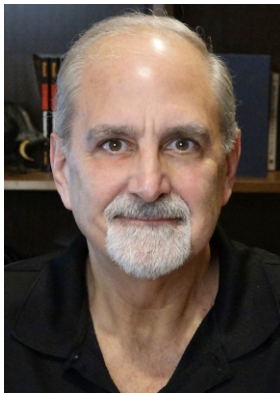




THE HARBOR PILOT PARADIGM

By Frank Maselli



Frank Maselli is a former U.S. Army Officer and a 38-year veteran of the Financial Services Industry. He is one of the nation's premier keynote speakers and coaches. His three best selling books, **Seminars: The Emotional Dynamic**, **Referrals The Professional Way** and **40 Tips for the Under 40 Advisor** are all in multi-edition. He has trained thousands of advisors, wholesalers and managers in advanced communication and business development skills.

In my hometown of Staten Island, NY there is a tiny, non-descript building that is home to one of the oldest and most important organizations in the nation...The Sandy Hook Pilot's Association.

This group was founded in 1694, 82 years before America declared independence! Very few people know anything about them, but the work they do touches all our lives every day in a very powerful way. And it's a direct parallel to your most critical role as a financial professional.



SANDY HOOK
PILOTS ASSOCIATION

A Great Analogy

I love analogies. Using a good one is like turning on a light in a dark room, suddenly the confusion is gone and you can see everything clearly. The Harbor Pilot Analogy is an amazing fit for us.

A harbor pilot's job is to take charge of a ship as it starts or finishes its long ocean journey. The folks at Sandy Hook are responsible for guiding ships in and out of the massive Port of New York and New Jersey, the oldest in America and one of the busiest in the world.

No vessel over 150 feet long can enter, leave, or even pass by the harbor without their help. To do so is not only against maritime law but could be catastrophic. Navigating the specific dangers and risks in a harbor takes critical knowledge, training, experience and expertise.

If any of that sounds familiar, it's because you do the same exact job guiding clients into and through retirement.

In our world, great analogies make it much easier for people to understand complex financial concepts and help drive home important emotional and intellectual messages. They're particularly useful in seminars and workshops, and I strongly encourage you to build a menu of analogies that cover a variety of ideas.

One of the more popular analogies advisors have been using for years is the "Up & Down The Mountain" story. This one works very well in conversations about retirement planning where you want to differentiate between the "accumulation phase" (going up the mountain) and the "distribution phase," (coming down the mountain.) This analogy conveys the message that there are many more dangers and risks coming down than going up. In fact, the majority of deaths that have occurred on Mount Everest climbs have happened on the way down.* That's certainly a scary statistic and it gets

Massachusetts General Hospital. "Why Climbers Die On Mount Everest." ScienceDaily. ScienceDaily, 15 December 2008.



Ocean or Mountain?

The Mountain Climber and the Harbor Pilot analogy are both pretty good. But there are some important differences.

I personally find it hard to identify with people who climb Mount Everest. But almost anyone can imagine taking a cruise or seeing a beautiful yacht. A more common experience can better unify the audience.

The Harbor Pilot story also lets you emphasize the role of a specialist guide for the retirement journey. Whereas a climber uses the same Sherpa guide for going up as coming down.

I also like the imagery and romance of a multi-year ocean voyage. That feels more like what a client might experience over the course of their financial lives.

When you consider using any analogy, think carefully about the specific aspect of the thing you are trying to analogize. You want to highlight a characteristic of the object that helps make your case.

For example, I have about ten different analogies for the stock market. But do I want to talk about volatility, risk, uncertainty, or value, opportunity, growth, and rising dividends?

Analogies enhance audience understanding and you control that process by picking the right analogy for the situation.

people's attention. The Harbor Pilot Analogy is another one that might help you as well.

The Most Dangerous Part of the Journey

Imagine your client has spent years building a beautiful and sturdy ship – their financial portfolio. They've been sailing this ship on a multi-decade journey crossing a vast ocean of time to arrive within sight of their destination port called Retirement. And now they are looking forward to a wonderful stay in this safe and tranquil harbor.

You are their Master Harbor Pilot. You have special skills, experience, knowledge, and tools that will get their ship safely to the dock. You know where all the rocks are. You know the tides, the currents, the way the wind can affect their course. You've safely navigated hundreds of vessels, both large and small, into this harbor for many years and you're going to do the same with them.

