The Five Big Obstacles to Entering Retirement Freedom

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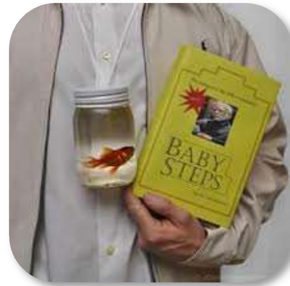
Peace. Freedom. Impact.

We all want to experience more peace, freedom and impact in our lives. After all, do we really need more anxiety, confusion, fear and inflexibility? Indeed, we don't need to buy a book or attend a seminar showing us "The 10 Ways to Add Anxiety and Chaos to Our Lives" - we are simply wired to worry!

The purpose of this Special Report is to help you identify the obstacles in your life that hold you back from experiencing more financial peace, freedom and impact - and consequently, from having clarity and confidence about your retirement future. In the process it is our desire that you will bid adieu to financial worry, confusion and fear.



Onward to the Freedom Stage. We assume you are in the stage of your career where you are preparing for the next chapter in your life. We call this next chapter the **"Freedom Stage."** Whether it's to fully experience and enjoy the fruits of your life's labor or to partially do so while working part-time, there are likely at least a few obstacles in the way.

Baby Steps. Humans are geared to continue moving in whatever direction we are going. This is called inertia. Sometimes it's negative inertia but it can also be positive inertia. Inertia feeds upon itself.

You may recall the movie "What About Bob?" in which a neurotic man, played by Bill Murray, is repeatedly directed by his psychologist, Richard Dreyfus, to overcome his anxieties by taking baby steps. There is so much truth in this advice! One bit of success, no matter how small, builds a new platform for the next step of success. Before you know it, you are fast on your way to accomplishing your goal. Moving toward the Freedom Stage works the same way.

With each obstacle removed, you will begin to experience additional peace, freedom and impact. In fact, you will actually begin to feel that your money is working for you instead of that you are working for your money; and begin to visualize a clearer path to the Freedom Stage of your career.

Let's take a closer look at the three valuable benefits you will experience when you've arrived at the point where your money is serving you: peace, freedom and impact.

Sleep Through the Night Peace. Have you ever found yourself awake at 2:00 in the morning thinking about things? Of course. Are they usually positive thoughts? Of course not! Remember, we are wired to worry. We are worrying about tuition. Wondering if we are saving enough. Thinking about the bills. How the stock

market is doing. Wouldn't it be nice to have a plan in place that may reduce the impact of these and other similar "ifs" that life may send your way? When your money is working for you, you should experience sleep-through-the-night peace as it relates to your financials.

Walk-Away Freedom. This is the ability to change jobs (not that you would) on your terms, retire early or even transition to a different quality of life in a different place. The power to walk away. When your money is working for you, the flexibility is in place to allow you to identify and grab hold of life opportunities that you couldn't see otherwise. You are not chained down. There is no financial ceiling or chains of debt holding you back.

Possessing walk-away freedom not only produces confidence but also can energize you. Without it you have inflexibility, which can lead to fear when change and transition come your way. You can also experience confusion over which options are realistically available to you when change occurs.

Fingerprint Impact. We are told that each one of us has our own unique fingerprint which can be used to clearly identify us as being different from every other human being. What an amazing truth, considering the billions of humans who've ever roamed the earth. Similarly, as we go through life we each leave our own unique fingerprint on those we love and the world around us.

We often hear of the legacy left behind when a person dies. At some point most of us wonder what our own legacy will be. Sadly, the chaos, busy-ness and inflexibility of our lives can serve as major obstacles which we allow to keep us from making the positive impact on others we desire to have. When your money is working for you, you experience flexibility and clarity to empower you to make your fingerprint impact.

In this report we will review the biggest obstacles that rob us of experiencing more peace, freedom and impact and may indeed impede us from transitioning to and remaining within the Freedom Stage. As we review these dangers, it is helpful to get a sense of the potential magnitude that each may have on your retirement.

Not all Dangers are Equal. Think of the obstacles or dangers that you encounter in making sure your house is safe and in good working order.

Some dangers, like a slow water leak, take place in small doses over long periods of time and then suddenly manifest in a big, obvious problem. Each "drip" isn't severe, but the cumulative effect can be devastating to your foundation – as well as your pocket book.

Other dangers are immediately and painfully evident, such as a lightning strike that sends a limb through your roof.

You can predict neither, especially if you can't see the water leak, but you can use preventive measures to decrease the probability of each event occurring in the future.

We will present each obstacle in terms of how frequently it is "likely" to occur as well as how devastating its effect may be when it shows up.

