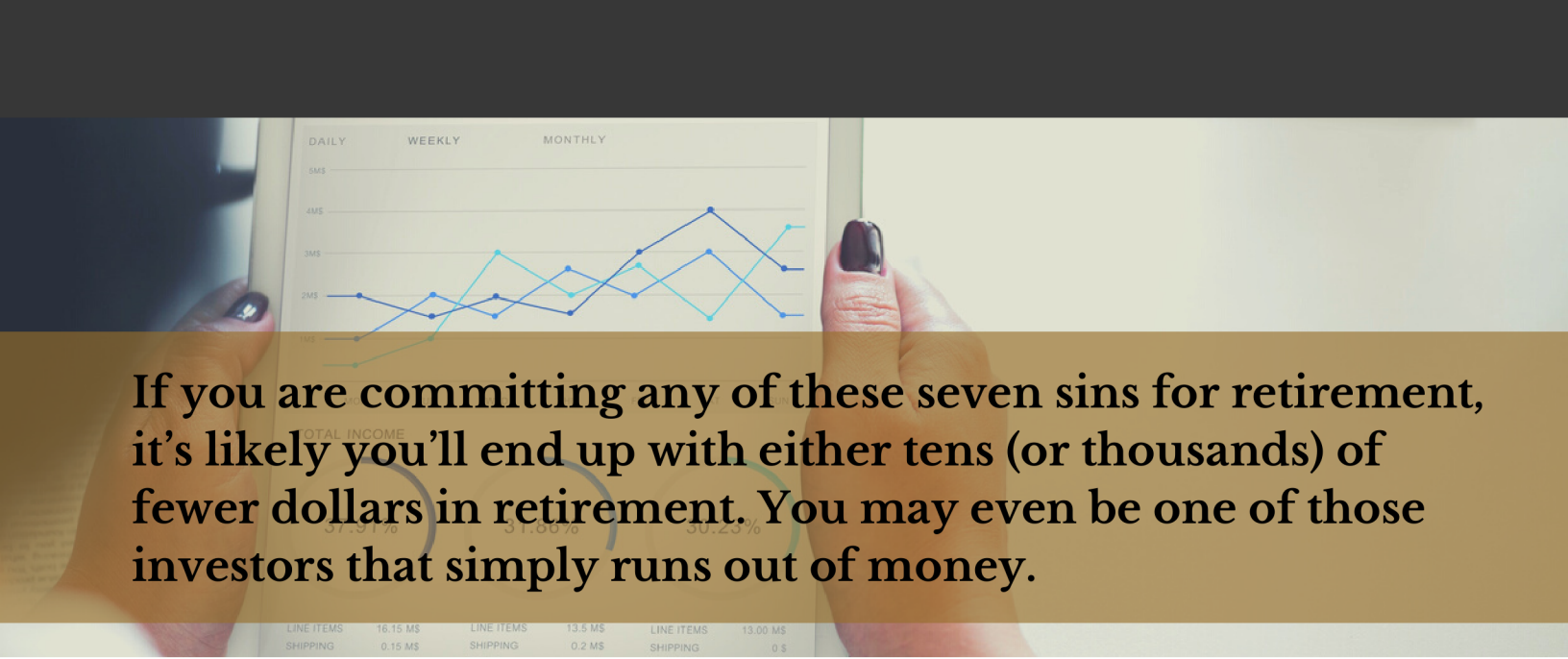


A person with white hair is seen from the back, sitting on a wooden bench. They are looking out over a city street. In the background, there are buildings, trees, and other people walking. The scene is bathed in warm, golden light, suggesting late afternoon or early morning. The text is overlaid on the left side of the image.

