

A Walk in the Woods

Recent stock market volatility has rattled many people who are preparing for retirement, or who have already retired. After listening to profundities from informed, and uninformed prognosticators, I can only determine one fundamental truth: It doesn't matter where the market is, it matters what you can do for you.

For many people this time seems like a long walk in a darkening wood; requiring good maps and a good compass to make the right 'direction decisions'.

Here is the crux of this observation. Recently I had a woman in my office. She was divorced, had grown children, and had accumulated a moderately large amount of money from 401ks and IRAs. She had plotted out when she wanted to retire, and how much INCOME she needed in when the next four years ended.

During our conversation, I calculated how much she needed to reserve, and at what guaranteed accumulation rate she needed for that amount of reserved and protected funds in order for it to deliver a lifetime income when she needed it.

All of this was done prior to the recent stock market volatility.

After setting up her plan, she went back to her stockbroker to transfer this small percentage of her accumulated funds into this income plan. The stockbroker convinced her that the market was going to only go higher, and to take these funds and sequester them for future income was expensive, and unnecessary.

She called me to cancel the plan she had started with me.

Then the stock market lost 3,000 points. Because she was over invested in oil stocks and dubious 'green energy' stocks, her losses were far greater than any well diversified investor.

If she wanted to replicate what she canceled, she would need 20% more than what her account now reflected. The plan she had drawn out in her mind could only happen if she liquidated MORE of her IRAs than originally planned. Needless to say, frozen by fear, and counseled by her stockbroker that 'this is just a blip' she did nothing.

She was in the woods with a malfunctioning compass and no map.

My point is this: her need for a certain amount of income did not change. It just got more expensive. You see, the vagaries of the stock market does not change the strategic nature of what we are going to need in income when we retire. Decisions along these lines need to be made in the 'global sense' of what we will need, not on current anxiety. Therefore, it doesn't really matter what the stock market is doing.

It only matters how much of our 'nest egg' needs to be positioned to generate the guaranteed income we need. In this poor woman's case, getting bad advice from her stockbroker cost her not only the chance to get this income stream guaranteed at a discount, but it also cost her the confidence she needed to make informed and mature decisions.

For more information on how Scheiber & Associates can help you with income planning, contact us at (952) 649-0504 or through our website at www.srins.com