But first, let us introduce ***Bob and Kim Smith***. As we review each obstacle we will illustrate its impact on Bob's and Kim's retirement future.

NASA and Your Retirement.

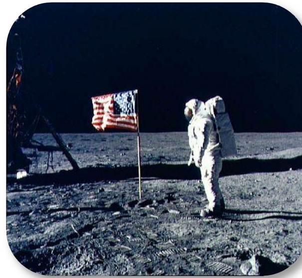
To understand the challenges the Smiths face, we created a custom retirement simulator. Why the simulator? Let's draw upon NASA's experience with the moon landing to understand.

Do you know how many times it took NASA to get a man on the moon? Hundreds of times!

You see, it created various types of simulators and ran many pre-launch simulations to give the Apollo 11 mission the greatest opportunity for success.

So many things could have gone wrong to jeopardize the mission. For example, too much thrust applied at the wrong time or an approach to the moon at the wrong trajectory could have shot the Command Service and Lunar Modules past the moon. Not enough thrust and the Saturn launch vehicle doesn't break the earth's gravity.

Thus, NASA had to simulate every aspect of the mission's 17 stages. Through the use of customized simulators it identified and addressed various risks. Through repetition, its simulations created a greater sense of confidence in the astronauts and the mission crew. For a quick read about this remarkable mission visit the following link:
http://www.popularmechanics.com/science/space/moon-mars/4317016



Bob & Kim's Simulator. We used goal planning software to create a custom retirement simulator for Bob and Kim. This program performed the calculations and the scenario analyses used in this report. *(Please contact us for a detailed list of all the assumptions used in these analyses. Better yet, please contact us to create a simulator for you!)*

The Smiths

Bob and Kim Smith are 60. Their children have graduated from college leaving them with no remaining financial obligations for their children's education. Likewise, their home is paid off.

Bob is planning to retire at 65. They have determined their after-tax living expenses at that time will be $90,000. When only one of them is remaining, living expenses will drop by 20% to $72,000.

Between the two of them, they've accumulated $900,000 in retirement accounts into which Bob is deferring the maximum from his pay - $23,000 in 2013. In non-retirement accounts they've saved another $200,000. Since they no longer have to set aside money for mortgage or tuition payments, they are now able to add $50,000 per year to these accounts.

With the exception of social security payments, the Smiths will have no additional sources of income aside from the money they will withdraw from their investment portfolio.

As it stands, the Smiths' current plan is constructed to provide an 87% probability of meeting their income needs to age 90 (Bob) and 93 (Kim). More on this later.

87% Probability of Retirement Success

Inflation: Financial Death by a Thousand Cuts

Frequency

Inflation occurs almost all of the time whether we notice it or not.

Degree of Damage to Retirement Income

Per incident - small

Cumulatively - severe

Inflation risk is the reality that the costs of goods and services will increase over time. Of all the dangers standing between you and Retirement Freedom, the stock market gets most of the press. For example, we've all heard stories of what it was like to live through the Great Depression and the associated stock market crash of 1929. In fact, if you haven't heard the stories directly from someone who lived through this desperate time, your parents or grandparents can fill you in on the struggles their families endured, the lessons learned and how they overcame such trying times.

More recently we survived the bursting of the Dot Com Bubble in 2000 and the Great Recession/ Real Estate Bubble / Liquidity Crisis of 2007 – 2009. To be sure, these events with such colorful associated terms were painful to experience.

The Silent Retirement Killer. Yet over a thirty year plus retirement, inflation is a much more certain threat to your financial freedom than an occasional stock market drop – even a severe one. We don't see it as such a grave danger because we are geared to thinking in the "here and now." While we realize today that prices are rising, the price changes (other than gasoline and college tuition) are incremental. However, they add up substantially over time.

While there are different views on the cause of inflation, its results are indisputable: ***over time it will take a greater amount of your money for you to buy the things you need to experience the lifestyle you wish to live.***

1978 – Bring back the prices but not the inflation. A stamp issued 35 years ago cost $.15 at the time. Today a stamp costs over three times as much. Some other examples: a gallon of gas cost $.63[2] ($3.67 today[2]), a pound of coffee $1.50[3] ($4.99 today[2]), a dozen eggs cost $.48[2] ($2.02 today[2]) and $1 today was worth approximately $.25[2] back then. ***The prices of these items increased by three to nine times over a 35-year period.***

A typical retirement. We chose to review how prices have changed over a 35-year period because this approximates the time that many people retiring today will spend in retirement. According to current mortality tables, a 60-year-old couple

retiring today has a 30% chance that one of them will live 35 years until age 95.