7

Retirement Flubs

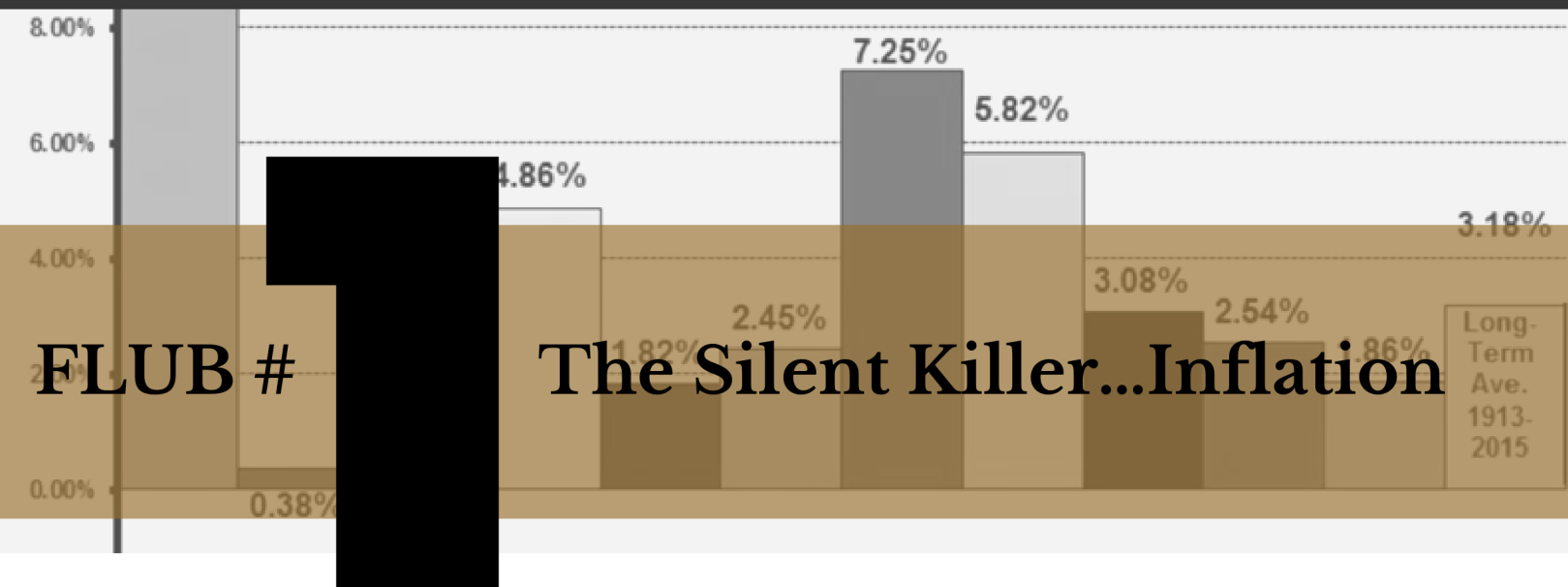
Investors Make

A person's hands are holding a tablet. The screen shows a financial dashboard. At the top, there are tabs for 'DAILY', 'WEEKLY', and 'MONTHLY'. Below these is a line chart with two data series, one in blue and one in green, showing fluctuations over time. The y-axis is labeled with values like 2MS, 3MS, 4MS, and 5MS. Below the chart, there is a table with columns for 'LINE ITEMS', '16.15 MS', '13.5 MS', and '13.00 MS'. The first row of the table is labeled 'SHIPPING' and has values '0.15 MS', '0.2 MS', and '0 \$' respectively. The text 'TOTAL INCOME' is visible above the table, and percentages like '37.91%', '31.86%', and '30.23%' are shown above the table columns.

If you are committing any of these seven sins for retirement, it's likely you'll end up with either tens (or thousands) of fewer dollars in retirement. You may even be one of those investors that simply runs out of money.

Most of us dream and look forward to making work optional one day. We imagine spending time relaxing without having the necessity of responding to e-mails, meetings we must attend, and bosses who create deadlines that cause us a lot of stress. We also look forward to doing things we just haven't had the time to do while we were working full time at our 'day' job. For some of us, this means hitting the golf links, doing charity work, spending time with our children or grandchildren, or even starting a business you always dreamed of during your working days.

There's a big difference between the words choice and chance, as making the right 'choices' with your overall retirement plan leaves the word chance as a back seat driver to you making work optional. Learning these retirement flubs and taking action on them will be the difference between retiring successfully or maybe not being able to retire at all.



What comes up, must come down...yes? How about what comes down must come up? Inflation is one of those numbers that are often randomly projected into the financial plans that most people do on the internet. Far too often, the calculated number investors put in their plan is 3%. The average inflation rate over the past 100 years has been 3.5%. This means almost every 20 years, the cost of living will double. When investors plan their overall retirement plan and come up with random numbers of needing \$1,000,000 or \$2,000,000, did you ever stop and think that whatever number you end up with the day you retire will actually be worth only half in real dollars 20 years into retirement? BUT...there is another lurking issue for those retiring soon. Inflation has been increasing and may fluctuate during your retirement.



FLUB #

2

No Proactive Tax Plan

Most investors spend their working career on the simple word of accumulation. How do I accumulate enough money to make work optional and retire? How do I accumulate enough money to never run out of money? How do I accumulate enough money to leave assets to my kids and grandkids?

