

Retirement Reinvented

Secure Income Strategies
for the Long Haul



Bradley Geddes, CFP®

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Introduction

Retirement can be complex. When we picture retirement, we envision leisure time, traveling, hobbies, and spending time with our families. But after a long career, we're expected to shift from simply placing money in our investment portfolios as a savings account, to managing it as a source of income, financial security and our legacy. This shift can be daunting as many people don't know where to start leaving new retirees lost, frustrated, or overwhelmed. So where should we begin?

After spending years helping people plan for retirement and navigate these huge changes, I decided to write a book to give retirees a road map to help with the changes that retirement brings. The road map in this book is constructed to help you live your life to the fullest and not worry about finances.

Throughout my years of working with pre-retiree and newly retired folks, I've seen some common concerns and problems many people face. Take my client Helen, for example.

Helen was about a year out from retiring. At 62 years old, she had accumulated a nest egg she felt was probably enough to live on over the next 30 or 40 years. Even her broker told her she would probably be okay.

She came to me with two of the most common questions retirees face:

1. Can I retire?
2. How much can I safely spend to not put myself at risk of outliving my savings?

Her broker tried to help. He applied a couple of statistical analyses provided by his employer and walked her through the results. Each recommendation seemed to have a caveat: "Past performance is not indicative of future results."

(You've probably heard that one yourself!)

When Helen came to me, we took a different approach to planning out her retirement. We protected key sources of future spending against a market downturn.

We also identified how much market risk she could sustain in the event of an aggressive downturn without needing to adjust her lifestyle

What were the results?

We built a portfolio that would last a lifetime, anticipating multiple market crashes. We've already seen two volatile markets since our initial implementation. Her retirement investment strategy shifted the risk of loss to planned income sources while still allowing for long-term growth of funds she would need in 10+ years. Better yet, she understood why the strategy would work.

I hope that this book helps you understand that investing during retirement is different from investing for retirement. It comes down to shifting your portfolio from an accumulation strategy to one that employs distribution metrics. That adjustment introduces new risks that require a different lens.

By the time you finish reading this book, you should have a clearer, step-by-step guide of how to take inventory of your personal goals, anticipate key risks most retirees face, and fortify an investment portfolio that you can rely on for a lifetime.

Let's dive in.

You have a carefree retirement to enjoy!

Bradley

Chapter 1

Investing *for* Retirement versus Investing *in* Retirement

As a CERTIFIED FINANCIAL PLANNER™ professional who focuses exclusively on crafting investment strategies for retirees, I can't emphasize enough how different investing *for* retirement is from investing *during* retirement. The goals and tactics are fundamentally different.

When investing for retirement, people look towards long-term savings goals. They focus on growth, relying more heavily on regular contributions and diligent rebalancing. They aspire to that day when they can finally put in their notice, retire, and say they've officially made it. The strategies that work for someone who is building a portfolio don't necessarily align with the objectives required during retirement.

While someone is investing *during* retirement, the goal has changed from growing their savings, to one that hinges on distribution. Typically, retirees are done working and, by extension, they're probably done adding to their asset base. However, they still need to replace their income with another income stream. This usually comes from their investments and retirement savings, which needs to last a lifetime.

As your goals change when investing *for* retirement versus during retirement, so do the risks. You now need to account for withdrawing money from your financial assets for the first time. Using your portfolio as an income source means there is constant pressure on your financial assets as the markets fluctuate.

The Difference

The biggest difference between investing *for* retirement to *during* retirement is a shift in mindset. I refer to this shift as moving from how you are invested to *why* you are invested. We want to focus on *how* you intend to use your assets, not just the risk and return profile.

Maybe in retirement you want to invest for the next generation, build certainty, minimize your taxes, or maximize your income. Once we identify what your key goals are, we'll be able to better allocate your portfolio to meet your needs – keeping these goals the focus.

One of my clients told me that he wanted his last check to bounce when he was put into the grave. We had a good laugh about that. But other clients may want to pass on as much as they can to the next generations. Curiously, we still tackle these opposing goals with the same financial planning process.

The difference between simple accumulation and using your portfolio to accomplish specific goals is the hallmark of someone graduating from investing for retirement versus managing that portfolio when they are retired.

Pulling Money Out of Your Portfolio

Whether you need all of the income your portfolio can sustain, the withdrawal math is fairly consistent. You may need to withdraw for traditional income generation, estate planning, tax optimization, or required minimum distributions. Regardless of the reason, the removal of funds from an account acts the same as a negative return on your portfolio. The impact isn't noticed as much when markets are trending higher, but it's felt acutely when they're down.

You're probably aware of the popular rules for estimating how much you can draw from your financial assets during retirement. The estimates can be useful

during your accumulation phase, but usually don't work well in practice and cause more issues than not. The withdrawal rules were never intended to facilitate long-term income withdrawals from invested assets.

Valuing Portfolios Differently

Traditional financial advisory is geared towards one thing: degree of growth. When these strategies are employed during retirement, people often miss the mark on getting the most out of their portfolios. An accumulation-only advisor looks to answer the question, "how much are you willing to lose in order to gain a certain amount over an indefinite period of time?" We can do better!