The practical implication: by the end of your retirement you will likely be paying between three and five times as much for things as you paid at the beginning of your retirement.

Retiree inflation. The extent to which prices change over time is usually measured by reviewing changes in the CPI-U (consumer price index for all urban consumers) which is published by the U.S. Bureau of Labor Statistics (BLS).

However, retirees have different spending patterns than the full-time employed, therefore the BLS has created an experimental index known as CPI-E, which tracks expenditures for those 62 and older. The CPI-E allocates a greater weight to housing and medical care expenses and a lesser to transportation, education and food and beverages. From December 1980 through December 2011, the CPI-E grew by 3.1% annually vs. 2.9% for the CPI-U.

The inflation disparity for retirees will likely increase over time unless health care expenses are contained. However, the prognosis is not good. According to the BLS, healthcare expenses have grown by an average of 5.8% since 1978. ***During your retirement years you will experience a higher rate of inflation, making it a primary danger to your ongoing financial freedom.***

How does inflation impact the Smiths' income plan?

Recall that the Smiths' initial income plan had an 87% probability of success with an assumed inflation rate of 3% throughout their retirement. What happens if inflation is 1% greater than expected at 4%? Their probability of receiving their income goal for the rest of their lives drops to 76%. **Inflation will have a substantial impact on the Smiths' income freedom.**

76% Probability of Retirement Success

Pulling it all together: what it means to you. Let's assume at the start of retirement your living expenses are $60,000 per year. By the end of retirement your living expenses would equal three times this amount, or $180,000. ***It is critical that your investment portfolio will continue to grow over time to allow you to withdraw more money each year to cover your increasing living expenses.***

How to Address Inflation:

- In your investment portfolio, own an appropriate amount of asset classes which have historically have out-performed inflation:
    - Stocks
    - Inflation protected bonds
    - Commodities/natural resources
    - Floating rate or adjustable rate bonds
- During your early retirement years do not spend all of your annual portfolio growth, but instead save the greater portion of it to compound and be used later when you will need it.
- Pay no heed to the doomsdayers calling for hyper-inflation in the short term. While this outlook can change it is not likely at this point - the earth is not coming to an end!
- Create a custom retirement simulator. We call ours **The LifePrint Plan**, and we use it to project how inflation will impact your retirement and to make sure you've saved enough to provide for at least 30 years of increasing expenses prior to retiring.

1. Box Office Mojo – an IMDb company
2. U.S. Bureau of Labor Statistics
3. Xfinity, Comcast, The History of What Things Cost in America

Your Emotions

Frequency

For the past 20 years, equity investors have earned 4% less than the S&P 500 Index.[1]

Degree of Damage to Retirement Income

Per incident – moderate to severe

Cumulatively - severe

Sufficient evidence exists that investors allow their emotions to impact their investment decisions – and the results are not very good. Indeed, if unchecked an investor's emotions can sabotage his ability to save enough to enable him to confidently head into Retirement Freedom.

The first piece of evidence is found in the chart below (created by ICI) comparing investment flows into equity (stock) funds (the green bars) against the returns being earned by the stock market (the yellow line).

This chart shows that historically investors have chased returns by investing the most heavily into the stock market at or after its peak (see 1999-2000 and 2003-2004).

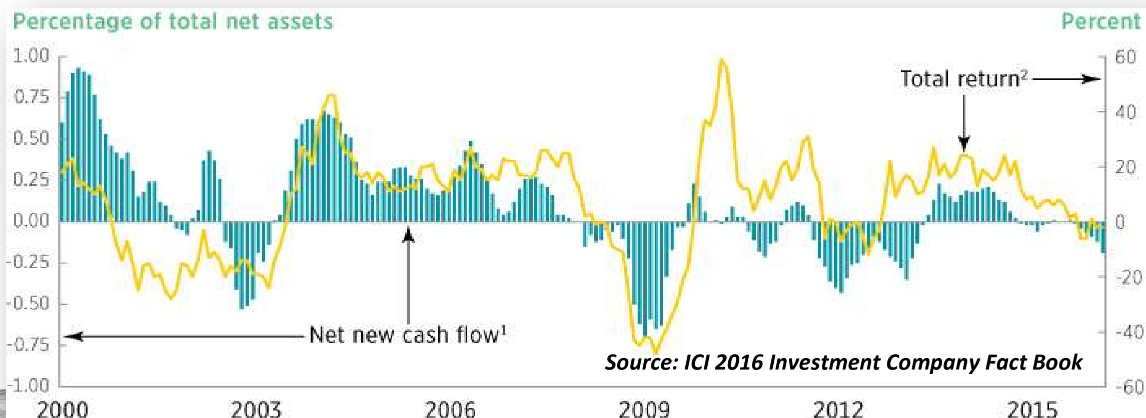
Conversely, investors have avoided the stock market during periods of strong returns which followed severe bear markets (see 2003, 2009-2010 and 2012 to present). In fact, the market rally since early 2009 is often called the "unloved stock rally."

