MARKET COMMENTARY – DECEMBER 1, 2019

Retire TO something, not FROM something.

A mindset is a powerful thing. A mindset, if it is intelligently and intentionally crafted, may be **the** most powerful thing. Hence, much of our success in retirement depends upon our attitudes, viewpoints, and the framework with which we approach it. These topics and many more are covered in a book we had the chance to read in the past year, *Your Complete Guide to a Successful & Secure Retirement* by Swedroe & Grogan.

Two stark thoughts may occur to readers at this moment. One might be that you are glad it was Jason who read such a scintillating title, leaving clients free to pursue more enjoyable activities. *You're welcome!* The second thought our readers might consider is that retirement planning ought to have more to do with facts and figures than something as esoteric as mindset. Yes and no.

Swedroe's guide does cover all the financial aspects you might expect. Asset allocation, risk reduction, investment policy statements, retirement accounts, health savings, insurance, spending, Social Security, Medicare, and on and on. We know. Dazzling stuff.

But they also spend time in the book and in the lengthy appendices discussing those more sentimental aspects of retirement that help turn a mathematically optimal plan into a truly great plan – in practice, in real life. And so that you do not have to take the time to pour through the guide yourselves (though we wish you would), we'll summarize the most important points below.

A failure to plan is a plan to fail. But before a plan for a new building or a family vacation can be made, there must be some idea of the goal. And since studies show that less than half of retirees enjoy their first year of retirement and many end up suffering from depression, it is clear we have room for improvement.

The Swedroe guide recommends picking up a pencil and writing out a retirement vision. This is not some lofty slogan of the type created in a marketing meeting at work. It is real, concrete. To maximize the success of your retirement they suggest considering ten key elements and addressing specifically how you intend to make the transition from work to incorporate each element into your daily, retirement life. In short, write these down. And write exactly how you will accomplish them.

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1. **Life Purpose** – What are you that is not related to your role at work? Answer so the typical teenager could understand.
2. **Passions** – What excites you? What do you love to do? If you have trouble answering, ask yourself, "What did I love to do when I was 10 years old?" Ten is when you were old enough to make choices, but young enough that aspects of life and the world had not yet gotten in the way.
3. **Attitude** – Studies demonstrate that people must DECIDE to be positive and hopeful. Don't allow the vagaries of daily life to dictate your mood.
4. **Financial Security** – This is NOT about bigger is better. It is about matching your lifestyle budget to your available resources. Once this is done, your mind can focus on more worthwhile endeavors.
5. **Giving Back** – 70% of people say they will volunteer in retirement. Only 30% actually do. Those who do are consistently happier, live longer, have higher functional rates later in life, and show lower rates of stress-related illness.
6. **Healthy Relationships** – Consistent face-to-face time with others is good for us. Withdrawing from others is just as bad for us as smoking a pack of cigarettes every day or even being an alcoholic.
7. **Growth** – Use it or lose it. Learn all the time. Turn off the TV and learn to cook with friends. Learn a language. Travel in a way that suits your budget.
8. **Fun** – Laughter may improve your immune system. This goes along with healthy relationships and *choosing* to enjoy the gift of retirement.
9. **Well-being** – Think of your IDEAL DAY. Run your days according to a flexible, enjoyable plan, making sure to recharge your physical, emotional, mental, and spiritual energies.
10. **Retirement Life Plan** – Write out the previous nine items. Talk about them with friends and your spouse. Put them into practice. Review them occasionally and adapt them to new circumstances.

Some years ago, Charles Ellis described investing as a *Loser's Game*. He didn't use it as a pejorative term. Rather, he meant that those who won at investing (and there can be many) simply avoided making big mistakes. They needn't have always been right on every little decision.

That is essentially Swedroe's take in the introduction. The authors list nine planning errors to avoid:

1. **Sequence Risk** – The order of returns matter. Essentially, if an investor takes inordinate risks early in retirement and the market simultaneously suffers, a hole is dug. It is nearly impossible to emerge from such a pit.

2. **Underestimating Needs** – Studies show that in retirement folks require 80-90% of what they earned while working.
3. **Overestimating Ability to Continue Working** – All sorts of health and family issues may reduce our ability to generate income near or in retirement. A plan must be flexible enough to consider this possibility.
4. **Becoming too Conservative** – Inflation can easily erode the value of a 100% "safe" bond portfolio. Taking educated risks is key.
5. **Underestimating Tax Rate** – Tax rates in retirement, especially considering RMDs from IRAs, are often higher than the retiree might have expected.
6. **Failing to Provide for a Surviving Spouse** – Plans need to review what happens when either spouse passes away first, especially if one of them has a defined benefit plan with payouts changing after someone's death.
7. **Withdrawal Location** – The source for retirement income in any given year ought to be planned, i.e. – It is not always appropriate to wait until 70 ½ to pull from an IRA.
8. **Diversification** – Even out-of-favor asset classes like small caps or international stocks have a place in a retiree's portfolio. Just because one investment type has worked for several years, doesn't mean it will continue in that vein.
9. **Inflation** – It can be the invisible cancer on a portfolio unless it is modeled in all aspects of the plan from spending to returns.

And so, we ask our clients to consider this more holistic approach to your retirements. We can directly help with financial projections and the like. But we can also aid in the more emotional aspect by simply bringing these items to your attention.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely

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