

# HELPING CLIENTS UNDERSTAND EMOTION RISK IN RETIREMENT

When most people think about retirement risks, they picture market downturns or inflation. What often gets overlooked is emotion risk: the impact of fear, regret, or overconfidence on client decision-making. Unlike volatility or inflation, it doesn't show up on a performance report, yet it can quietly erode even the best retirement plan.

## Key Takeaways

Emotion risk is real: Fear and regret can quietly derail retirement plans just as much as market volatility or inflation.

Most mistakes happen when clients start drawing down assets, not when they're accumulating them.

Retirement is emotional, not just financial: Identity loss, changing routines, and health concerns shape how clients make decisions.

Formal income plans, personality-based coaching, and values-based discussions help clients stay grounded.

Emotions amplify other risks: Worries about longevity, inflation, and volatility often push clients toward poor financial choices.

Guaranteed income products, such as annuities, provide certainty and peace of mind.



Emotional investing happens when clients let reactions (not strategy) take the driver's seat. Selling at the wrong time, chasing returns, or abandoning a long-term plan can do just as much harm as a bear market. This is where finances and emotion collide.

**“Risk is an emotion. It causes fear, which clearly is an emotion... client reactions and their emotions can cause them to make bad decisions.”**

– **Anders Smith**, CFP®, CIMA®, CPWA®, RMA®, RICP®, Vice President, Managing Director – National Sales Consulting



Delaware Life's Anders Smith uses the analogy of mountain climbing to explain the danger: getting to the top of the mountain (accumulation) is only half the journey. Most accidents happen on the way down (distribution), when risks change and emotions run high.

**“Going down the mountain is where most of the accidents happen... in retirement distribution planning the risks are different, and this is where a lot of the emotional things tend to come up.”**

– Anders Smith

This is why emotion risk deserves equal footing with the other L.I.V.E. risks: Longevity, Inflation, and Volatility. By helping clients recognize and manage emotion risk, advisors can help protect them from short-sighted moves that jeopardize long-term security. Behavioral finance reinforces this lesson: emotions and biases can shape decisions just as much as numbers.

By recognizing and planning for emotion risk, advisors can reframe threats as opportunities and strengthen client trust.

## THE PSYCHOLOGY OF RETIREMENT

Retirement is more than a financial transition; it's an emotional one, too. Clients can face a loss of identity when work no longer defines them, along with shifting family dynamics and routines.

**“I'm not working anymore. Who am I?... a person's work, what they've done for 30–40 years, is their identity. So you get people that deal with depression, or bad habits, or just that loss of purpose.”**

– Anders Smith

These emotional factors influence how retirees perceive risks and make financial choices. Advisors who recognize the psychological aspects of retirement can better anticipate behaviors, manage emotional triggers, and help clients navigate this new chapter with confidence.

Emotional intelligence plays a key role. Advisors who listen actively, acknowledge feelings, and ask open-ended questions are better poised to uncover the fears driving financial behavior. For example:

- Clients may say they fear “running out of money,” but often what they mean is losing independence or becoming a burden.
- Anxiety about market volatility may reflect a deeper fear of losing control.
- Resistance to spending in retirement may be tied to family experiences with scarcity.

By tuning in to these underlying concerns, advisors can address not only the numbers but also the human side of retirement, reframing financial strategies in ways that provide reassurance and peace of mind.

# ADVISOR CONVERSATIONS THAT MATTER

Advisors play a critical role in grounding clients during periods of uncertainty. A formal, written retirement income plan gives clients something to hold on to, reducing fear and replacing uncertainty with clarity.

The right questions matter: What do you want retirement to look like? How do you want to live day to day? These conversations help uncover client values and turn them into a framework for decision-making.