The second piece of evidence, from a Dalbar study,[1] quantifies the impact of emotions on investor returns. Here are the 20-year compounded annual growth rates from the study:

- S&P 500 Index: 8.21%
- Barclays Agg. Bond Index: 6.34%
- Equity Investors: 4.25%
- Fixed income investors: .98%

Investors would have been far better off keeping their investments in place rather than by making their own decisions[2].

So what gives? Why do investors get it wrong so much of the time? What causes such self-destructive behavior? Here are some reasons:



Source: ICI 2016 Investment Company Fact Book

Too much noise. CNBC, 24/7 investment news coverage, blogs, newsletters. No shortage of opinions is available from purported investment "experts."

Negative media. Mainstream financial media is always calling for a market collapse. Negativity sells. What is the threat du jour?

Recency bias. This term from the world of behavioral finance explains how we allow recent events to bias our outlook on the future. Negative events such as the dot.com bust, 911, the real estate bubble and the liquidity crisis have burned an indelible scar on our psyches. Mainstream media are aware of this and prey on it.

"It's different this time" mentality. So, what if the market has produced stellar long-term returns in spite of horrific events such as world wars, hyper-inflation, the energy crisis, the oil embargo, etc? "It's different this time! The world as we know it will end!"

Reality #1. Three investment-related considerations that cannot be consistently predicted or controlled by anyone: the economy, the investment markets and future performance of one's investment relative to another. Just when we believe we've got it figured out, the market has a way of humbling us. ***A consistent, disciplined approach to investing is critically important.***

Reality #2. One of the greatest creators of wealth the world has ever known is the stock market. Not the bond market. Not real estate. Not gold. Not commodities. ***You need equities in your portfolio now and for the long-term. Learning to live with some volatility is a trade-off when attempting to beat inflation.***

Reality #3. Great companies producing products and services that world consumers demand will always exist, regardless of the amount of government debt, the level of inflation or the threat of war. As millions of consumers in emerging economies are added to the middle class, they will invest in shares of these great companies. ***The stock market will continue to create wealth over the long-term.***

Reality #4. Over time inflation may take a greater toll on your wealth than bear markets. Stocks, their occasional volatility withstanding, have consistently beaten inflation by a large margin over time - much more so than bonds. ***Your portfolio needs to own stocks in order to help preserve your future buying power.***

Reality #5. ***Volatility is not always a bad thing.*** When the stock market rises in value but with a high degree of volatility it may cause some discomfort, but nonetheless most portfolios grow. It is the negative or downward volatility that damages our portfolios. That is, if we allow our emotions to guide our investment decisions.

Pulling it all together: what it means to you. The key to investment success is to create an appropriate investment strategy and remain committed to it. This means neither acting upon panic-driven thoughts as the market drops nor being swayed by euphoria-induced emotions during a market peak. It means maintaining a patient, disciplined approach, neither looking to the left at economic events nor to the right at market gyrations, but driving straight ahead to achieve your lifetime goals.

How does investor emotion impact the Smiths' income plan?

Recall that the Smiths' probability of retirement success, sans any of the 5 big risks, is 87%. To illustrate the impact of emotions on the Smiths' retirement income plan, we will assume that they will not fare as poorly as the typical investor from the Dalbar study, who earned 4% less than stock index and 5% less than the bond index. Let's assume they earned 2% less per year than the assumption in our simulator. he result:

51% Probability of Retirement Success

How to Address Emotions:

- Get a financial plan or retirement income plan to determine the amount of return you need to achieve your goals within your acceptable time frame. This level of return will help you determine how much risk you need to take and structure your portfolio accordingly.
- As your financial situation changes revise your financial plan and investment allocation to ensure it remains appropriate.
- Rebalance your portfolio's investment allocation at least annually and do it consistently.
- If you have a low appetite for investment risk, consider solutions which reduce risk but allow you to remain invested in the stock market, such as tactical investment managers and variable annuities with guaranteed income benefits.[3]
- Hire a wealth advisor if you do not have the desire or ability to create, monitor and adjust your investment portfolio.

1. Dalbar 2013 Quantitative Analysis of Investor Behavior.
2. It is not possible to invest in an actual index but rather index mutual funds created to replicate the index. The index fund will include within it a management expense which detracts from the pure returns earned by the index. Some index funds achieve investment results which closely approximate those of the index they follow. It is important to research an index fund prior to purchasing it!
3. Variable annuities and tactical investment management may be appropriate for some people and financial situation but may not be appropriate for other people and situations.