When you look at a portfolio with a retirement advisory specialist, together, you'll apply your unique goals and merge them with the appropriate financial strategy. Doing so moves a portfolio away from simply diversifying based on asset class (a pie chart) to diversifying by goal. When you diversify by goals, you can identify what portion of your portfolio is intended for paying for life's expenses over the next three months, three years, or even three decades.

When you diversify by goals, you tie certain aspects of your accumulated financial assets towards accomplishing them, all in one portfolio.

For example, I have some clients who are helping their grandchildren pay for college. This goal reflects a different investment portfolio than what they will use as income. The assets that we separated from the college gifting funds should be invested differently based on timing the distribution: planned income at age 90 is invested differently from distributions in their 60s.

Financial goals are diverse and can be conflicting. I enjoy helping people who come to me with specific, tactical goals and translating those into retirement-focused recommendations for them. Identifying their goals and then creating an investment portfolio recommendation that meets those goals turns traditional financial advisory on its head.

Consequences

If you're like many of my clients, the most important goal you have for your portfolio is a stable and consistent income stream. So identifying poor financial planning practices is crucial to help you achieve your goals and avoid dire consequences.

I like to use the analogy of a five-lane freeway in Los Angeles. When you're there late at night, you'll sometimes see people driving 90 miles an hour on a wide open freeway. The lane they select doesn't matter because they're going 90 miles an hour and they'll probably get to their destination, or they won't.

With retirement investing, we need to narrow the number of lanes. We can keep most of the speed, but we don't want the same range of outcomes. Freeway speeds may not be 90 miles an hour anymore, but we can still get to that destination efficiently at 60 or 70 miles an hour. We narrow the range of outcomes because new objectives enter the picture.

I bring this analogy back to income because when someone is planning a withdrawal strategy, they can't endure every potential outcome. They need (or would like to have) that source of income at some point within a defined period. Time is no longer on your side.

So let's talk about the consequences of not narrowing the lanes to get to your goals. In the beginning of 2007, there were people who were planning out investment portfolios at or near retirement age but had not yet implemented these principles.

At the beginning of 2007, markets were looking pretty good. They'd had a nice multi-year recovery since the lows in 2002. Many people using a traditional banker/broker portfolio thought that maybe now was the time they could start to plan for long-term retirement.

The people who hadn't narrowed the freeway and implemented this approach by the end of 2007, were blindsided by the financial crisis that began in late 2007 and continued through 2009. Many saw the equity portion of their portfolios decline by more than 50%. Financial advisors sang the common tune, "Oh, this is something that never could have been expected. It's a black swan." Some even suggested to stay the course: "You can draw money out of your portfolio, just

stay the course, and keep a long-term mindset.” Some ended up sticking to the withdrawals and accelerated market losses, hoping for things to get better soon. Eventually, the markets rebounded. But it took about five years for those equity portfolios to rebound, if the holdings were left alone.

For many of my clients, five years will be a substantial portion of their retirement. When you’re pulling money out of your financial assets as a source of income, rather than properly planning out how to invest with a specific objective, it can affect not only people’s comfort in retirement but also the financial outcome.

My Encouragement to You

An accumulation-style portfolio is what you want to use when building, growing, and compounding your financial assets. Use this pie chart or asset allocation model when you’re looking forward to a date well in the future. But, once you get closer to retirement, anywhere from five to seven years out, it’s time to make changes. Certainly, for people at retirement, you want to start looking at how your investment strategy will help you achieve your specific retirement goals.

Now, we will start looking at what you are going to do as a source of income. How are you going to minimize those taxes? How are you going to pass on assets to beneficiaries in the future? We will also explore a range of other goals that people have when they’re retired, and how to adjust your portfolio to reflect them.

Chapter 2

Protecting Your Long Term Income Stream

A solid portfolio and investment strategy should begin by looking at your income needs and focus on protecting a long-term income stream you'll be able to use for the duration of your retirement. This fundamental step informs every other aspect of your retirement investment strategy.

We call it Income Planning.

You don't want to risk running out of money during retirement. So the first thing we do during income planning is identify the maximum amount of income you could generate from your portfolio over the course of your planned retirement. We can always adjust this number to incorporate other goals, but ensuring your financial viability should come first.

Protecting Principal and Surplus

Next, we look towards protecting that income.

After we have identified the maximum income you could generate, we'll start segmenting it to help protect it against inevitable market fluctuations. We'll

plan out income usage from within your portfolio (maybe 10 - 20 years out) and further break it up into segments to protect what you'll need over the course of those years. Your income plan will be unique to your goals, but we'll start with three groups: the first one to five years, the second covering five to ten years, and a section for ten to twenty years out.

Planning twenty-years out helps identify the amount and groupings needed to carry you through two to three economic cycles. Remember the review of 2007-2009? Now, we have the bandwidth to sustain such a downturn. Looking that far ahead also helps to determine the amount you need to set aside for beyond twenty years, which can now be invested to benefit from market uptrends.

The maximum income number covers your retirement foundation and is placed right at the top of your plan. But you might not need all the income your portfolio can generate. That surplus is a good problem to have! The surplus acts as dry powder for maximizing the rest of your financial assets.

Show Distribution plan here?

