

# Boomer

# Angle™



July, 2015

## What? Me worry?

### 80 minutes a Day!

Legg Mason recently released a [survey](#) which found that investors spend, on average, 475 hours a year worrying about money. That is one hour and twenty minutes **each and every day**. The survey participants were primarily relatively affluent investors, meaning that these numbers don't even include less affluent people who probably have even more reason to worry. This is no way to live!

Why should relatively affluent people spend so much time worrying about money? In a word: uncertainty. Human beings are not wired for uncertainty even though we live in a world which is constantly changing and unpredictable.

Nature may harm us or otherwise destroy our wealth through flood, storm or quake. Health and well-being is fickle, significantly dependent upon genetic luck of the draw, parental luck but which nonetheless can be instantaneously ripped away by an accident. Our interactions with others vary from the support of family and friends to the manipulation of internet scammers, petty thieves and assorted others. We have evolved and prospered as a species only to the degree that we have learned to navigate and manage our way through an existentially unpredictable lifetimes.

If we believe that investments are necessary in order to pay for life essential expenses then worrying is, indeed, very understandable.

Who could not lose sleep over the market ups and downs if paying for your home, healthcare and personal care hangs in the balance?

There is a better way. While we cannot alter the fundamental uncertainties of nature or health we can make some different financial decisions that reduce uncertainty and may promote a better night's sleep.

## Everyone Loves Guarantees

Remove a portion of your savings which are invested in the financial markets and convert them to guaranteed income. Everyone loves guarantees, even people who don't really need them. The Metlife Mature Market Institute, in a 2011 study [Best Case Strategies for a Flexible Retirement](#) found that guaranteed income was the greatest financial contributor to retirement confidence. This applied even to people who had significant wealth. Another study by Towers and Watson in 2012 titled [Annuities and Retirement Happiness](#), found strong correlations between guaranteed income and satisfaction among retirees. Again, this was found to be true among all levels of wealth studied.

The most common forms of guaranteed income are Certificates of Deposit (CDs), bonds and annuities. All of these will guarantee (or as close as one can get to guaranteeing) a specific stream of income which is defined in advance

## Blue Sea Castle, Cambria

Stay in comfort and privacy of your own home away from home on the Central Coast in the heart of magical Cambria!

Beaches, Trails, Restaurants, Antiques, Kayaking, Big Sur, Whales, Hearst Castle, Paso Robles wine country and more.



**25% Autumn Discount** — (Sept.—Dec., 3 night minimum, excludes holiday weeks)

[Website](#)

To reserve: Call 800-927-6163 and reference "25% Autumn Discount" for 334 Castle Street .

	<b>Investing in the Markets</b>	<b>Guaranteed Income</b>
<b>Benefits</b>	Possible larger returns	Predictability, safety, greater peace of mind.
<b>Concessions</b>	Large and unpredictable swings in value.	Possible lower returns.

and which is not subject to short-term financial market fluctuations. In this short of an article we cannot address the different features to these three financial approaches but the bigger point here is that they share the all important feature of offering guaranteed income.

As always there are pros and cons to choosing between market investments and guaranteed income. The key to any prudent financial planning is to clearly understand the benefits a given choice provides as well as any concessions it might entail. The small table above outlines the pros and cons for investing in the markets vs. guaranteed income.

## A Bird in the Hand

Guaranteed Income is like the 'bird in the hand'. There is only one bird but you know what you have and you can plan around that. The financial markets are those proverbial 'two birds in the bush'. You may get both of them but that is not at all certain. This future is less predictable and harder for which to plan.

One other point. This is not an all or nothing choice between investments and guaranteed income. Wade Pfau, one of the most prominent retirement planning researchers today, has recently published studies<sup>3</sup> which show that switching only a percentage of savings from investments to guaranteed income vehicles can actually improve one's total financial performance in retirement.

The studies cited earlier, and many others, suggest that most of us experience greater stress with uncertainty than we get pleasure over potential gains procured in a fundamentally risky investment process.

We should take a good look the mirror and admit that this is probably true for most of us, and that the benefits of guaranteed income may be well worth the concessions.

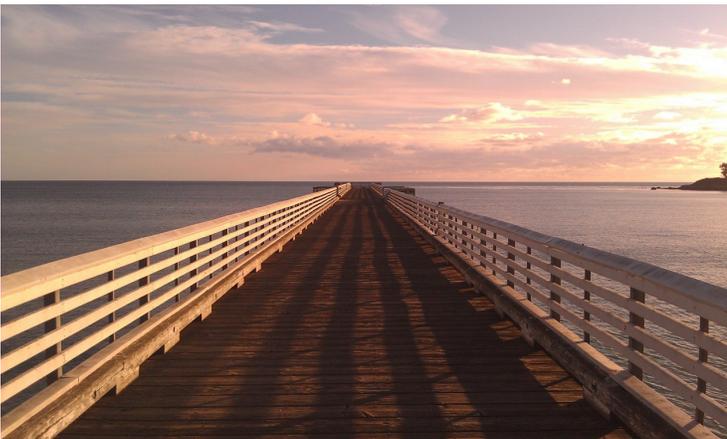
a - Finke, Michael, and Pfau, Wade. 2015 - "Reduce Retirement Costs With Deferred Income Annuities Purchased Before Retirement", *Journal of Financial Planning*, 28 (7): 40-49

## The Good Life

The Gallup Organization has just once again published their [State of American Well-Being](#). This is their annual survey of the comparative well-being of older Americans in all 50 states.

This very thorough and well-researched survey is based on over 170,000 interviews in all 50 states. It individually ranks all states in 5 major categories: purpose, social, financial, community and physical.

Hawaii, Montana and South Dakota are overall Nos. 1,2 and 3.



San Simeon Pier, near Cambria

## BoomerAngle<sup>tm</sup>

Life, Retirement and Financial Planning for the Boomers and beyond.

**Paul Norr, CFP®**

[www.bcfpg.com](http://www.bcfpg.com)

[pauln@bcfpg.com](mailto:pauln@bcfpg.com)

**BUCKS COUNTY  
FINANCIAL PLANNING GROUP**

**2945 Townsgate Rd., #200,  
Westlake Village**

Financial Planning and Investment Advisory Services offered through Bucks County Financial Planning Group Inc., a fee-only Registered Investment Advisor.