Health Risk

Frequency

The majority of people 65 and older will need some form of long-term care.[1]

Degree of Damage to Retirement Income

Per incident – moderate to severe

Cumulatively - severe

Health care risk is the risk of being forced to deplete a significant portion of your assets to pay for long-term care.

> "The groundwork of all happiness is health." James Hunt, 1840

Care on Your Terms. Most of the long-term care discussion is focused on financial consequences. However, it is also important to consider the quality of life you may experience while receiving care and if your financial resources will be able to bear the brunt of this additional expense.

For instance, would you prefer care at home from a licensed home health aide service? Would you prefer a private, single occupancy room if you need to spend time at a facility? Of course, we each want privacy, skilled care and a day-to-day living experience that is both pleasant and encouraging. This will cost money.

The Numbers. Here is important data on long-term health care provided by the U.S. Dept. of Health and Human Services[1]:

- 70% of people will need long-term care services after turning 65.
- The average length of long-term care services needed is 3.7 years for women and 2.2 years for men.
- 20% of people who will need long-term care need it for more than 5 years.
- The average annual cost of long-term care (2016):
  - $82,125 - semi-private room in nursing facility
  - $92,378 - private room in nursing facility
  - $43,539 - care in assisted living facility
  - $45,760 – homemaker services

Putting things into perspective. The National Academy of Elder Law Attorneys did a study comparing the risk of financial devastation brought on by various risks[2]:

- Automobile accident: 1 out of 240 (0.4%)
- House fire: 1 out of 1,200 (.08%)
- Long-term care: 1 out of 2 (50%)

Pulling it all together: what it means to you. We modeled the impact of a long-term care event for Bob Smith, assuming he did not have long-term care insurance. The result was not encouraging. Should Bob's long-term care event prove to last longer or to be more expensive than modeled, the results would be worse. A long-term care event for Kim in addition to Bob's would add substantially to their uncertainty.

It is important to consider the impact a health risk would have on your retirement income plan. Fortunately, a growing number of alternative approaches exist.

How does health risk impact the Smiths' income plan?

Recall that without a long-term care event the Smiths' probability of retirement success is 87%. To illustrate the impact of a long-term care event on the Smiths' retirement income plan, we will assume that Bob will experience a 3 year long-term care event at age 80, costing $70,000 and 4% inflation rate. The result:

68% Probability of Retirement Success

How to Address Health Risk:

- Self-insure. This is an option if you are confident that your financial resources are sufficient to cover your potential long-term care expenses.
- Purchase long-term care insurance to partially offset future expenses. This may be an attractive option if believe your financial resources are sufficient to handle a portion of potential future expenses but not confident enough to cover all of them.
- Purchase long-term care insurance to cover all potential future expenses.
- Consider financial solutions which allow you to "stretch your premium dollar" by combining long-term care insurance coverage with either a life insurance policy or an annuity. Thus, if you don't end up using the long-term care insurance benefit, you or your loved ones will receive some other financial benefit.
- As reverse mortgages continue to develop as a product solution, and as we as a country continue to acquire experience with them, it is possible that they may play a future role in providing the funds necessary to cover unexpected events such as health-related issues. Still, one should think carefully before relying upon one's residence as a funding source.

1. U.S. Dept. of Health and Human Services National Clearinghouse for Long-term Care information website.
2. The National Academy of Elder Law Attorneys

Maximum Drawdown: The Most Unknown of the Dangers

Frequency

Since 1960 the market has experienced a 26% or greater drop 9 times (33% avg. decline).

Degree of Damage to Retirement Income

Per incident - substantial

Cumulatively - severe

Bear markets, as distressing as they can be, are a regular part of the investment experience. Without their appearance, bull markets do not later spring forth. During a bull market, stock prices rise until eventually they become overvalued. Once this happens, prices need to drop to a lower, less-risky level before investors will begin to buy stocks again. It may seem obvious, but retiring at the onset or during a bear market is not healthy for your retirement income plan.