Common strategies for surplus funds include tax optimization and estate planning. We set aside these financial assets for advanced tax planning tactics to reduce future tax burdens on portions of the portfolio not used as income. These assets can also be earmarked for the tax-free transfer of an estate to beneficiaries, using the income source as a foundation to isolate what can safely be allocated for other goals.

Protecting Income Is a Better Plan Than Reducing Volatility

Protecting your retirement income is far more crucial than simply minimizing fluctuations in your portfolio. Imagine your retirement savings as a car navigating the financial freeway. While some advisors preach staying in the fast lanes (high-growth investments) to maximize returns, a smarter strategy might be securing a reliable "off-ramp" that protects your income stream. This off-ramp is the concept of a principal guarantee.

Think of a principal guarantee like a guaranteed exit lane. It shields your money from market downturns, ensuring a steady flow of income regardless of what's happening on the "main freeway." A classic example might include a certificate of deposit (CD). Back in 2008, retirees holding CDs cruised through the financial crisis because their principal was protected and their CDs offered decent returns (often exceeding 5%). Even with lower rates today, CDs continue to be a reliable way to generate income without risking your principal.

While the 2020 pandemic saw interest rates plummet, the core principle remained the same: protecting your income foundation. Traditional advisors often advocate for reducing volatility (the number of lanes you switch between), but this approach overlooks the importance of shielding a core portion of your portfolio from potential losses.

In freeway terms, opting for a three-lane highway might offer less volatility, but it doesn't guarantee smooth sailing. Ignoring the possibility of your entire portfolio being "down" in a bad market is a risky bet for your retirement. The quickest way to stall out on the retirement journey is by constantly drawing from a depleted account.

So, prioritize your income plan first. Decide where your retirement income will come from and then focus on protecting that source from market crashes. This is your off-ramp to financial security.

Protecting Your Income Stream: Beyond the 4% Rule

Many retirement plans rely on the popular 4% rule. This rule suggests retirees withdraw 4% of their total retirement savings in their first year of retirement, and then adjust that amount for inflation each subsequent year, aiming to make their savings last at least 30 years. While this approach offers a starting point, it's important to understand its limitations.

Imagine cruising down the retirement freeway. The 4% rule suggests a steady speed – 4% of your total savings each year. This might seem straightforward, but there's no guarantee smooth sailing ahead.

Firstly, the 4% rule is an estimate based on historical market performance. It doesn't account for detours like unexpected market crashes or your own

personal journey length (lifespan). Relying solely on this single speed for your entire retirement trip is risky.

A more secure strategy focuses on protecting your income stream itself. This means incorporating "exit lanes" along your freeway – principal-protected investments that guarantee your initial investment and offer a steady flow of income. By safeguarding this foundation, you can navigate market fluctuations with greater confidence, ensuring your retirement income remains reliable throughout your golden years.

But, let's get more specific. At Decker Retirement Planning, we call these exit ramps "principal guaranteed accounts" – a core strategy of ours in building successful retirement portfolios. This approach creates a structured way to secure consistent income while minimizing risk and preserving principal. By allocating funds across specific maturity dates, retirees can ensure a steady stream of income that becomes available at predetermined intervals over time. The strategy not only enhances liquidity but also provides confidence that essential expenses can be covered, even during market downturns.

One of the significant advantages of laddering principal guaranteed accounts is the protection they offer against both stock market volatility and interest rate risk. I like to emphasize that, unlike bond funds which can suffer losses when interest rates rise, these accounts maintain principal security, even when markets decline. This stability is crucial in retirement, where drawing income from fluctuating accounts can jeopardize financial security. By relying on principal guaranteed accounts, retirees effectively avoid sequence of return risk, which is a critical concern when withdrawing from accounts vulnerable to market downturns.

Our approach also optimizes returns through a strategic blend of short-, medium-, and long-term investments, all while preserving principal. We can achieve higher interest rates in longer-term accounts, while at the same time balancing the need for both growth and liquidity. This structured, ladder method enables clients to benefit from higher returns in some accounts, while ensuring that immediate needs are met with shorter-term investments. The result? Peace of mind through supporting a stable and sustainable financial future.

Challenging the 4% Rule on the Retirement Freeway

The 4% rule encounters another roadblock when applied to a typical retirement portfolio. Imagine simply sticking to the same lanes (asset allocation) you used during your accumulation phase (saving for retirement). The 4% rule suggests just a slight adjustment in speed (withdrawal rate) without a significant change in direction (investment strategy).

This approach leaves your income stream vulnerable. The portfolio lacks proper "guardrails" to protect against market downturns, like the one experienced in 2008. Suddenly, your comfortable cruising speed feels more like a dangerous freefall.

Another concern with the 4% rule is its recommendation to shift towards slower lanes (lower-yielding assets like bonds) as you age. While these lanes offer a smoother ride, they often struggle to keep pace with inflation, which is like a constant headwind eroding your purchasing power over time. Some financial advisors might suggest spending most of your time in these slow lanes, neglecting the impact inflation has on your ability to maintain your desired speed (lifestyle) down the road.

The traditional 4% rule approach not only fails to provide a guaranteed smooth ride but also exposes you to new risks. A superior alternative involves adopting a principal-guaranteed investment strategy for generating income. It's like creating a dedicated "income lane" within your portfolio, safeguarding a portion of your assets specifically for near-term needs.

