To Retire With Confidence, Have a Plan

If you want to retire with confidence, have a plan.

"As you near retirement age or even within a decade or so, it is time to start doing some serious financial planning," said Larry Stein, CFA, author of *Peace of Mind Investing*. "Retiring with confidence is to develop a plan that makes sense, executing it, and reviewing it at least every five years to make sure you're on track."

Stein addresses a number of risks we need to consider – those we know and don't know. This includes increased longevity, inflation, family responsibilities (such as caring for parents), healthcare, and interest rates. All could have a major affect on finances and lifestyles.

Stein says a couple with both spouses at age 65 today has a 50 percent chance one of them will live past 92, and a 25 percent chance one will live to 97, in which challenges can arise. Unless you have serious health risks or unfortunate heredity, basing your financial planning on a 95-year lifespan makes sense.

Peace of Mind Investing is built on a single premise that's been time-tested through the Great Depression, two World Wars, and multiple other major events – yet is incredibly simple. The grand premise: stock prices rise over time. Stein's book boils down to the following key points:

- First, set a return goal that makes sense for your personal situation. The only benchmark that would make sense is to achieve your personal goals over a time horizon that fits your specific situation. Your performance goals should be the rate of return you need to live comfortably through retirement. The true measure of investment performance is your return through a full market cycle, up and down. "Beating the S&P 500 or any other such nonsense is pure noise and distraction," says Stein.

- Second, manage risk through asset allocation and rebalancing.

- Third, trim risk during euphoria and overvaluation; buy during times of fear and undervaluation.

Stein says retirees and pre-retirees must manage risk vigilantly. Withdrawals from a portfolio that sustains significant declines can accelerate the loss in value. Risk management is imperative.

— JMS Team

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