However, when investors build a retirement plan they often don't think about the word decumulate. Of course, if you accumulate money over your lifetime, it would be silly to think you won't decumulate down the road. This means, not only do you need to think about every way to pay the least amount of taxes today, but you also need to consider how you might pay taxes down the road.



FLUB #

3

Hiring The Wrong Advisors

Hiring the wrong financial advisor can make a big difference in your success and failure down the road.

Would you want to hire an advisor whose net worth is less than yours? Would you want to hire an advisor who has never run a business to give you advice if you own a business? Or would you hire an advisor who has never been a VP or an SVP when you are at the top of a Fortune 500 company?

The reality is that most advisors have an ax to grind (even Ken Fisher on TV who says “never buy an annuity”). Do you think there is a reason annuities still exist today when they were 1st invented in 1812 if they didn’t make sense for somebody? You should laugh or get very concerned when an advisor, a money management firm, or a bank says the word NEVER! This should tip you off that this is a marketing ploy to turn your head the other way so they can sell you what they want to sell you. Just like when a company says there are NO FEES you should run for the hills. There is NO FREE LUNCH.



FLUB #

Trying To Time The Market

The market has been on almost a ten-year run and there isn't a day you don't hear some gloom and doom on the television or social media. However, market timing has been proven to be a huge flub that investors have made in the past and will continue to make in the future.

In both 2016 and 2018, we had near 10% declines in the S & P 500 with small 'flash crashes'. However, in 2020 S&P 500 finished the year up more than 16% despite the public health and economic crises. Were you an investor that headed to the sidelines only to continue to miss out on huge runs over the past few years? Were you an investor who thought Amazon stock wouldn't hit 2,000? We are always asking ourselves the dreaded investment question "is this the right time to get in or get out?"

Market timing is a deadly flub most investors make at least one time in their investing history.



FLUB #

5

Online Bill Pay

This flub must seem like one that shouldn't belong on this list. However, with the advent of online bill pay, there is a serious problem of investors not reading their bills and overpaying each and every month. This means less cash flow that could be earmarked for retirement.

Once you click the button to agree to go to an 'e-statement', essentially you are agreeing that you won't read the bill anymore. Yes, it is possible once in a blue moon that you actually look at the bill. Most investors who are reading this will admit that they cannot remember the last time they read all of their bills in detail for an entire month. Newsflash: **COMPANIES RELY ON THE FACT YOU WON'T LOOK WHEN THEY RAISE PRICES!**

The flub here is that the extra \$100, \$200, or \$500 could be the difference between you running out of money or not.



FLUB #

6

Not Choosing The Right IRA

When you're torn between contributing to a traditional or Roth IRA, it's almost always better to compare your marginal tax rate today to your effective rate in retirement, for two reasons:

1. Your traditional IRA contributions will likely provide a tax break at or near your marginal tax rate. This is because federal tax brackets typically span tens of thousands of dollars, while your IRA contributions max out at \$6,000 for an individual (\$7,000 if you're age 50 or over) or \$12,000 for a couple (\$14,000 if you're age 50 or over). So it's unlikely that your traditional IRA contribution will move you into a lower tax bracket, and even if it does, it will likely be only a small part of your contribution.

2. Your traditional IRA withdrawals, on the other hand, are very likely to span multiple tax brackets given that you will likely be withdrawing tens of thousands of dollars per year. Given that reality, your effective tax rate is a more accurate representation of the tax cost of those withdrawals in retirement.

And when you look at it this way, comparing your marginal tax rate today to your effective tax rate in the future, the traditional IRA starts to look a lot more attractive.



FLUB #

7

You Don't Understand Risk

When you hire someone to oversee your money management, you want to make sure that you can clearly determine whether you are going to measure results by absolute return or relative/benchmarking return. This measurement gets to the heart of really understanding what kind of risk you will take with your investments. As an example, how could you really benchmark your investments against the S & P 500 unless you had a 100% equity-driven portfolio? On the flip side, if you agree for your money manager to have a target of 6%, shouldn't you be happy if you made 6% irrespective of what the markets do?

Knowing the risk of your investments is a giant flub that investors make today because they simply do not know the risk they are taking.



The bottom line is that making any of these deadly SEVEN RETIREMENT FLUBS could be the difference of making work optional or making your only option that you have to work. Talk to an advisor today about making sure your retirement plan is on the right track for success.

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