymour and Ray Dolan's report "Emotion, Decision Making, and the Amygdala" in the journal *Neuron* is relevant to decision-making at all ages. They suggest that influences that are often assumed to be emotional are actually Pavlovian responses that reflect prior experience, and that their influence in making economic decisions may be more beneficial than harmful. For a summary and further information, see:

[http://www.sciencedirect.com/science?\\_ob=ArticleURL&\\_udi=B6WSS-4SR6DTC-5&\\_user=10&\\_rdoc=1&\\_fmt=&\\_orig=search&\\_sort=d&view=c&\\_acct=C000050221&\\_version=1&\\_urlVersion=0&\\_userid=10&md5=01e19edb3892e5aa4cdf487767128f00](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6WSS-4SR6DTC-5&_user=10&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=01e19edb3892e5aa4cdf487767128f00)

In the same issue of *Psychology and Aging*, William Hippel, Julie D. Henry, and Diana Matovic suggest that while over social satisfaction remains largely steady as we age, this static effect is the result of a mix of underlying positive and negative changes. An abstract of their analysis, titled "Aging and Social Satisfaction: Offsetting Positive and Negative Effects", can be found at:

<http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2008-07367-017>

Nora A. Murphy and Derek M. Isaacowitz reviewed 37 previous studies in their "Preferences for Emotional Information in Older and Younger Adults: A Meta-Analysis of Memory and Attention Tasks," and found that few age differences exist. Those that do exist seem

to relate to the testing method being used. The abstract of this article, in the June issue of *Psychology and Aging*, is located at:

<http://psycnet.apa.org/index.cfm?fa=buy.optionToBuy&id=2008-07367-004>

### *Sociology and Demographics*

Cindy Hounsell, President of the Women's Institute for a Secure Retirement (WISER), is the author of a report dated May 2008 and titled "Minority Women and Retirement Income – Your Future Paycheck." This report offers a review of current data, as well as practical advice, a bibliography, and a list of other sources of related information and assistance. The text is available online at: [http://www.wiserwomen.org/pdf\\_files/minority\\_women08.pdf](http://www.wiserwomen.org/pdf_files/minority_women08.pdf)

The U.S. Senate Special Committee on Aging held hearings on July 23 on the subject: "Person-Centered Care: Reforming Services and Bringing Older Citizens Back to the Heart of Society." As of this writing, the transcript is not yet available on line, but the webcast is. See: [http://aging.senate.gov/hearing\\_detail.cfm?id=301129&](http://aging.senate.gov/hearing_detail.cfm?id=301129&)

### *Retirement Finances*

The "MetLife Retirement Income IQ Study" (June 2008) reveals that consumers are more tuned into longevity as a key financial factor than they used to be, but still tend to underestimate life expectancy – and that other misconceptions remain common as well. The study, by the MetLife Mature Market Institute, also found, interestingly, that those with the most knowledge and best attitudes were "not the 'seek-

ers' of information, but those who reported taking action on their financial retirement plans." The report is available at:

<http://www.metlife.com/FileAssets/MMI/MMISudiesRetirementIQ.pdf>

Colleen E. Medill's report on "Participant Perceptions and Decision-Making Concerning Retirement Benefits" studies decisions made by Nebraska state workers in 1997 regarding choices they were given in their pension plans. The results suggest a tendency to underestimate risk, but also a perhaps surprising ability to manage lump-sum payouts. The full report is available from the Boston College Center for Retirement Research: [http://crr.bc.edu/images/stories/Working\\_Papers/wp\\_2008-9.pdf?phpMyAdmin=43ac483c4de9t51d9eb41](http://crr.bc.edu/images/stories/Working_Papers/wp_2008-9.pdf?phpMyAdmin=43ac483c4de9t51d9eb41)

AARP has updated its research report, "Sources of Income for Older Persons." This is the fifth report in this series, the first one of which appeared in 1998, enabling longitudinal trends to be analyzed. Links to the current and prior reports can be found at: [http://www.aarp.org/research/assistance/income\\_dist/income\\_sources.html](http://www.aarp.org/research/assistance/income_dist/income_sources.html)

Annamaria Lusardi's paper, "Financial Literacy: An Essential Tool for Informed Consumer Choice?" was released by the National Bureau of Economic Research in June 2008. It emphasizes that in a world where financial instruments continue to become more complicated, financial literacy among consumers is woefully inadequate, especially among those with low educational levels, women, and Hispanic- and African-Americans. You can find the abstract of this paper at: <http://papers.nber.org/papers/w14084>

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Michael Hurd and Susann Rohwedder note that in estimating the adequacy of retirement finances, most models fail to take into account that one member of a couple will usually survive the other and be able to continue living on less income. They estimate the size of this effect in their report, "Adequacy of Economic Resources in Retirement and Returns-to-scale in Consumption," which appears in full on the University of Michigan Institute for Social Research website:

<http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp174.pdf>

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Some financial professionals are vexed at the reluctance of many retired people to purchase annuities, even when this appears to be an excellent choice for them. Julie R. Agnew *et al* have analyzed this problem in a working paper for the Boston College Center for Retirement Research. Their report, titled "The Annuity Puzzle and Negative Framing," is available at:

[http://crr.bc.edu/images/stories/ib\\_8-10.pdf](http://crr.bc.edu/images/stories/ib_8-10.pdf)

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Thrivent Financial recently sponsored a survey indicating that while most people who get financial advice for their retirement years have been very happy that they did, most older consumers say they do not want this kind of help. In a separate announcement, they report results indicating that retired women are more frugal than retired men. For further details go to, respectively:

<http://news.thrivent.com/newsroom/news/index.phtml?id=486>, and  
<http://news.thrivent.com/newsroom/news/index.phtml?id=477>.

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Maurice Soto and his co-researchers, all of them affiliated with the Boston Col-

lege Center for Retirement Research or the Federal Reserve (and not with financial product vendors) offer an assessment of life-cycle funds that balances their expected benefits against their higher costs. The full report can be found at:

[http://crr.bc.edu/images/stories/Working\\_Papers/wp\\_2008-10.pdf?phpMyAdmin=43ac483c4de9t51d9eb41](http://crr.bc.edu/images/stories/Working_Papers/wp_2008-10.pdf?phpMyAdmin=43ac483c4de9t51d9eb41)

### *Work and Retirement*

The "EBRI 2008 Recent Retirees Survey: Report of Findings," by Ruth Helman *et al*, focuses on the reasons people retire, and on what employers can do to hold onto them. Details are provided in the Employee Benefits Research Institute Issue Brief #319, at:

[http://www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_07-2008.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_07-2008.pdf)

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Pierre-Carl Michaud and Susann Rohwedder's report on "Forecasting Labor Force Participation and Economic Resources of the Early Baby Boomers," uses a new model to predict that the early wave of Baby Boomers will work longer and apply for Social Security benefits later than their predecessors. The full report can be found at the University of Michigan Institute for Social Research website:

<http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp175.pdf>

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Michael D. Giandrea, Kevin E. Cahill, and Joseph F. Quinn, in a study for the Bureau of Labor Statistics titled "Self-Employment Transitions among Older American Workers with Career Jobs," found that post-career transitions into and out of self employment are common and that health status, career occupation, and financial variables are important determinants of these transi-

tions. The full report is on the BLS website at:

<http://www.bls.gov/osmr/pdf/ec080040.pdf>

See also their report, "A Micro-Level Analysis of Recent Increases in Labor Force Participation Among Older Workers," on the Boston College Center for Retirement Research website:

[http://crr.bc.edu/images/stories/Working\\_Papers/wp\\_2008-8.pdf?phpMyAdmin=43ac483c4de9t51d9eb41](http://crr.bc.edu/images/stories/Working_Papers/wp_2008-8.pdf?phpMyAdmin=43ac483c4de9t51d9eb41)

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Timothy M. Smeeding *et al* have produced a report for the Syracuse University Center for Policy Research on "Working Time, Economic Well-Being, and Public Policy: Employed Parents and Older Workers in Cross-National Perspective," analyzing the links between time spent in paid work and various indicators of individual and family well-being, including time available for family care-giving, personal care, and leisure, as well as earnings and household income. You can view the abstract at:

[http://www-cpr.maxwell.syr.edu/research/working\\_time.htm](http://www-cpr.maxwell.syr.edu/research/working_time.htm)

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In a report for the Urban Institute, Gordon Mermin, Richard W. Johnson, and Eric Toder ask: "Will Employers Want Aging Boomers?" They answer that slower growth of the labor supply will provide more opportunities for older workers, but not so much so for less educated workers. The full report can be found at:

[http://www.urban.org/UploadedPDF/411705\\_aging\\_boomers.pdf](http://www.urban.org/UploadedPDF/411705_aging_boomers.pdf)

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A study conducted by Towers Perrin for AARP analyzes the attitudes of both employees and employers toward job training for workers age 50 and older. Not surprisingly, the study finds recep-

tivity toward such training on the part of workers, and benefits to both employer and employee. The full report is located on the AARP website:

[http://www.aarp.org/research/work/employment/invest\\_training.html](http://www.aarp.org/research/work/employment/invest_training.html)

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A second AARP-sponsored report is based on a survey of 3,000 AARP members in Michigan age 50 to 62, and explores their attitudes and expectations about working during their "retirement" years. The report, titled "What Retirement? Working and Learning for AARP Members in Michigan" is located at:

[http://www.aarp.org/research/work/retirement/mi\\_learning\\_07.html](http://www.aarp.org/research/work/retirement/mi_learning_07.html)