The role of a knowledgeable financial advisor, similar to a skilled navigator, is crucial here. They can identify the highest-yielding "lanes" within the principal-protected investment category and assess the pros and cons of different options. The goal is to transfer the risk of a crash (loss) from your portfolio to the financial institution issuing the principal-guaranteed product. This ensures you stay on the road to a secure retirement, even if you encounter some unexpected turbulence.

Building a Secure Income Stream: The Bucket Approach

The traditional retirement plan is a static snapshot – a simple pie chart depicting your entire portfolio at a single moment. A more robust strategy involves a dynamic, multi-dimensional approach – the "bucket" system. Here, you allocate portions of your portfolio across different investment horizons, creating a plan spanning your entire retirement, often extending to age 100 or beyond.

The key lies in forecasting when you'll need income from your investments. Each "bucket" represents a distinct time frame within your retirement journey. For example, Bucket One might hold funds earmarked for the next five years, while Bucket Three might hold reserves for healthcare needs later in life. Crucially, all these buckets prioritize principal-protected investments, safeguarding your money from market downturns.

By considering your investment horizons, you can identify the most suitable vehicles for each bucket. This might include annuities or similar bank products for long-term needs or certificates of deposit (CDs) and bonds for shorter-term goals. The goal is to tailor your portfolio to your specific circumstances, ensuring a reliable and protected income stream throughout your retirement.

Taking Inventory: Assessing Your Current Assets

Before building your "bucket" system, a thorough inventory of your current financial assets is essential. Gain a clear understanding of your exposure to market risk across your entire portfolio. This includes traditionally safe investments like bonds and short-term securities.

If you've relied on a conventional investment approach, you might find an overemphasis on accumulation (saving for retirement) rather than income generation. This could mean your key retirement income sources are exposed to more risk than you'd like.

This assessment becomes the foundation for necessary adjustments. By aligning your portfolio with a principal-guaranteed investment strategy, you can achieve the desired level of protection for your income streams.

Understanding your current risk exposure and reassessing your investment approach empowers you to proactively mitigate risks and ensure the stability of your income throughout retirement. Remember, a proactive approach is key to a secure and worry-free retirement. Take charge of your investments and adjust your strategy to achieve the level of risk protection and income you deserve.

Chapter 3

Surviving Versus Thriving in a Market Downturn

Forget just surviving – let's talk about thriving during a market downturn. While the threat of a bear market can cause sleepless nights, there are strategies you can employ to not just weather the storm, but potentially come out even stronger.

Market downturns are inevitable. They're like storms rolling in on a sunny day – unpredictable and disruptive, but a natural part of the investment landscape. The average investor experiences four or five market crashes during their retirement. While these downturns are extreme and unpredictable, with the right approach, you can navigate them with confidence and potentially even benefit.

Many retirees express confidence in their ability to handle a downturn. They talk about buying more when prices are low, a strategy often referred to as "buying the dip." Here's the reality: most investors see themselves as long-term thinkers until the first real losses hit. A 5-10% decline might seem manageable, even an opportunity to invest more.

However, as losses deepen, the bravado starts to fade. Between 10% and 20% down, doubt creeps in. Investors question their portfolio choices and kick

themselves for not taking profits earlier. Thoughts turn to reallocation strategies for the eventual rebound, but a sense of unease sets in. "Why did I have that in there?" they might think. "I should have sold when I had the chance."

The key to remember? A 20% decline, while significant, is relatively mild compared to historical market downturns. With the proper strategies in place, you can not only survive these fluctuations but potentially use them to your advantage.

Facing the Real Downturn

The real stress hits when the market dips 20% to 30% from its recent peak. This is especially true for people planning for retirement or already retired. The anxiety becomes palpable. At this stage, fear and uncertainty start to grip many investors. They might believe this is a "new normal" – a permanent downturn where markets never recover, or that companies are doomed to fail.

This heightened stress often leads to panicked selling. If the decline worsens, reaching 30% to 40% or more, the emotional toll becomes even greater for regular investors, unlike large institutions. We see people "capitulate" – abandoning their investment strategy and moving everything to cash.

It's crucial to remember the emotional toll of a downturn. For those nearing or already in retirement, the pressure is immense. These moments of intense stress can lead to rash decisions driven by fear.

Even the best long-term investors find themselves in a difficult spot during a downturn. Losses mount, and they eventually realize they need to move towards safer investments. The problem? This shift often happens after their portfolio has already taken a significant hit. It's a common pattern – investors ride the markets down until the pain becomes unbearable, then make belated adjustments to their portfolios. The strategy they should have had in place all along becomes clear only at the market bottom. But by then, fear and uncertainty make them hesitant to reinvest as the market starts to recover. This reactive approach is the opposite of thriving in a downturn.

What's surprising is that even though market downturns are inevitable, many investors are reluctant to take profits beforehand. They get attached to portfolios

that have performed well and chase even higher returns, ignoring the reality of crashes. To navigate a downturn successfully, especially in retirement, we need to accept that markets don't always go up. They can flatline for extended periods and experience significant declines. This is why diversifying your portfolio based on your goals is essential.