**“A formal plan eliminates a lot of the emotional issues by having a guaranteed source of income. It gives people knowledge and education upfront, so there’s less panic when things happen later.”**

– Anders Smith

## PERSONALITY TYPES MATTER

As an advisor, you’re accustomed to reading clients to understand what they value in an advisor and a retirement plan. With that keen eye, you can tailor your approach to conversations by personality type. One useful framework is **DiSC**<sup>®</sup>, which identifies four primary styles of decision-making:

- **Dominance (D):** Direct, results-focused, and action-oriented. These clients value efficiency and bottom-line clarity.
- **Influence (i):** Enthusiastic, social, and optimistic. They respond well to stories and conversations that connect to values.
- **Steadiness (S):** Calm, sincere, and relationship-focused. They prefer reassurance, consistency, and steady progress.
- **Conscientiousness (C):** Analytical, detail-driven, and precise. They want facts, charts, and logical reasoning before making decisions.

Style	Core Traits	Advisor Approach
<b>D – Dominance</b>	Direct, decisive, results-driven	Be concise, emphasize outcomes, highlight efficiency
<b>i – Influence</b>	Outgoing, optimistic, values-driven	Use stories, connect emotionally, highlight new ideas
<b>S – Steadiness</b>	Calm, supportive, family-oriented	Provide reassurance, show consistency, stress reliability
<b>C – Conscientiousness</b>	Analytical, cautious, detail-focused	Share data, charts, and logic; answer “why” thoroughly

By recognizing these tendencies and adjusting communication style appropriately, advisors can engage clients more effectively. For example, a “D” client may appreciate a fast, results-oriented summary, while an “S” client may need time, reassurance, and examples of how decisions affect family. **Simple reminders about the value of diversification can also help clients of any style avoid short-term, reactionary moves.**

In each case, the goal is the same: keep the client focused on their plan and reduce the influence of emotional reactions.

# ADVISOR TIP: USING EMOTIONAL INTELLIGENCE IN RETIREMENT CONVERSATIONS



**Listen beyond the words:** Pay attention to tone, body language, and pauses—these often reveal deeper fears than the client states directly.



**Ask “why” twice:** If a client says they’re afraid of running out of money, ask why. Then ask why again. You’ll often uncover the true emotional driver, such as fear of losing independence.



**Normalize the feelings:** Remind clients it’s natural to feel anxious about life changes. This acknowledgment builds trust and opens space for productive planning.

## HOW EMOTIONAL RISK INTERSECTS WITH THE OTHER L.I.V.E. RISKS

Emotions rarely exist in isolation—they amplify the other L.I.V.E. risks:



### Longevity Risk

Anxiety about outliving savings can push clients to take either too much or too little risk.



### Inflation Risk

Rising costs feel like a constant threat, and media coverage can distort reality, heightening stress.



### Volatility Risk

Market downturns can spark panic selling and “buy high/sell low” behavior.

**“Most people look at things like market volatility or inflation or longevity as threats... The role of the advisor is to turn those threats into opportunities through education and planning.” – Anders Smith**

By helping clients focus on clear strategies, advisors can turn fear into confidence and keep investors disciplined during volatile cycles.

# THE ROLE OF PROTECTION-BASED PRODUCTS

Protection-based products give clients something emotions cannot: certainty. Guaranteed income helps cover essential expenses and creates peace of mind, allowing clients to weather volatility without fear.

**“An annuity is basically your own personal pension. If you like Social Security, you’ll love having your own personal pension with an annuity.”**

– Anders Smith

Annuities are particularly effective when used to cover the “must-have” expenses of retirement—housing, food, healthcare, insurance premiums, and other fixed costs that don’t go away. By locking in a guaranteed income stream to match these essentials, advisors can free clients from the anxiety of “what if” scenarios. That confidence makes it easier for them to keep other assets invested for growth, without overreacting to market swings.

## CONCLUSION

Advisors can demonstrate tremendous value by acknowledging emotion risk, integrating it into planning conversations, and reframing threats as opportunities.

**“Part of the job of the financial professional is to prepare their clients for these risks. That’s where advisors really can demonstrate tremendous value.”**

The bottom line: by combining disciplined planning with protection-based solutions, advisors can help clients manage not just the numbers, but the emotions that come with retirement. Managing this balance protects not only retirement income, but also the client’s financial future and long-term goals.

## AND DON’T FORGET – WE’RE HERE TO HELP!

Reach out to your local wholesaler or IMO support team, or visit our [L.I.V.E. hub](#) for more resources and information.

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