
The housing crisis facing your

AGING CLIENTS & THEIR FAMILIES



The most important discussion your clients need to have but don't know it. Yet.

Findings from the Legg Mason
Financial Advisor Survey:
Aging Clients and Housing Needs

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PROFILE OF FINANCIAL ADVISORS SURVEYED IN THE LEGG MASON *AGING CLIENTS AND HOUSING NEEDS* STUDY

Over 500 financial advisors responded to our survey. They are seasoned, experienced professionals with an average of 20+ years in the business; and provide investment solutions to clients who are largely 55 or older. As a result, our survey respondents have great insight into the challenges faced by their clients as they age.

Type of advisor: Equally divided across RIA, independent broker/dealer and wirehouse

Average assets under management: \$72 million

Average age: 56

Average number of years as an advisor: 20 or more

Average age of clients: 55 or older

Percentage of clients retired (on average): 43%



ABOUT THE LEGG MASON FINANCIAL ADVISOR SURVEY ON *AGING CLIENTS AND HOUSING NEEDS*

The Legg Mason survey of financial advisors entitled *Aging Clients and Housing Needs* was conducted by Penton Research in the third and fourth quarters of 2013.

Email responses were received from 506 financial advisors nationwide representing a qualified cross-section of professionals:

28%

RIAs

26%

Independent broker/dealer

23%

Wirehouse

12%

Regional broker/dealer

4%

Bank representatives

6%

“Other”

Legg Mason sponsored this national survey to determine whether financial advisors were prepared to discuss the impact of housing in retirement with their clients and their clients’ families.

Housing is directly tied to a person’s physical or psychological well-being; that is why having a living situation that fits one’s current level of physical and cognitive ability and anticipated future needs is essential.

Aging and its Financial Implications: Planning for Housing, Legg Mason, 2013.

THE HOUSING CRISIS: FACING YOUR AGING CLIENTS & THEIR FAMILIES

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It could happen to all of us and will likely happen to a lot of us.

A parent, a grandparent or a family member we care about is getting on in years. They live in the house where they raised their family, tended their garden or built a lifetime of memories. Unfortunately, what may have been their dream house when they bought it years ago could become a total nightmare — sometimes overnight — should they no longer be capable of climbing the stairs, or caring for the yard, or even driving to and from their home.

If they're fortunate to be in good health, they still face ever-increasing costs to maintain the home they have outgrown — and may be sitting on the single largest portion of their nest egg that could be used to create an even greater quality of life in retirement.

All too often, it seems we fail to anticipate or even investigate what our housing needs and choices might be as we age before it's too late — before a sudden health issue or economic shortcoming forces our hand; and that always happens at the very worst time.

As your clients' trusted Financial Advisor, you have a choice. You can ignore the issue, or you can decide to introduce the

Key findings

The majority of financial advisors have had personal experience organizing care for an aging parent, grandparent or loved one.

Many financial advisors have already considered their own housing options in retirement. However, since their clients are not asking about housing options in retirement, advisors are not helping clients plan for it, and do not feel qualified to discuss the topic.

Financial advisors admit that the issue of dealing with aging clients will become "much more important" in the future.

The majority of advisors surveyed would like to receive training or education on the changing financial needs of aging clients in order to deliver critical advice to their clients and engage client families more closely.

economics of housing into the discussion when talking about retirement readiness with your clients. **It's a critical issue that affects all of your clients and their families.**

According to Legg Mason's recent survey of financial advisors entitled *Aging Clients and Housing Needs*, you are clearly focused on helping your clients solve their biggest problem — having enough money in retirement.

You're also already talking to the adult children of some clients — and to them, the long-term housing needs of their parents could become an enormous, life-altering issue. However, you're not talking about the impact housing choices can make on the quality of life and economic well-being of your clients in retirement. At least not yet.

All you need are the tools. Thanks to the Legg Mason program, *Aging and its Financial Implications: Planning for Housing*, the tools you need are now available. It's time to put the critical issue of housing into your retirement readiness/financial planning discussion.

