Retirement Decisions – No Help Needed
Instilling Confidence; Inspiring Life

The first 25+ years of our lives we "learn"; the next 25+ years we "labor" in an occupation; the remaining 25+ years we transition into retirement and truly "live". There are those that have careers of 30-40 years, working into their late sixties and early seventies. At some point either your mind or your body will tell you – it is time to retire.

I would like to dedicate this article to those that take the bull by the horn (and the bear by the claw) and decide to take care of their own retirement decisions without the assistance of a professional Advisor.

Individuals spend years training for the job they have chosen to make a career and along the way take continuing education courses to stay up to date on changes in their industry. These individuals study their company benefits and take advantage of all the benefits offered. Investing in funds and company stock in their 401k allow them to learn and appreciate investing strategies. Just when you think you have an idea of what to do however, the stock market has a meltdown like we experienced in 2000 (technology); 2008 (financials) and 2016 (oil).

Here are 10 things those looking to manage everything on their own might overlook or not take into consideration:

1. **People looking to manage everything on their own think they should be "all in or all out" and do not make use of asset allocation.** Very rarely should investors be invested all in cash or for that matter all in stocks or bonds. Asset allocation helps investors have diversified portfolios matching their investment objectives.
2. **People have gotten away from the practice of budgeting.** Investors and Financial Advisors can create beautiful investment portfolios and then have to make drastic changes due to insufficient cash flow or impulse buys. Financial Advisors can help with portfolio management and cash flow but the Advisors are rarely brought into the equation about the purchase of a RV; home remodeling; or travel plans. You want to overestimate expenses and underestimate income.
3. **People observe, overvalue or actively seek out information that only "confirms" their claims while ignoring evidence that contradicts their beliefs.** This can leave investors in the dark. This can cause employees to over concentrate in company stock. This can also cause investors to continue to hold under-diversified portfolios.
4. **People are unrealistic about the returns they can achieve in the stock and bond markets.** In 2017 the DJIA was up 25%. Now investors expect their portfolios to get 25% a year. I had a client call me and tell me his portfolio was only up 9% in 2017. I reminded him the main reason the market was up in 2017 was Apple, Google, Amazon, Netflix and Facebook. I asked if he wanted to own any of those shares and he responded no. I said 9% was pretty good. Michael Kites wrote an article "Understanding Safe Withdrawal Rates" which was a study on distributions from retirement plans and one of the conclusions was that 4.5% is the lowest initial withdrawal rate that would have survived any historical rolling 30 year period.
5. **People want to talk more about their investment portfolio and not about debt.** In this age of instant gratification investors have started borrowing more from their 401k accounts. Years ago, I met with a professional couple that worked in one of the big plants. They both had over $300,000 in their respective 401k accounts. I heaped praises on them for their smartness only to be informed later that they had borrowed $20,000 from her 401k to buy jet skis and $30,000 from his 401k to buy the truck that pulled the jet skis. Financial Advisors can tell a lot about your risk tolerance and ability to live within your means by looking at 401k accounts to see if there are any loans.
6. **People cling to a view or a strategy, behaving too stubbornly when presented with new data.**

Investors tend to highlight the positive and turn a blind eye to the negative developments a company announces. This causes people to be more reactive rather than proactive in their decision making. Too much new data will cause an investor to do the easiest thing which is – nothing.

7. **People get their advice from watching TV or subscribing to newsletters.** First, watching TV daily for your investment advice brings in a factor that should not be in your investment strategy – emotion. Fear sells better than comfort so most things you see on TV or read in publications are meant to elevate your fear. I had a client call me around after 9/11 time frame when volatility in the stock market was high and she was watching TV and scared to death. I simply told her to turn the channel, she thought I was joking. I was not. A couple of weeks passed and the market rebounded and her investments recouped their value. If she had sold her investments then she would not have participated in the value rebounding. Do not panic "out of" the market and do not panic "into" the market.
8. **Upon retiring, people have lump sums and 401k balances coming into their IRA accounts making them cash rich.** Then they decide to pay off their debts like the house, autos, credit cards, etc all at one time. They want to be debt free. What they do not consider is that taking money out of their 401ks or IRAs requires the payment of taxes. I had a couple that were tired of the hassle of paying the monthly house payment and wanted to raise $200,000 to pay off the house. To take that out of their IRAs required them taking a $250,000 distribution with $50,000 going to pay taxes. The question was asked how that would impact their accounts. I said it would decrease each of their monthly payments by about $525 a month and in simple terms they had to cut their yearly travel plans from 8 trips to 4. They decided the monthly payments were not that much of a hassle. The decision is more about the time value of money.
9. **People fail to share their investment strategy and discipline with their spouse resulting in confusion when the decision maker passes away.** Recently, I met a professional that was proud of his stock picking abilities and he told me Financial Advisors would soon be dinosaurs. I replied that as long as he didn't share all his knowledge with his spouse and children that I had no fear of becoming extinct. The grieving spouse or children are at the mercy of trying to establish a relationship with a Financial Advisor they have only known from a referral.
10. **People do not understand what services a Financial Advisor provides or the cost of investing with a Financial Advisor?** The majority of people retiring need help. Most human resource people have been replaced by doing it yourself on the website. There are those that can navigate through the maze without any assistance. You and your spouse should interview a few Financial Advisors just to understand whether or not they can help you. The interview is free and have a list of questions or topics you would like to discuss and get clarification on. Do a background check on a Financial Advisor by visiting www.brokercheck.finra.org.

Understanding these 10 things most often overlooked will prepare you and give you more confidence in making decisions inspiring you to move to the phase of life where you truly "live" it.

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