When I assess someone's finances, I ask, "What will we need for the next one to five years (maybe even one to three years)?" We look at each goal independently of the rest of the portfolio. The investment strategy then becomes clear. For the next few years, we won't put anything in that bucket that's exposed to market risk. When you look at your plan, you should feel confident about where your income will come from, even if we face another 2008-style downturn. Accepting this reality – that markets have ups and downs – is crucial. Building a diversified portfolio based on your specific needs is the key to a successful retirement.

By proactively planning for downturns and tailoring your investments to specific time frames and risk and return preferences, you can weather market volatility with greater confidence. This positions you for stability when others struggle during adverse market conditions.

Growth, but with Guardrails

We've secured your short-term income stream for the next few years. Now, let's shift our focus to the next five to ten years. Here, we'll use a similar approach but extend the time horizon. This extended time frame allows for a higher potential return on investment, but we also need to consider factors like inflation protection and liquidity (how easily you can access your money). These factors ensure a degree of safety for the funds you'll need within this time frame.

Beyond the initial ten years, the approach can be customized to fit your lifestyle. We might extend the time horizon even further, looking out another five or ten years. However, the core principle remains the same: how you wish to use your portfolio should drive your overall investment strategy. When you have a clear understanding of where your income comes from, you can also identify areas where you can prioritize protection against losses.

Imagine this: if we can shield your income sources from market downturns for the next 10, 15, or even 20 years, you'll be in a phenomenal position to thrive during the next inevitable market crash.

This strategy frees up a portion of your portfolio that you won't need in the next 10 to 20 years. This "buffer zone" allows us to comfortably invest this segment in the market, where it has the potential to grow despite potential downturns. We can craft an investment strategy specifically designed for growth within this time frame.

The key is knowing that your income needs for the next chunk of your retirement are protected. This creates a buffer zone, a full market cycle, within which we can incorporate a growth-oriented segment of your portfolio. Depending on your risk tolerance, this segment can be moderately aggressive or even fully aggressive, aiming to maximize long-term growth and accumulation. This approach empowers you to thrive, not just survive, during market downturns.

By embracing a strategy that balances safety with growth, you can optimize your portfolio for both short-term income needs and long-term growth objectives. This results in a resilient financial plan that can weather market fluctuations and position you for a secure and prosperous future.

Roger's Story

2019 was a pivotal year for my client, Roger. He had accumulated a significant nest egg of around \$4 million, with at least half invested in a single company stock – his long-time employer. Years of stock grants and Restricted Stock Units (RSUs) as part of his executive compensation had built this concentrated position, forming the core of his retirement plan.

Roger understood the inherent risk of having such a large portion of his wealth tied to one company. We'd discussed diversification at length. However, he felt confident relying on the company's quarterly dividends to fund his retirement lifestyle. In his mind, these dividends provided a reliable income stream, and even if the stock price dropped during a downturn, he'd still have enough to live on.

Our planning focused on creating a more secure income stream through principal-protected investments. This meant shifting Roger's mindset away from relying solely on dividends and towards a protected income plan – a strategy we recommend for all our retirees.

COVID Hit

The COVID-19 crash served as a real-world validation for Roger. Not only did his company's stock price plummet, but they were forced to cut the very dividends he was relying on. If his income had remained tied solely to the market, it could have been slashed in half overnight.

The market downturn highlighted the wisdom of our planning approach. Roger called me right away, expressing his newfound understanding of our strategy. He knew, with immense relief, that his income for the next 10-15 years – a crucial period as he transitioned into retirement – was secure and protected. This peace of mind allowed him to hold onto his longer-term investments, including his company stock, for potential future growth. These assets remained strategically positioned for long-term accumulation because he wasn't relying on them for immediate income. Roger's experience serves as a powerful testament to the importance of a diversified and secure income plan, especially during periods of market volatility.

Chapter 4

How Risky Is Risk Tolerance?

Let's address one of the biggest issues with risk tolerance assessments in financial planning today: the misconception that advisors build portfolios based on a magic formula. The truth is, the foundation often comes from a seemingly objective tool – the risk tolerance questionnaire.

But here's a glimpse behind the curtain: in the financial advisory world, there's a concept known as the "two-meeting close" (or as we call it, the "two-meeting shakedown"). This is where you meet with a professional advisor who assesses your risk tolerance. They'll ask a series of questions: "How much would you like in risky stocks versus safer bonds?" "How would you react in a downturn?" "What return expectations are you comfortable with?" Essentially, they're trying to gauge your risk appetite – how much potential loss are you willing to stomach?

An advisor will also consider your life stage, age, and perhaps even compare you to similar clients. Based on your answers, they determine how much risk they can take with your money. This information then gets plugged into a model, which generates... what I call the "pie chart" – your asset allocation strategy. In essence, you're telling the advisor how to invest your money through this questionnaire. The problem? Risk tolerance questionnaires, while a starting point, can be misleading. Let's explore why.

Imagine a market downturn hits, and your portfolio's return disappoints you. You predictably call him or her to see what they think. "What should we do?" You might ask. Suddenly, your advisor points to your risk tolerance questionnaire and innocently says, "but...I thought this is what you wanted? It was what you told me you were ok with." This approach has always felt to me more like self-protection for the advisor than a genuine attempt to understand your needs.