Bear Markets Since 1960		
Beginning Year	Duration (Months)	DJIA Decline
1961	6	-26%
1966	8	-25%
1968	17	-33%
1973	22	-45%
1976	17	-26%
1981	15	-23%
1987	2	-33%
2000	36	-34%
2007	16	-53%
Average	**15.4**	**-33.1%**

Source: Pring Turner Capital

Timing is everything. Investors who won't need to use the money they've invested for a long time – ten years or more – can normally wait out bear markets. Indeed, for long-term investors the axiom "The market rewards those who stay invested" has historically held true.[1]

But for some, retirement may be less than six years away and a bear market can pose a severe threat to their retirement nest egg. ***There may not be enough time for such a person's investments to grow back before he needs to begin taking withdrawals to provide retirement income.***

"Doesn't the market always come back?"
The market experiences some of its largest gains after a large drawdown occurs. Here are a few examples:

- From Jan 2002 – Oct 2002, the S&P 500 Index lost 33%. It rebounded 101% from Oct 2002 – Oct 2007.
- From Oct 2007 – Mar 2009, the S&P 500 Index lost 62%, but rebounded 218% from Mar 2009 – Jul 2016.

For this reason, it is important to hold on to your investments if you are a long-term investor, and to resist the urge to give-in to panic and sell when the market is dropping.

However, a 60-year-old who plans to retire within six years or less has a different situation altogether. The result of a severe market drop can be devastating in that

retirement may need to be delayed or, if this isn't possible, her lifestyle in retirement may need to experience an undesirable decrease. So, the important question to ask is ***"Will my portfolio recover within the time frame in which I need it to recover?"***

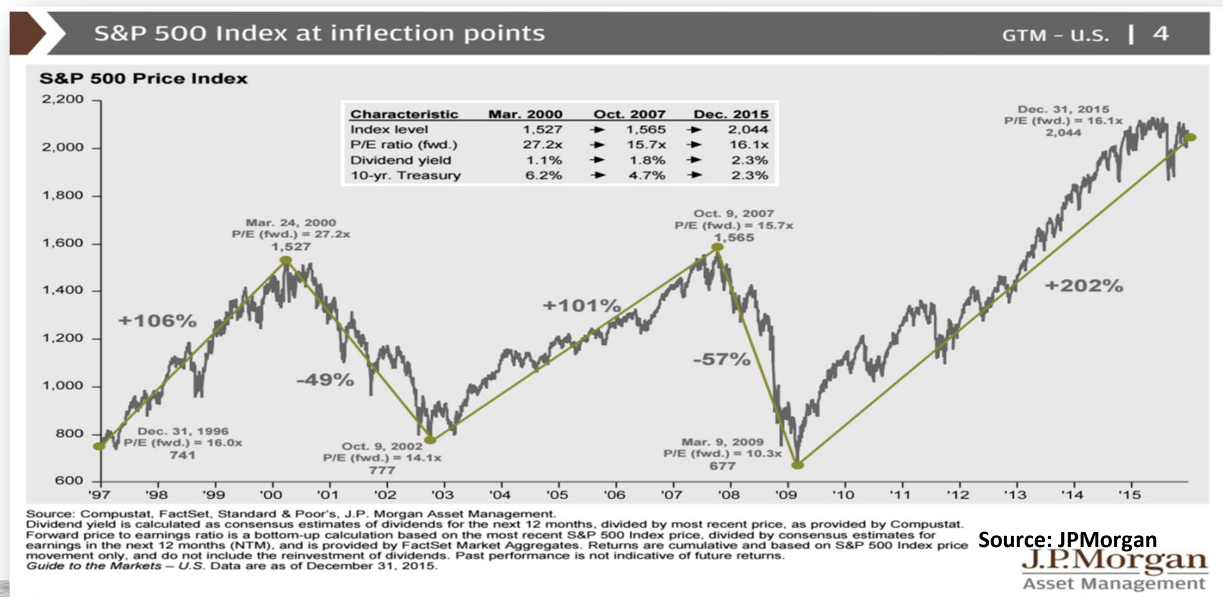
What is maximum drawdown? Maximum drawdown refers to the maximum percentage loss from market peak to bottom. This is a simple measure of the performance of an investment when things have not gone well for the investment markets. Yet few investment managers and fewer mutual fund companies make their maximum drawdown numbers available.

Of course, maximum drawdown has no way of predicting future performance. As such, investors need to be careful because there is no guarantee that a manager or investment which experienced a low drawdown in the past relative to other investments may continue to do so in the future.

This is a challenge for investors – particularly those who are closing in on retirement or are already retired – who prefer an investment approach that is designed to potentially limit the potential maximum drawdown. Why is this important?

How well is my investment manager really doing? The market does not limit its severe drops to calendar years, as seen in the chart below. Rather, these steep falls typically span multiple years. For instance, the S&P 500 Index lost 36.99% in 2008. Yet between November 2007 and March 2009 it dropped over 50%.

However, Wall Street has conditioned us to measure an investment manager's performance using average annual returns (i.e. 3-year average annual return) and calendar year returns.