We all know that the open ocean has its risks. A storm, a rogue wave, a giant octopus could all make the trip dangerous. And even cruising on the largest ships, the cyclic movement and gyrations of the waves (volatility of markets) can sometimes make people seasick.

But for the most part, the mid-ocean portion of the trip is handled by computer. The navigator sets the course and speed and the GPS takes over. Occasional alterations are made to allow for bad weather, icebergs, or other ships, but it's mostly an uneventful cruise for thirty or more years.

By contrast, docking may be the shortest part of the trip but it's by far the most dangerous. This is where you can run aground or even hit stuff like land or docks or rocks or other ships. Boats generally don't like to hit stuff. Big ships might seem invulnerable, but the damage they might sustain in a harbor collision can be even more costly than a small dinghy.

One example of the special risks your clients face when approaching the harbor of retirement is Sequence of Returns. As you know, during the accumulation phase, the sequence of returns doesn't matter at all. In fact, by dollar-cost-averaging, an investor can actually take advantage of periodic downturns to amass even more wealth.

But when you get closer to the retirement dock, extreme wave action or market volatility can be deadly. If you retire today and next week the market hits a major downturn, you could see your entire financial plan fail. That risk is one of those unique situations the ship's regular Captain or "accumulation phase advisor" never needs to face while sailing the open ocean. But the nearer you get to retirement the deadlier this risk becomes. A Harbor Pilot knows exactly how to handle this.

Another major risk that only comes into view near the harbor are the costs of normal or long-term health care. This is like a sharp rock just below the water line that you can't see until you're right on top of it. Then it smashes into your hull and tears your ship apart. You get the idea.

Make it Your Own

The best analogies lend themselves to rich and descriptive language and visuals. You can expand on them to make it come alive for you in a workshop or in a one-on-one conversation with a client or prospect. Here's how I might use the Harbor Pilot analogy in a live or virtual seminar.

Let me ask you all to use your imagination for a minute. I think this will help you understand a very important concept for your financial future.

Imagine that you are the owner of a beautiful yacht. I'm not talking about a little sailboat here...I want you to picture one of those yachts you might see on TV. How many of you have seen that TV show, "Below Deck" or maybe you remember "Lifestyles of the Rich





Not an Easy Job

Being a harbor pilot is a tough gig filled with serious hazards and stress. Pilots are on call round the clock, every day of the year. They may face brutal weather conditions that make the dangerous act of climbing a big ship's Jacob's Ladder a life-threatening process in choppy seas.

The rewards may be worth the risks however, as pilots are well paid for their services. Salaries vary widely depending on the size of the port, but the average is around \$80,000 per year. In the larger and busier harbors, pilots average over \$400,000 per year. Becoming a harbor pilot takes years of training and experience. Most applicants are graduates of a four-year federal or state maritime academy. But it might take an additional decade of ocean-going experience to qualify. Pilots usually work in the same port for their entire career. They must be able to navigate a variety of ships including tankers, container ships, cruise ships, and barges.

When you stop to consider the amount of commercial ship traffic that traverses the world's seas or larger lakes and rivers, the unseen role of the harbor pilot becomes even more vital.



The world's largest container ship is the HMM Algerias flagged out of Panama. It can carry roughly 24,000 of those standard containers you see on trucks and rail cars. Pretty much everything is shipped in those containers these days except for bulk cargo like grains, coal or oil. Imagine docking this baby. Mind boggling!

and Famous." You know the kind of boat I'm talking about. Something luxurious at least 100 feet long with jet skis, and a pool and a full crew to serve you.

In a live workshop I would really have some fun with this by asking the room what they might name their yacht. It's a great way to get some audience participation and inject some spontaneous humor to a program.

For the sake of our story, let's imagine that all your yachts have the same name. Your ship is called "Treasure Chest."

Treasure Chest represents all the financial wealth and resources you've accumulated in your lifetime. It's your IRA, your pension, your 401(k), your Social Security, your home, cars, life insurance, everything that is worth anything in terms of real dollars.

I know it can be hard to picture all of this in one place. Don't worry about the specific numbers at this point. Just let your mind go and imagine everything you have all represented by this magnificent yacht.

