# Smart Money Questions for your RETIREMENT


**Q: What are the biggest issues facing your clients today?**

**A:** I would say the most frequent concern for most of my clients is "Will I run out of money in retirement?" Sometimes understanding how to navigate the uncertainties and risks of a new lifestyle can be difficult. Retirement, instead of working for a living and a regular paycheck, is a whole new mind set. The first rule of thumb is to figure out what a realistic lifestyle and budget should be, based on income sources and investments. When they are living on social security and perhaps a pension, the rest of their income will be derived from savings and investments.

Many people don't understand the devastating effect volatility can have on a portfolio. Just because the stock market, for example, has averaged over 10% per year over the last century or so, it does not mean one can live on anywhere close to 10% withdrawal rate on their investments. My clients want to know how to protect their livelihood and future from market risk and what investment vehicles can guarantee lifetime income. If indeed, "the only thing worse than dying is outliving your money", then these concerns should be very real and should be dealt with responsibly.

**Q: What are some of the significant changes you have seen over the last few years in your industry?**

**A:** The biggest change I've seen has been the huge % of market losses in the last two major market corrections. Both of the last bear markets, 2000-2002, and 2008-2009, lost approximately 50% of S&P 500 market value and took around 5 years for investments to get back to their original values. If one is living on investments during that time, they could easily be thrown off track. It's like eating your chicken when you're eating into principal that fast. If you eat your chickens you won't get any more eggs. Living off gains is like living off the eggs. That's ok, but eating too many of your chickens, or spending large portions of your principal too fast, is not a sustainable income plan for a long and healthy retirement.

As far as product innovations go, the best new ideas that are catching on happen to be in the Annuity area. Clients are now able to add income riders on the already popular fixed indexed annuities that guarantee lifetime income and refund remaining account values to heirs on death. Unlike the old school annuities that used to allow insurance companies to keep remaining annuity funds if you died early, families don't lose any of the principal or gains on the annuity due to an untimely or early death. New generation annuities are much more client friendly and seem to be gaining a lot of traction and interest in the retirement community for people needing guaranteed income and wanting to make sure ALL their money stays in the family.

Another area of interest in financial management is what we call tactical asset management. The old asset allocation models, diversify accounts by buying and holding an array of mutual funds, stocks, bonds and cash. The tactical approach is truly hands on and generally uses hedging strategies or "move to cash" techniques to manage risk in uncertain times. This management style takes advantage of upside potential when the market offers those opportunities, but first makes efforts to protect principal. That is what I call "winning by not losing".

**Q: How can someone choose the right financial advisor?**

**A:** Find a comprehensive financial advisor that works for you. That usually means they are independent enough to let you set the agenda and apply your values to your plan. Someone licensed as a fiduciary like we are, is required to put the client first, and not prioritize pushing his own or his company's interests first. In fact, conflicts, fees, and other aspects must be fully disclosed. That may be a big hurdle since a very small proportion of financial advisors are licensed as fiduciaries. Most are licensed, but are held only to a suitability standard.

Independence may also mean a better variety of financial product choices. Generally, big "name brand" firms focus on allocating assets into traditional models based on risk tolerance, but may come up short where lifetime income planning or cash flow management is concerned. I believe an independent advisor can really help, when they are licensed as a fiduciary and they offer more comprehensive planning.

**The 4 basics of Comprehensive planning are:**

1. Cash flow management;
2. Investment positioning;
3. Efficient tax planning;
4. Estate planning.

Someone who is licensed in and has an understanding of all 4 areas will generally make the cost of their services less impactful due to savings and efficiencies they can help you achieve in these other areas.

Premiere Retirement Planning & Wealth Management


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