There are Only 2 Types of MONEY

Few things can disrupt or frustrate a retirement plan more than a serious market downturn or economic recession. According to Wall Street, it seems the "normal" way to diversify investments is to choose a collection of different stocks bonds or mutual funds to keep with the philosophy of not "putting all your eggs into one basket".

Real life experience, however, would suggest having primarily stocks and bonds in your retirement fund is not enough, especially when things get tough. During a market correction, like we recently experienced attributed to the corona virus, retirees and those who had plans of retiring soon may have felt the shock a little harder than those with longer term horizons. Thoughts of selling now and limiting losses, buying more hoping the market will bounce back, or possibly having to wait for a longer-term recovery and retire later rather than sooner are a few thoughts that may have come to mind. If any of your thoughts caused you some discomfort, it's probably time to rethink your retirement plan and your asset allocation. Perhaps you need to consider the two types of money (those accounts art risk and those that are principal protected) and if you have actually diversified properly. If you are retired or retiring in the next few years and you need those investments to provide income, true diversification may require allocating a portion of your assets into Principal Protected Accounts...That's the money you cannot afford to lose.

Wall street can easily be compared to a casino where we can win OR lose at any time. Let's compare your Wall Street retirement plan to a game of Black Jack. You are comfortable with the game to you decide to head over to the casino and play. You start off with a few chips on the table, and over time you realize you have quite an impressive pile of money sitting in front of you. Your winnings have given you a sense of confidence that as long as you play you will continue to add to the pile. We all know, however that both the stock market and a casino table can get cold fast. Seeing the accumulation of your money, you wonder, "Should I quit while I'm ahead or should keep this streak going? I have enough, but I could win even more!" That might be how you have been feeling in the stock market right the past few years.

Right on cue, however, you begin to lose a few hands, and you are now asking yourself, "Should I let it ride? How many hands can I afford to lose before I absolutely have to quit? How much of this money do I really need? I've lost a little money and I want to win it back, but I know staying at this table could be tragic. Or...maybe I could play a different game?

You notice another table across the room where all the players seem to be enjoying themselves, happy and stress-free. You decide to go see what is going on. You are told that this table has a different set of rules: You are allowed to bet as much as you want every time, and if you happen to lose, they won't take any of your money. If you do end up winning, they will keep half of your winnings. The only real "catch" is that you have to commit to playing for a few hours if you do decide to start. You need to let your bet ride but you can take some off the table between bets if you want. If you win, you make money, and even if the table gets cold, the worst you can do is never lose!

If you could choose playing at either of these tables in a real casino, wouldn't you put your money where you can't lose? Not only that, but you would have no reason not to go "all in" every single hand? The worst thing that can happen is nothing. And the best is that you add to your winnings. Unfortunately, this option is probably not available at your mutual fund company or 401K plan, but you can get it from other reputable companies in the financial industry.

The second table represents Principal Protected Accounts. These include things like money markets, CDs, etc. The category we like best are Fixed Indexed Annuities where you can potentially make respectable double digit returns in good times, and never lose in bad markets. When the market goes up, you will make money. It could be less than the stock market earns, but when the market inevitably goes down, you won't lose what you have earned. For those who are retired or planning to retire soon, it makes a lot more sense to win by not losing- especially if you plan to use investment funds for income. Like the second Black Jack table, having your money in a no-lose situation will allow you to feel a lot happier and stress-free, especially in times of economic turmoil.

If you need help playing the right game, give us a call at 520-780-9059,

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