For the past 30 years you've been sailing the ocean on your beautiful yacht. You've been building wealth and accumulating treasure your entire working life. It's been a great journey so far and it's certainly not over. You have a lot of cruising you still want to do. But you're getting closer to port. You can see the harbor and you can imagine all the exciting possibilities and adventures that are waiting for you there.

Folks, that harbor is retirement. And it promises to be a fantastic time in your life. But before you can dock your yacht, you need some special help.

So you pick up the radio and call for a harbor pilot. The harbor pilot jumps onto a motor launch and cruises out to meet your ship before you come anywhere near that harbor. They are the experts who's sole job is to guide your yacht and other ships safely into port. They are intimately familiar with the local tides, the currents, and the wind from every angle.

They know how to avoid all the rocks and sandbars and the sunken wrecks and cables that could rupture your hull or snag your propellers. They've mastered the most dangerous part of the journey specific to that harbor and they steer your vessel through the dangers safely to the dock.

Folks, that's MY job! I am a retirement harbor pilot. You've done very well by yourself on the open ocean. You may have seen a few storms and rough seas along the trip but you navigated your way on this journey with tremendous confidence in your abilities as the Captain of Treasure Chest.

But every captain of every ship in the world knows one thing. The harbor is where the real danger lies. There are unique and specific risks that demand highly specialized knowledge. You might be a Navy admiral with your flag on the bridge of the largest aircraft carrier. But you would never even think of entering a harbor without a pilot.

That's the basic story, but you can carry it further if you like.

Retirement can be the greatest time in your life. But you need a guide. And not to overburden this analogy, but the complexities you face in retirement are even more challenging because in the harbor, there's less room to maneuver...less room to recover from mistakes. Plus, in retirement your greatest financial ally is gone.

This is very important. Who is your greatest financial friend during the pre-retirement years? Time!

A bear market...who cares? You have plenty of time to recover. Inflation, rising interest rates, gas lines, taxes, housing crisis...no problem. They are all going to change several times like they have all our lives.

The Fun of Watching Novices Dock a Boat



One of life's most comical scenes has to be watching a brand new boat owner try to dock for the first time.

Cruising Lake George in our Cobalt was one of our great joys. But I vividly recall the first day Rebecca and I tried to pull into the lake's busy city dock one holiday weekend.

We approached carefully and scanned for a space. Lake etiquette says boaters take turns in order of arrival. But I ignorantly jumped the line and grabbed a spot that had come open near me. "How lucky!" I thought and I didn't understand why other boaters were honking at us.

I then proceeded to try to parallel park my boat between two others by furiously shifting the prop from forward to reverse.

This whole time, my lovely wife was lounging in the back, blissfully unaware that it was her job as First Mate to simply step up to the dock and tie us off so I could just shut the engine off. We were clueless!



After we hit the dock several times, the owners of nearby boats started to rush over to protect their own boats from the obviously insane newbies.

Finally after much tension, frustration, a lost bumper and a lot of prop-wash, I pulled my shiny boat back out into the lake and cruised angrily home.

Eventually we got really good at docking but we could have used a harbor pilot that day.

I might get more specific here as a way to add some depth to my own professional experience.

When I started as a financial advisor in 1983 the Dow Jones Average was at 1200. Today it's at 35,000! When you think of all the financial, economic, cultural and political changes and even storms we've seen in that time period it's almost impossible to grasp the reality that the U.S. stock market has grown by nearly 3,000% in that time. Time has been a fabulous friend. But that's not true once you get close to retirement.

Now, things are different. There is no more room for mistakes with your wealth. You have less time to recover from bad markets, a bad economy, or bad decisions. This is a special and unique period of your financial life that demands extra care and expertise.

Look, any qualified bridge officer can command a ship at sea. But as your journey takes you closer to port, you need a master harbor pilot to get your ship safely to the dock.

Don't Hit the Rocks!

One of the biggest dangers faced by retirees is medical costs and the risk of long-term care. These are gigantic boulders that can sink even the sturdiest ships. A Harbor Pilot knows how to protect the ship from them. And again, because there are no boulders in the middle of the sea, most open-ocean Captains never even discuss this risk! There's simply no reason.

What about taxes? Accumulation phase ship Captains laugh at taxes because the for most of their clients, majority of the wealth is in some kind of retirement plan. That's probably true for many of you here tonight as well. For the majority of your lifetime, the pre-retirement financial journey is a blissful, tax-deferred cruise.