Why? Because the traditional approach prioritizes investments first. It assesses your risk tolerance and then allocates your money based on that self-reported number. The problem? Risk tolerance questionnaires can be subjective and misleading.

Here's a different approach: when building a retirement strategy, let's reframe risk tolerance. Instead of focusing on how much volatility you can stomach or what return you expect, let's focus on your goals for your portfolio. We should strive for the minimum required risk.

Let's explore this further. Imagine using a portion of your portfolio to generate a specific amount of income – your "income floor." Could 60% of your portfolio cover your income needs? Maybe 80% or 90%? Once we determine this amount, we'll have a clear picture of what's left over for long-term growth and accumulation (anything beyond the next ten years). What you don't need for the next decade becomes your "growth bucket."

Risk tolerance is still important. Understanding your comfort level is part of the equation. But when it comes to retirement planning, it's about quantifiable needs, not just abstract risk tolerance. We're not asking how much risk you can handle; we're asking how much risk is necessary to make your retirement plan work for the long haul.

How the Risk Conversation Should Go

Forget about focusing on statistical projections and historical returns. When assessing your current portfolio, the key question is: what are you planning to do with your money?

Most advisors will happily show you historical returns and metrics like standard deviation or Sharpe ratios. These are fancy ways to measure efficiency, and

they'll tailor them based on your risk questionnaire. But this approach puts the cart before the horse.

Instead, the conversation (and your thinking) should flow the other way. Focus on your goals for your financial assets and how they fit into your broader financial picture. **This** should drive your investment strategy, not some abstract risk tolerance number.

Having an Income Base

Let's take a practical example. Many of my clients have a reliable income base – Social Security, a pension, or rental income. This acts as an anchor, providing a steady stream of income they can live on. Their accumulated financial assets then become a way to supplement these other sources.

Understanding your income base is crucial for making smart investment decisions. If a significant portion of your income is already covered, you can take a more aggressive approach with your portfolio. Conversely, a smaller income base might necessitate a more conservative strategy.

Without considering your entire financial picture – income, goals, and objectives – it's impossible to determine an appropriate portfolio allocation. A truly effective investment strategy is driven by a financial plan, not just a risk tolerance questionnaire. We call this a "math-based" approach, as opposed to the traditional "banker/broker" method.

Chapter 5

The Client Is Always First

The cornerstone of good financial planning is prioritizing your needs, not specific investments. When I work with a new client, our journey unfolds in two phases: financial planning and financial advising. The financial planning phase happens upfront and involves a deep dive into your unique situation. We'll discuss your family situation, lifestyle goals, and risk tolerance.

This approach is essential for everyone. Your financial plan should be as unique as you are. Some clients dream of extensive travel, while others prioritize maintaining their current lifestyle. These goals will have a significant impact on your investment strategy.

The Investment-First Trap

The traditional "banker/broker" model flips this script. They prioritize investments first, often following a one-size-fits-all approach. These companies might push specific products and have quotas to meet. As a result, many clients receive similar recommendations, regardless of their individual needs.

This approach neglects your bigger picture. Instead, let's focus on your goals. What are your income sources? What tax bracket are you in? What are your estate planning needs? How can we leverage your portfolio to support your goals throughout your retirement?

Beware the Red Flags

Understanding the difference between the fiduciary and suitability standards of care is crucial. A fiduciary advisor is legally obligated to prioritize your best interests. A suitability advisor only needs to ensure their recommendations are "suitable" for you, regardless of fees or commissions. Proving suitability is a lower bar.

Here are three red flags to watch out for when choosing an advisor:

Who do they work for? Are they independent or tied to a company with specific products to sell? If your portfolio heavily favors investments from one company, that's a warning sign.

Fiduciary Standard: Ensure your advisor is licensed to meet the fiduciary standard. Look for a Series 65 license, which regulates advisor compensation. You can verify this on brokercheck.org.

Credentials: Look for advisors who are Registered Investment Advisors (RIAs) or hold credentials like Certified Financial Planner (CFP). These designations indicate they are legally bound to the fiduciary standard.

My Focus: You

An investment-first advisor might excel in specific areas like risk tolerance analysis. However, retirement is complex, requiring more than just picking investments.

During the accumulation phase, a "set-it-and-forget-it" approach like dollar-cost averaging can be effective. But as you approach retirement, your goals shift. You'll need a plan for income generation, managing required minimum distributions, and potentially, tax-planning strategies.

If your advisor treats you solely as an investor, you miss out on valuable opportunities. Instead of relying on a generic pie chart, every retiree needs a well detailed plan. This plan should guide your investment strategy and help ensure your portfolio works towards achieving your unique financial goals. After all, in this journey, the client always comes first.

Chapter 6

What's Your Stage of Financial Life?

Knowing your place on the financial life cycle is critical. It determines whether you're in "accumulation mode" or "distribution mode." Think of it like climbing a mountain, as my father-in-law, a seasoned Mount Rainier guide, once explained. His job wasn't just getting you to the peak; it was getting you safely back down the mountain. Financial planning mirrors this concept: accumulating wealth on the way up (your working years) and then preserving and distributing it on the way down (retirement).