These common methods investors use to assess performance can obscure how well (or poorly) an investment manager has done his job during challenging market environments. ***There must be a better way for investors to measure downside performance of an investment manager.***

Bear market math is not on your side. If a $100,000 account drops 50% in value to $50,000, it will need to grow by 100% to return back to its pre-loss value. If you are taking withdrawals from an account, a maximum drawdown exacerbates the loss. During the 2007 – 2009 drawdown period, many diversified asset allocation funds lost between 25% and 40%. A 30% drawdown would require 43% growth to return an account back to its pre-loss value.

Reverse Compounding. The magical phenomenon of compounding is one of the most important tools in accumulating wealth.

Compounding: The ability of an asset to generate earnings, which are then reinvested in order to generate their own earnings. In other words, compounding refers to generating earnings from previous earnings.

When you withdraw money from your investments the opposite occurs: the money you spend is not there to compound, thus the term reverse compounding. When you experience a drawdown of a severe magnitude, reverse compounding makes the task of stretching your money out over your lifetime much more difficult.

How does a maximum drawdown event impact the Smiths' income plan?

Our couple's portfolio is 60% invested in stocks and 40% invested in bonds/cash. If it experienced a drawdown similar to that experienced in the Great Recession of 2007-09, it would have likely dropped 26% in value or $286,000. Were this to happen, their probability of achieving their retirement income would drop from 87% to 69%. ***A severe market drawdown would have a significant effect on the Smiths' income freedom.***

69% Probability of Retirement Success

How to Address Maximum Drawdown Risk:

- Maintain an appropriate asset allocation for:
  - Your comfort level with risk
  - Time frame for taking withdrawals from your portfolio
- Review various methods of reducing the impact of severe and unexpected market drops including:
  - Tactical investment management.

- Guaranteed lifetime income annuities take the pressure off traditional investments having to produce sustainable income.
- Conservative investment approaches with enough stock exposure to combat inflation but not so much that a market drawdown would severely damage future income.
- Consider maintaining 2 to 3 years' worth of living expenses in cash. This will allow you to temporarily stop selling your stock holdings to afford them the chance to rebound in value over time as the bear market wanes and a bull market appears.
- Consider a reverse mortgage line of credit as a way to use home equity to provide income occasionally for years in which your portfolio is experiencing a substantial drawdown.

1. Past performance has no bearing on future returns. Financial outcomes will vary according to one's personal financial situation and circumstances.

No Written Retirement Income Plan: Ready – Fire – Aim

Frequency

69% of Americans do not have a written retirement plan.

Degree of Damage to Retirement Income

Difficult to quantify but reason dictates it is unwise to head into the last third of life without a plan.

Would a pilot embark on a long-distance trip without a flight plan? Would a contractor build a house without a blueprint? Of course not! These would be very risky endeavors with little chance of success. Similarly, should you turn off your earned income and embark on a thirty-year plus journey without a written retirement income plan that provides you with the confidence that you can do it? No! Yet many professionals do so or wait until the point of retirement to get a plan.

The ideal retirement. Do you remember growing up seeing the Norman Rockwell pictures hanging in your doctor's office - the ones that depicted the perfect American life? If you could wave a magic wand to create your ideal retirement future what would it be?

Step 1: What do I want?

It is important to get a vividly clear picture of how you want your retirement to be.

For example, my parents were planning a family vacation and called a travel agent to find the cheapest way to get to Hawaii. He was not a typical travel agent. He asked them, "What is it about Hawaii that attracts you? Are you okay with losing two days travelling? Do you care about the beach, family attractions, proximity to town, etc…" At the end they found out it wasn't Hawaii but that other destinations were a better fit for our family. Up to this point, nobody helped them think about what was important about the destination. So, the first thing to ask is…

"What does it look like for me to be in Retirement Freedom?"

Take two aspirins and call me in the morning. If a patient went to their physician, who immediately started writing a prescription and didn't take their pulse or blood pressure or find out what meds they're on, what would you call that? Malpractice? Of course. That's the problem in the financial services industry, and it's actually worse than this. It's like having a number of patients in the waiting room with different conditions but the doctor is handing out the same prescriptions and tests to everyone.

It's the hammer looking for the nail.

Step 2: Where are the biggest problems and gaps in my income plan?

In Step 2, it's important to understand your unique financial circumstances because there are no solutions without side effects. Do you believe that? If you put multiple drugs together you get what? A reaction. Financial solutions can also combine to create favorable or unfavorable reactions.

Where is my plan taking me? In Step 2, it is also important to review the design of your current retirement income plan and ask the following critical question: ***"If I just keep doing what I am doing will it get me to where I want to go?"***

Would it be helpful to you to stress test what you have, considering the impact of various scenarios like these?

