

## Managing for a worry-free retirement

A million dollars may have sufficed for our parents to maintain their standard of living in retirement. As baby boomers we will need millions to achieve a financially secure retirement.

Many successful San Francisco Bay Area families earn incomes well into the six and even seven figures. This income represents portions allocated to saving for retirement, through the 401(k) or pension plan and Social Security (i.e. expenses you won't incur in retirement). In retirement these families' travel, entertainment, gifting and medical expenses (i.e. additional retirement expenses) may dictate that they maintain the same income level they enjoyed during their working years.

We have researched retirement income strategies financial planners tend to implement on behalf of their clients. Many suggest if inflation is running at 3 percent and you receive an income of 5 percent or 6 percent a year from your investments, while they perform at a rate of 6 percent to 8 percent, then you are home-free. **WARNING:** this may be hazardous to your retirement future!



**Chris Snyder & Hutch Ashoo**

### BUILDING WEALTH

We have also heard investors asking why not live on the growth of the portfolio from the previous year, since this would leave the principal intact. Our response is what if the market is negative for a year or two? How will you live?

Since 1988 we have been studying quantitative retirement income methodologies and we have concluded that many of these methodologies have massive assumption/planning failures (see our Dec. 9, 2005, article or visit our Web site). Furthermore, since the stakes are so high – your golden years – we believe you deserve a better solution.

Income planning methodologies seem to follow the path of fear and scarcity. They ask “what if we pull too much income out and run out of money?” We wonder how they would answer, “What if you take out too little and it's too late by the time you find out?” How might that affect your retirement lifestyle? What would you have missed out on in retirement?

Our process encourages families to envision and achieve the best lifestyle they can afford without sacrificing their financial security.

### BIG TIPS:

1. Ridged retirement income methodologies are dangerous.
2. Look for retirement income strategies that allow for foreseeable and unpredictable life changes.
3. A worry-free, financially secure retirement means you enjoy activities, people and causes near and dear to your heart, while others worry about the details.

volatility, etc).

What would you do if your child's life pivoted on a \$250,000 experimental cancer treatment your insurance company won't cover? Would you really want your planner to tell you that paying for the surgery would destroy your financial future? Of course not!

One of the most valuable things wealth managers should provide you are their ears (listening to you) and hearts (understanding what's important to you). Your adviser should help you identify and prioritize your life goals. Start with a “what's important to you” conversation (see our Oct. 14, 2005, article or our Web site).

Once your priorities are determined, your adviser should offer you what-if and trade-off scenarios. The retirement plan and answers your adviser helps you arrive at are as much about your personal values as they are about your portfolio values. Your planner should never accept the status quo and should be constantly updating and adapting your plan to the myriad of life events, both within and outside of your control. The best worry-free retirement income plan is driven by an adviser who understands your values, goals and income needs.

You need an adviser who recommends a pay raise for you when your portfolio gain over a period of years justifies it, one who you trust and who can send you a quarterly or monthly income check. Let your adviser worry about the portfolio management and



So what if inflation is running at 3 percent. If you need a 6 percent income increase and your wealth can fully support it, then we would recommend a pay raise. The families we deal with live in the real world, with foreseeable and unpredictable life changes (divorce, death, retirement, business sale, terrorism, market

fluctuations (see “The Informed Investor Making Smart Decisions in Today's Volatile Market” at our Web site) while you enjoy your family, causes and activities and your retirement. Our clients have lived through the longest bear market of our generation (2000-2002) and we have yet to have any of them run out of money. Some had to make minor adjustments to their lifestyle; others didn't. While there is no “retirement income silver bullet,” values-based dynamic planning can get you the worry-free, financially secure retirement you deserve.

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