Accumulation vs. Distribution

The accumulation phase is all about growth. Fueled by your career income, you're focused on investment selection and long-term strategies to build your nest egg. Saving for the future is your primary goal. However, as retirement approaches (typically within 5-7 years), it's time to re-evaluate your investment strategy to ensure it aligns with your retirement objectives. This is the tipping point into the distribution phase.

The descent, or distribution phase, is where mistakes can be costly. Improper planning or an inappropriate investment strategy – either too aggressive or too conservative – can derail your golden years. My expertise lies in guiding

clients through this crucial phase, helping them avoid common pitfalls and ensuring a secure "descent."

Financial Planning for Your Stage

Financial planning is not a one-size-fits-all approach. Your needs and goals will vary significantly depending on where you are in life. An advisor who effectively serves young clients in their 30s and 40s might not be the best fit for someone nearing retirement. The conversations and strategies for these groups are vastly different.

Younger clients typically focus on paying off mortgages, saving for college, and preparing for potential income disruptions. Conversely, those approaching retirement prioritize identifying reliable income sources and minimizing taxes. This includes mapping out income streams beyond your portfolio (Social Security, pensions) and exploring tax-saving strategies like Roth conversions.

Specialized Retirement Planning

Retirement planning requires a specialist who understands the unique challenges of this stage. A key question is, "Where will your retirement income come from?" This requires a deep dive into your income sources and a strategic approach to tax management to ensure a financially secure retirement with minimal tax burden.

Retirement planning conversations are tactical, focusing on how to use your portfolio to achieve your goals, not just on growing it for growth's sake. If you're unsure about your current investment strategy or why you hold specific investments, it's time to re-evaluate your retirement plan. Ensure your investments are aligned with your long-term goals to set yourself up for a successful and secure retirement.

Action Step

Take a close look at your current investment strategy. If you're unclear about how it will adapt as you age or don't understand the rationale behind your

holdings, it's a strong indicator that you lack a proper retirement plan. Use this as an opportunity to reassess your investments and ensure they're aligned with your retirement objectives. Remember, a successful ascent requires a safe descent – and financial planning is the key to navigating both.

Chapter 7

Protect and Conserve Spending Sources

When considering the protection of key spending sources, it's essential to employ a thorough analysis. We've discussed extensively the significance of principal guaranteed investments in this regard. Safeguarding an income source entails transferring the risk of loss. During retirement, this risk is shifted onto the balance sheets of major institutions. These institutions vary in size and type but typically include municipal bonds, various corporate entities, US treasuries, and banks. By investing with these institutions, individuals can earn returns while transferring the risk of loss from their own balance sheets onto those of the institutions.

It's important to note that this strategy differs from merely reducing volatility. Volatility reduction involves pairing different funds or asset classes to counterbalance each other's fluctuations. However, this approach does not eliminate the risk of loss from financial assets. In the most severe market downturns, all assets may correlate to zero returns, rendering traditional strategies ineffective. Therefore, protecting against losses on planned spending sources is paramount and serves as the foundation for constructing a robust investment strategy.

Pre-Paying Taxes for Optimization

Optimizing tax liabilities can yield significant benefits. By prepaying taxes now with surplus income, individuals can potentially lower their tax burden in the future. If current income isn't immediately required, allocating it towards tax prepayment can be advantageous. It's crucial not to allocate planned income towards fulfilling others' goals inadvertently.

Similarly, surplus income can play a crucial role in estate planning. Using excess income to fund estate planning measures can facilitate tax-efficient wealth transfer to beneficiaries.

Addressing Concerns

One common pitfall individuals encounter is delaying portfolio adjustments until it's too late. During prolonged bull markets, retirees may become accustomed to consistent portfolio growth and may struggle to adapt during market downturns. It's akin to the retail investor mindset of hesitating to sell or take profits due to greed. The optimal time to reassess income sources and investment strategies is during favorable market conditions when decisions can be made without the pressure of immediate financial stress.

Case Study: Jennifer's Story

Jennifer's case exemplifies the importance of proactive financial planning. Despite initially feeling uncertain due to an age gap with her husband, Jerry, and their differing approaches to financial management, Jennifer took proactive steps to safeguard her financial future. We built into her plan the very real possibility that she may end up being a surviving spouse at some point within the next 10-20 years. What we did not expect is that he would pass away in just 18 months. This was shocking to the core. We put our contingency plan into action immediately.

Following Jerry's unexpected passing, Jennifer found solace in the retirement plan we had developed together. Despite facing the additional challenges

brought on by the COVID-19 crisis, Jennifer's portfolio remained resilient, providing her with the financial security she needed during a tumultuous time.

Conclusion: Ensuring Resilience in Uncertain Times

Jennifer's experience underscores the critical importance of protecting spending sources and planning for unforeseen circumstances. By establishing a robust retirement plan and addressing potential risks proactively, individuals can navigate challenging economic environments with confidence and resilience.

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Chapter 8

Implementing Your Plans

Now that your retirement plan is in place, let's delve into the strategies you can use to bring it to life. Proactive management of your financial assets is crucial, especially during economic stability. Making informed decisions when markets are favorable positions you to avoid impulsive reactions during downturns, ensuring long-term financial security.