- How does your plan protect you against high inflation?
- A severe stock market drawdown?
- A long-term care event?
- Living too long?
- Dying too young? Having to retire early?
- Etc.?

Before you consider any solutions, you will want to look at where the biggest problems, the biggest gaps exist. If there are no gaps (and that almost never happens) wouldn't that make you feel better?

Custom vs. cookie cutter. If you've ever built a house you know that you can order a custom home or a cookie cutter home. Do you want a cookie cutter income plan? Probably not. Yet with the custom home and the custom income plan comes a lot more complexity.

There are hundreds of different financial solutions or combinations of solutions out there. Which combination will create confidence that you will get to where you want to go?

Once you've articulated what you want your retirement to look like and you've identified your biggest problems and gaps you can create a custom filter.

2/3 of the solutions will be gone automatically because of your filter, thereby reducing your complexity and clearing the way for you to begin constructing your custom retirement income plan.

About that Custom Retirement Simulator. Now you will begin the most important part of the process of creating your income plan. Recall the custom retirement simulator we created for Bob and Kim Smith? In Step 3 you will need to build a custom retirement simulator for your specific situation. Then you will be able to drop solutions into it and look at what the plan will do over time.

Step 3: What are the best combinations of retirement solutions that minimize my biggest risks and give me confidence in the future?

Current Plan

Improved Plan

Now you have a custom simulator and you can make wise, educated decisions about your retirement income plan. And just like a blueprint for a house, you are going to be able to say “yes” or “no” and tweak it. With a custom simulator you will be able to do this as many times as it takes until you are comfortable.

Confidence. Now you will be able to compare the simulated results of your current plan with those of your new and improved plan, so you can understand the changes you need to make to feel confident that you are on track to enter Retirement Freedom and stay safely there for the rest of your lives.

Putting it All Together. The last thing to consider is hiring the right contractors: investment manager, insurance carriers, accounting professionals and perhaps legal professionals to put your plan into place. When you are building a custom home you hire a general contractor to help you retain the right sub-contractors.

Similarly, we believe that a CERTIFIED FINANCIAL PLANNER™ practitioner is best suited to address the wide array of financial needs that must be considered in constructing an appropriate retirement income plan.

Would you like us to build a Custom Retirement Simulator for you?

Are you surprised that of all the obstacles between you and your future Retirement Freedom, the one that presents the biggest challenge is inflation? After this the next most dangerous obstacles are health care risk, your emotions and a maximum drawdown market event.

How does your current retirement income plan, if you have one, address each of these obstacles? Would you benefit from having your own custom retirement simulator?

It would be our pleasure to serve as the general contractor for your retirement income plan. In fact, we have a name for our retirement planning process: **The LifePrint Plan™**.

The wealth advisors at Wealth Impact Advisors, have extensive experience working with medical professionals, business owners, and executives. We understand your needs, your concerns, your weaknesses and your strengths. It would be our privilege to learn about your personal situation during a complimentary Return on Life™ Meeting.

After this we can mutually decide if a client advisor relationship makes sense. From there we can help you:

- Create your custom retirement simulator.
- Identify the degree of your exposure to the major obstacles threatening your Retirement Freedom.
- Recommend a combination of solutions that will put you on track for Retirement Freedom.
- Put the solutions in place.
- Regularly monitor your progress and make adjustments as necessary.

About the Author

Eric Coffman, MBA, CFP®, AIF®, is a founding partner of the independent wealth management practice, Wealth Impact Advisors, LLC. He has provided financial guidance to medical professionals, business owners and families for over two decades.

He is proud to serve clients in a fiduciary capacity as a CERTIFIED FINANCIAL PLANNER™ practitioner and an Accredited Investment Fiduciary®.

Eric's passionate about helping people explore how they can use their wealth to live the best life possible including having a positive impact on loved ones and their community.

Eric's industry experience includes an executive role at Valmark Advisers, Inc., a SEC registered investment advisor. While there he was part of the team that created The Optimized Portfolio System, TOPS™, and served on its investment committee from 2003-2009.

Eric served in several roles over a ten-year period at Fidelity Investments culminating in serving as Fidelity's high net worth account executive for Northeast Ohio.

Eric lives in Bath Township with Suzy, his wife, and his sons Alec and Brady. He enjoys the outdoors and is regularly dragged by his sons to local fishing holes. He is a rabid Cleveland and Ohio State sports fan, and worships at Ikon Church which is located in Wadsworth.

Education

- Bachelor of Science in Business Admin Finance - University of Akron
- MBA - Weatherhead School of Management, Case Western Reserve University

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