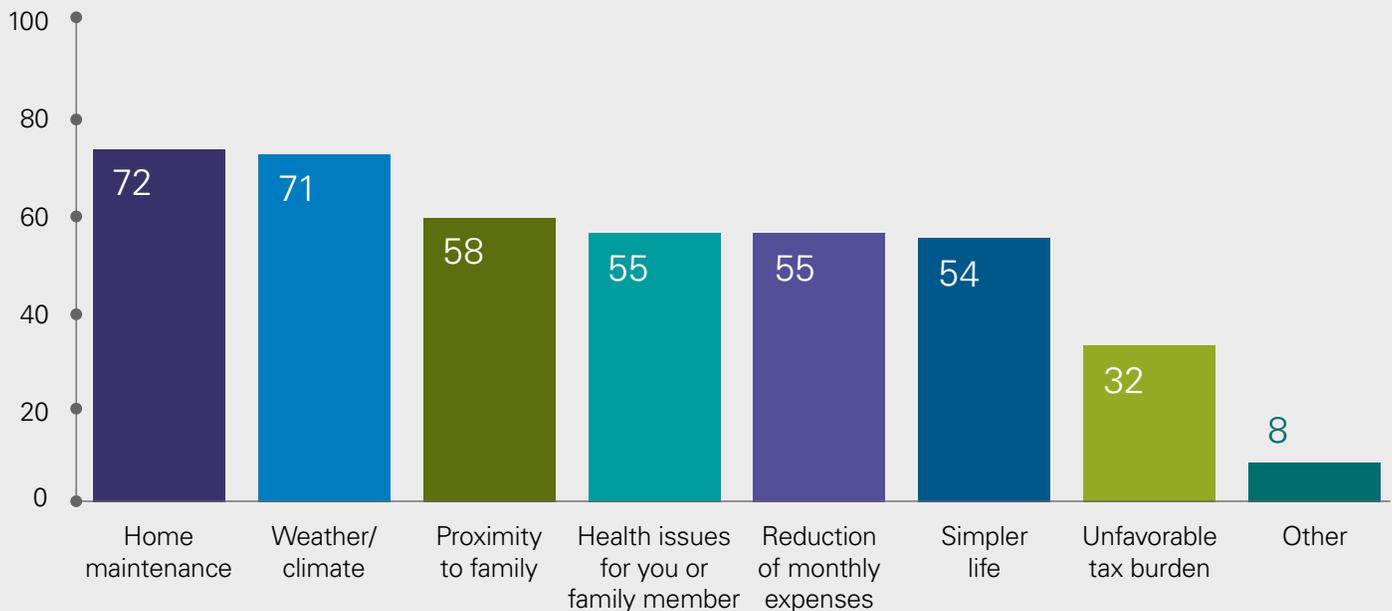
It can happen to you. In fact, it has.

In response to the Legg Mason survey, 71% of financial advisors have been involved with organizing care for an aging parent, grandparent or loved one.

In other words, the vast majority of financial advisors we surveyed have direct experience arranging for someone in their own family to have care provided due to any number of reasons. Those with personal experience know this can be a process fraught with great challenges, misinformation and confusion. It can create great stress in a family and certainly for the family member responsible for making all of the care arrangements — in this case, 71% of the advisors surveyed.

Financial advisors and their own housing needs in retirement (%)

When asked, “Which of the following are factors or considerations in your own evaluation of housing?” financial advisors said:



Where to live should be proactively thought through in advance of a health crisis, even if the intent is to age in place, that is, remain in your home. Mobility limitations, a chronic illness or a catastrophic health crisis may give way to a housing move, reshape the best-laid plans and disrupt your financial preparedness.

Aging and its Financial Implications: Planning for Housing, Legg Mason, 2013.



Arranging care often includes making difficult choices when it comes to housing. Do your loved ones “age in place” as they may wish and if so, is their home fully equipped so they can enjoy a safe and sound quality of life as they age? Or, do they need to downsize to a safer environment better suited to their changing needs? Do they need assistance or ongoing medical care and if so, can they afford the gold standard of quality care in their area?

These are the questions that so often confront the aging and their caregivers.

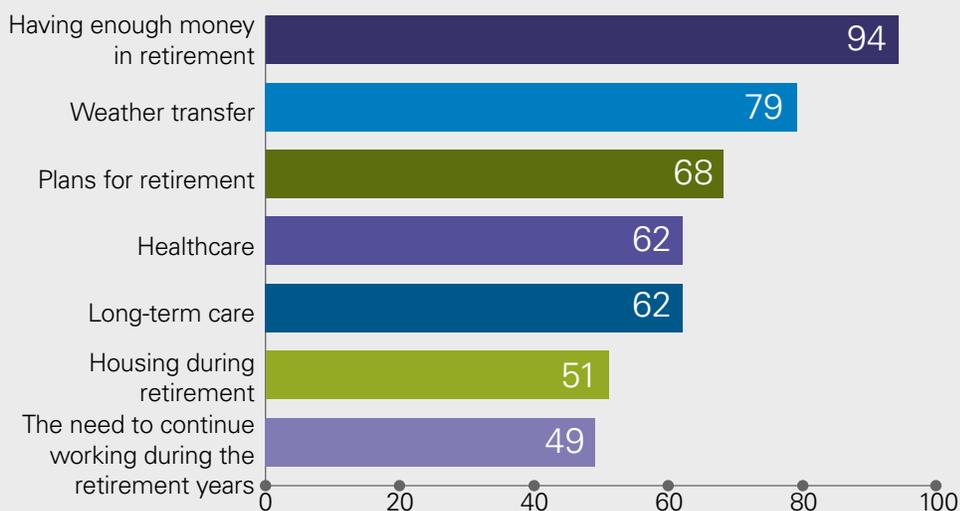
Perhaps it’s due to this experience that **45% of the financial advisors we surveyed said they have “personally considered other housing options” for their own retirement** — aside from the home they live in now.