Here are some key tactics to consider:

- **Income Optimization:** This is your roadmap to a steady income stream throughout retirement. Start by mapping out all your income sources – Social Security, pensions, rental income, etc. – and understand how they might fluctuate over time due to inflation or tax changes. Develop a comprehensive income plan that balances your long-term growth needs with your near-term income requirements. Remember, a good plan goes beyond just your risk tolerance.
- **Long-Term Growth:** Once you've optimized your income, determine how much you still need to accumulate for long-term growth. This number should be based on the income you'll need to maintain your desired lifestyle, not solely on a risk tolerance questionnaire.

- **Tax Optimization:** Strategic planning can significantly reduce your tax burden. Consider legacy holdings and required minimum distributions (RMDs) when making investment decisions. To minimize taxes, avoid tying RMDs to volatile assets. Utilize taxable funds for income generation rather than long-term growth, and explore IRA to Roth conversions for additional tax benefits.
- **Asset Protection:** Life throws curveballs – safeguard your assets against unexpected events and potential lawsuits. Evaluate your existing insurance policies and consider the need for long-term care coverage. Seek professional advice to identify potential risks and implement appropriate protection measures.
- **Balancing Risk and Liquidity:** Your portfolio should reflect your risk tolerance and liquidity needs. Maintain enough liquidity to cover your income needs while still seeking opportunities for higher returns through strategic asset allocation.
- **Continuous Management:** Retirement planning is a journey, not a destination. Regularly review your plan and adjust it as needed. Monitor your portfolio's performance and adapt your strategy based on changing goals and market conditions. By actively managing your finances, you can navigate retirement with confidence, address potential concerns, and optimize your resources for a secure future.

Chapter 9

Here's How We Can Help You

We understand that navigating your financial journey can be daunting. That's why we're here to offer guidance and support. Over the years, we've witnessed countless individuals who could benefit from a roadmap to financial security.

Our Approach:

- **We Start with Conversation:** It all begins with understanding you. We want to hear about your aspirations, values, and any concerns you have about retirement. Together, we'll craft a personalized plan that aligns with your goals for the next 20, 30, or even 40 years.
- **Your Income Distribution Plan:** Following our initial conversation, we'll get down to business and develop a framework for your current financial situation – your very own income distribution plan. This plan, regardless of whether you choose to work with us, will serve as a valuable tool for navigating retirement. You'll be able to use it to compare our recommendations against your existing portfolio.
- **Tailored Investment Strategies:** If you'd like to take things a step further, we'll conduct a deeper dive into your unique risk profile and provide personalized investment recommendations. Our goal is to ensure your investment strategy reflects your individual aspirations.

Building the Blocks of Your Lasting Retirement:

Congratulations! You've had a great career. You've worked hard, diligently saved, and now you're looking at your retirement accounts thinking, "Well... what now?" Maybe you've started your research and learned a few tips and tricks. The challenge you face now is building, implementing, and maintaining a successful investment strategy – one that will last a lifetime.

Here's where many fall short. Traditional advisors might recommend overly complex portfolios or maybe the opposite: too simplistic and missing opportunities to optimize your tax strategy or estate plan. Their advice might be well-meaning, but what you need is a retirement specialist – someone who understands the intricacies of building and implementing a sustainable retirement portfolio.

A Personalized Roadmap to Success:

It all begins with a plan. Your retirement plan acts as a roadmap, guiding your income stream, investment allocation, and overall confidence that you're on the right track. If you already have a plan, that's fantastic! Remember, though, it's a living document that needs regular review and adjustments. If you don't have a plan, or haven't had a second opinion on your existing one, let's get started!

We'll work with you to identify areas of your savings that are on track, uncover opportunities for greater efficiency, and pinpoint any gaps that might exist. Ultimately, the peace of mind comes from knowing you have a plan – or a well-vetted existing plan – that's tailored to meet your unique needs and aspirations.

My Hope for You:

Retirement shouldn't be a source of stress. With the right planning and a solid process in place, you can approach it with confidence. Traditional financial institutions might offer generic advice, but they often fall short when it comes to addressing your specific needs.

By the time you finish this book, I hope you feel empowered to take control of your portfolio and confidently plan for your retirement. Let's work together to build a financial future designed to meet your unique needs.

Ready to Take Action?

We're here to help you translate these plans into reality. To schedule a free consultation and discuss your personalized income distribution plan, upload your documents today. Don't wait – take charge of your financial future today!

(include link/qr code to upload page)

Disclosure

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Bradley Geddes, CFP®

San Francisco & Sausalito Planner



Bradley Geddes is the San Francisco financial planner for Decker Retirement Planning. He is a **CERTIFIED FINANCIAL PLANNER™** and has over a 12 years of finance experience in financial advisory, capital markets, and corporate finance.

He also co-founded a SaaS company in San Francisco, CA and worked as the firm's CFO before moving into this financial advisory role, where he can leverage his background.

At Decker Retirement Planning, Brad brings an unparalleled attention to achieving client goals. He embodies the client-first mentality that it takes to build, execute, and monitor a comprehensive retirement plan.

Your Path to A *Safer* Retirement®

Scan the QR code below to get started.

