Hound Dogs and Retirement Planning?

I recall the story of a man walking down a country road who hears the awful sound of an animal in pain. As he nears an old shack along the dirt road, he spies an older gent on the front porch, calmly rocking in a creaky old rocking chair. Beside him his hound dog raised his head from time to time, belting out the most dreadful "yelp" of pain. Why, you'd have thought the old man was beating his faithful companion!

The traveler in the story approaches the picket fence, steps up to the gate, and asks "What's wrong with your dog?" Without breaking his rocking rhythm nor removing the corn cob pipe from his mouth, he responded, "He's lying on a nail." To which the curious traveler asks, "Why doesn't he get off the nail and stop the pain?" To which the wise owner retorted, "I guess it doesn't hurt bad enough to move; just bad enough to yelp about it!"

So, how's your retirement plan treating you? Are you resting peacefully or 'yelping' about the pain? If you've had the opportunity to keep up with any of our articles over the years, you know that many of the questions I field are from people trying to find ways to get the pain of retirement planning and the markets out of their life. But how, what's a body to do? Below are a few things to ponder that might help you 'get off the nail'?

A Financial Plan Specific to Y-O-U

Perhaps your experience with financial planning has been really more of a sales process rather than actual planning. Before you begin picking investments and/or alternatives to them, here's a thought: why not determine whether you NEED a particular product AT ALL given your circumstances? Why not recognize that your financial life and need may be unique to you? What a concept! When you plan with purpose you will invest with purpose. Instead, most are simply buying financial products because of their return, or safety, or features. This is one of the biggest mistakes I watch people make with their money. If you're going to place products in your shopping cart, do so based upon the plan you've developed that satisfies Y-O-U-R financial goals and future.

Dynamic Versus Passive Risk Management

To simplify this topic let me just say that most folks coming in to see us have a traditional buy and hold investment portfolio that uses a passive approach to risk management know as diversification. The concept is that by 'spreading' risk around to a lot of asset classes within a portfolio, when times get rough in the market, some will 'win' and some will 'lose' but that ultimately (given enough time) you will conquer the hill. Conversely, when times get rough in the market, dynamic risk management chooses to adjust portfolio weighting, holdings or even exit the market in-part or sum-total if necessary. Those who went through the financial crisis starting in 2008 and following can tell you that there was no asset class in which to hide. In fact, I tell people who visit with us for the first time that the number one question I would ask a financial advisor during an exploratory evaluation is how their portfolios performed during the financial crisis. In fairness, did the market recover? Yes! However, that only matters if you weren't the person retiring in 2008. That is, you had time to recover. Perhaps now your investment horizon is on a much shorter leash. My point is that no one knows when the next correction/bear market will happen. I can tell you that we are 9 years into what is typically a 7 year bull run in the market and we are long overdue. Maybe you've come to believe that most of your money must be "in the market" to have any chance of retiring or staying retired with any dignity. Have you bought into the media dribble that says you must accept the pain of the roller coaster-like stock market and simply "hang in there"? The truth is, dynamic risk management offers a different way to invest that takes a more defensive and protective approach.

Investment Alternatives

Alternatives (such as annuities, rental real estate, etc.) to investment portfolios can help manage your market volatility exposure, work well alongside your investments and augment your overall investment, tax and income plan. Obviously, you want to make sure you have gone over the positives and negatives with your planner as well as educated yourself on these different areas and how they may or may not be helpful to your long range goals. However, stable income sources in many cases are much more preferable to my retiring clients than rate of return ever thought of being. More than a decade of experience has proven to me that the only people who should always be 100% in the stock market are those who simply MUST.

If you are ready to quit 'yelping', give us a call or email me at Chris@WoottonFinancial.com to schedule your complimentary consultation. We'll do the analysis for you, give you a second opinion on your current financial situation and make helpful, common sense recommendations on how YOU can get off the nail.

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