And yet...

Even though so many financial advisors have considered other housing options for their own retirement, **only 14% of over 500 advisors** surveyed have actually helped their clients develop a plan to address their future long-term housing needs (*e.g., downsizing, moving to retirement community or continuing care*).

In fact, in spite of the significant financial ramifications that housing choices can have on quality of life and retirement, the financial advisors surveyed placed far greater importance on solving the broader client challenge of having enough money in retirement, followed by wealth transfer and “plans for retirement” (*e.g., their “bucket list”*).

To what extent do you discuss each of the following aspects of aging with clients? (%)



(Percent indicating 4 or 5 on a 5-point scale, 1 = “Do not discuss at all” and 5 = “We develop an extensive plan.”)

Did you know?

At age 55–64, the average household spends less than 33% of income on housing. That share rises to 36% of expenses for the 75+ age cohort, even though people of that age are likely to own a home without mortgages.

Bureau of Labor Statistics, Consumer Expenditure Survey, September 25, 2012.

Why not talk long-term housing? No one's asking!

When asked, “*What has kept you from developing a more extensive financial plan for your clients’ housing needs during the various phases of retirement?*”...the financial advisors we surveyed admitted that they don’t talk about it either because their clients are not asking about it (40%), or they do not feel “knowledgeable enough about the topic” to address it (26%).

The number one reason financial advisors are not helping clients create plans for their long-term housing needs in retirement:

“My clients do not ask about it.”

Did you know?

In a study of 1,300 Coldwell Banker real estate agents, 80% observed “late boomer” homeowners (age 56–64) would like to downsize with almost half (47%) saying they prefer condos or townhomes and 27% saying they prefer an active adult community.

Baby Boomer Real Estate Trends
Coldwell Banker, September 2011.

The client housing exodus and when

Though financial advisors might not be helping clients plan for their long-term housing needs yet, they do believe a significant percentage of their clients will be moving during retirement.

What is your best estimate of the percentage of your clients who will need to move during their retirement years, for each of the following reasons? (%)

Question	Less than				
	20%	20-39%	40-59%	60-79%	80-100%
To downsize from their current home	32.06	33.87	24.65	8.62	0.80
To move into a retirement community	36.77	37.17	20.40	5.66	0.00
To move into a facility that provides some level of medical care (e.g., assisted living, skilled nursing home)	46.36	29.15	13.77	8.70	2.02

At what age do clients develop the need for different housing?

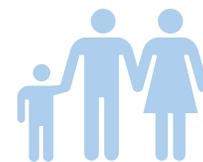
The financial advisors surveyed said they expect their clients to be the following ages:

To downsize from their current home: 69.5

To move to retirement community: 74

To move to a facility that provides some level of medical care: 79

Clearly, given the ages shared by the financial advisors, not only does the change in housing impact their aging clients; just as importantly, it impacts their clients who are the caregivers for aging parents or loved ones. And, it can significantly impact the success of their financial plan.



The importance of dealing with aging clients

There's no question about it: the vast majority of financial advisors agree that their ability to handle issues around their aging clients is of extreme importance going forward. More specifically, asked to consider their practice in the future, 86% of financial advisors said the "issue of dealing with aging clients" will become more important — with 55% saying it will become MUCH more important.

It's a family thing...

Helping aging clients often includes coordination with and communication to their family members. The good news is an extraordinary 92% of financial advisors said they have established relationships with a meaningful portion of their clients' adult children.

Advisors want to know more to do more

Financial advisors realize the urgency to know more about working with aging clients and family members with aging loved ones. In fact, the vast majority of financial advisors surveyed expressed interest in receiving training or education on aging clients, their families and their changing financial needs.

More specifically:

71% expressed interest in online information they could access

53% want printed materials in a modular approach

45% were interested in webinars

Make housing part of the discussion

As financial advisors increasingly focus on helping their clients prepare for a rewarding retirement, the economic impact of long-term housing choices has to factor into the discussion. All too often housing choices are dictated by fate instead of proper planning.

Learn how to discuss housing with your clients — help them prepare for their own future, or prepare to help their elder family members or loved ones.

It's the most important conversation you're not having with your clients. Yet.

Visit www.lmtapp.com for more information and a copy of Legg Mason's extensive client-approved resource guide: *Aging and its Financial Implications: Planning for Housing*, created in collaboration with the Center for Innovative Care in Aging at the Johns Hopkins University School of Nursing.

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