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Gary Burtless, in "The Rising Age at Retirement in Industrial Countries," has found that labor force participation among those age 60 and up has increased in almost all of the most economically advanced countries, and that this applies to both men and women. You can find his full report, for the Boston College Center for Retirement Research, at:

[http://crr.bc.edu/images/stories/Working\\_Papers/wp\\_2008-6.pdf?phpMyAdmin=43ac483c4de9t51d9eb41](http://crr.bc.edu/images/stories/Working_Papers/wp_2008-6.pdf?phpMyAdmin=43ac483c4de9t51d9eb41)

### *Health, Medicine, and Elder Care*

Chris Plummer reports in the July 18, 2008 issue of MarketWatch *Retirement Weekly* about changes in the nursing home industry that are trying to put the idea of "home" rather than "nursing" in the forefront. (Available by subscription only). See:

[https://store.marketwatch.com/webapp/wcs/store/servlet/PremiumNewsletters\\_RetirementWeekly](https://store.marketwatch.com/webapp/wcs/store/servlet/PremiumNewsletters_RetirementWeekly)

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Leora Friedberg, Wei Sun, and Anthony

Webb have produced a paper for the Boston College Center for Retirement Research titled "How Much Do Older Workers Value Employee Health Insurance?" They surveyed older workers and analyzed by ethnic group the factors that influence the presence or absence of health insurance. See the full report at:

[http://crr.bc.edu/images/stories/Briefs/ib\\_8-9.pdf](http://crr.bc.edu/images/stories/Briefs/ib_8-9.pdf)

Elizabeth A. Corsentino *et al* found that while care-givers for people with serious mental illness are concerned about the future of the sufferer in question, the large majority have not made plans for that person's future. Their study, "Family Caregivers' Future Planning for Younger and Older Adults With Serious Mental Illness (SMI)," appears in the August issue of *The Journal of Applied Gerontology*. The abstract is at:

<http://jag.sagepub.com/cgi/content/abstract/27/4/466>

Christian Balducci *et al* have completed a study that validates the COPE index as a tool to help health and social care providers enhance the positive and reduce the negative impacts of caregiving. Their report, "Negative Impact and Positive Value in Caregiving: Validation of the COPE Index in a Six-Country Sample of Carers," appears in the June issue of *The Gerontologist*. An abstract can be found at:

<http://gerontologist.gerontologyjournals.org/cgi/content/abstract/48/3/276>

Also in the June issue of *The Gerontologist*, you can find an abstract of Judith G. Chipperfield's study of "Everyday Physical Activity as a Predictor of Late-Life Mortality," which finds a strong link between everyday physical activity and length of life:

<http://gerontologist.gerontologyjournals.org/cgi/content/abstract/48/3/349>

The American Medical Association has published a set of guidelines on "medical tourism" (traveling to foreign countries for medical care, usually for cost savings):

<http://www.ama-assn.org/ama1/pub/upload/mm/31/medicaltourism.pdf>

### *Leisure and Social Activity*

The current issue of the *Public Policy & Aging Report* from the National Academy on an Aging Society deals with environmentalism and volunteerism. For more information, go to:

[http://www.agingsociety.org/agingsociety/publications/public\\_policy/index.html](http://www.agingsociety.org/agingsociety/publications/public_policy/index.html)

Giang T. Nguyen *et al* have found that older adults self-report both positive and negative connections between television viewing and depression. Their study, "More Than Just a Communication Medium: What Older Adults Say About Television and Depression," appears in the June issue of *The Gerontologist*. See the abstract at:

<http://gerontologist.gerontologyjournals.org/cgi/content/abstract/48/3/300>

### *Living Arrangements*

The Genworth Financial annual survey of long-term care costs (nursing homes, home health care, assisted living, adult day care) provides average care cost information for each state and separately for some metropolitan areas. A link to the full report can be found at:

[http://www.genworth.com/content/genworth/www\\_genworth.com/web/us/en/products\\_we\\_offer/long\\_term\\_care\\_insurance/long\\_t](http://www.genworth.com/content/genworth/www_genworth.com/web/us/en/products_we_offer/long_term_care_insurance/long_t)

[erm\\_care\\_overview/what\\_is\\_the\\_cost\\_of\\_long\\_term\\_care.html](#)  
[http://aging.senate.gov/hearing\\_detail.cfm?id=301129&](http://aging.senate.gov/hearing_detail.cfm?id=301129&)

### *Spirituality*

Eeva Sointu and Linda Woodhead, in their article on "Spirituality, Gender, and Expressive Selfhood," argue that "holistic spiritualities align with traditional spheres and representations of femininity, while simultaneously supporting and encouraging a move away from selfless to expressive selfhood," and this accounts for the disproportionate involvement of women in "holistic spirituality." An abstract appears in the website for the *Journal for the Scientific Study of Religion*:

<http://www3.interscience.wiley.com/journal/120083089/abstract>