"Deferred till when?" you might ask? **THE HARBOR!**

Retirement is when the IRS wants a piece of you! They've waited a long time to get it and they are anxious for you to tie up to the dock.

I have this image of an IRS agent standing on the wharf staring at your ship through binoculars as it approaches the harbor. They are rubbing their hands together in anticipation of their share of the booty that you've been accumulating for the past thirty years in your IRA or 401(k).

Look, there's no doubt that the concept of tax-deferred retirement savings has been great for the average investor. Retirees today have amassed over \$32 trillion in assets in some form of tax-deferred program. But that also means it's a giant windfall for the government as well. Retirement is time to pay the piper and the minute you tie up to the dock your "silent partner" is going to be standing there with his hand out.

A Harbor Pilot knows exactly how to deal with taxes in retirement. They might even prepare you in advance of docking by transferring some of that wealth into tax-protected accounts like a Roth IRA or into some cash-value life insurance.

I think of these two financial tools like little submarines that can approach the harbor without the IRS agent even seeing them. How neat is that? Oh, they will still eventually get a piece. Avoiding taxes totally is simply not possible for the average American. But there are tools that allow you greater control over when and how much you pay. As a Harbor Pilot, I use these tools every day and can help you find a strategy that reduces the risk and pain of taxes.

A Rich Analogy

For an analogy to be worth using, I believe it needs to be easy to understand and rich enough to be memorable to the client. The Harbor Pilot Analogy fits that bill for me. It has some great images and classic characters.



The Captain's In Charge

Throughout the history of ships and the sea, the Captain is responsible for their vessel and crew at all times. That's true even when the harbor pilot is aboard.

The pilot may assume the conduct of the ship and issue specific instructions for navigation and maneuvering, but only with the permission of the Captain. The two of them cooperate with the same goal in mind – the safety of the ship – so the relationship is mutually courteous and professional.

I heard an old joke about a young Naval officer asking an Admiral what they should do if they accidentally ran their ship aground. The reply was simply, **“Don’t!”** In the Navy, the Captain would be relieved of command regardless of the circumstances. The Executive Officer would probably be relieved as well. I imagine a decent Captain might take the deck from their Officer of the Deck before the grounding to save that junior officer's career. But a Captain is pretty much finished.

Talking about the beautiful ship the client has built is a nice compliment to their success. It makes them feel rightly proud of the choices they've made and the hard work they've done over many years. And it shows them that you recognize, respect, and value their sacrifice. That makes it even more emotional when you create the image of hitting the rocks and sinking the ship just as they are so close to their goals.

The visceral idea of the idea of hitting the rocks and sinking their ship, lets you talk about your special expertise and experience that differentiates you from many of your competitors without trashing them in any way.

I might say something like this:

Folks, your stockbroker did a great job getting you across the ocean. You've worked hard over many years and accumulated a pretty meaningful portfolio. This has positioned you and your family very well for the next phase of the journey. Now that you're getting closer to retirement, however, the challenges are very different. There are several unique dangers that you've never had to face before and that most advisors simply never deal with. To make absolutely sure your money is safe and will last you in retirement is going to take a different set of skills, tools, and experience. That's MY specialty. Let me be your harbor pilot.

Give this a try in your next workshop or weave it into a conversation with a prospect or client and see how it plays. As you've probably heard me say a million times, the vast majority of our success in this profession comes from our ability to engage and impact the emotions of our clients and prospects. Great analogies have a way of reaching people on both an intellectual and emotional level. The overt message in any analogy is one part, but the feeling they get from finally understanding something important in their lives is often more important and dramatic.

Thanks Sandy Hook!

New York is a city literally surrounded and defined by water. But in all the years I lived there and crisscrossed that massive harbor by ferry or bridge or tunnel, I never stopped to think about the critical role played by the Sandy Hook Pilots and their colleagues worldwide.

They are one of those hidden professions whose skills are absolutely essential to global commerce. It would be pretty hard to name a product, from the grand to the mundane, that isn't either built, grown, powered, or touched in some way by something imported by ship from overseas or that moves along an American lake or river. Water has forever been and still is today the beating circulatory system of all human civilization.

So I will raise a cup of Starbucks coffee made on my Kuerig, or a glass of French champagne chilled in my Sub-Zero fridge, sitting at my Apple computer, with my Sony TV playing in the background; and I gratefully toast all of you who guide the world's wares and people safely home from the sea!

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