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THE NEW RETIREMENT STANDARD



**POWERFUL PLANNING
TECHNIQUES TO LIVE FINANCIALLY FREE
IN RETIREMENT**

Advantage®

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I would like to dedicate this book to my parents, Al and Jean Merkle. Their selflessness and dedication to their family is truly my inspiration.

—Loren

I am dedicating this book to my grandparents, Merle Daley and John Weiss, for planting the seeds of the entrepreneurial dream and of what might some day be possible when I was a child. The stories that were told long after their passing away have set my belief system for the passion that I have for owning my own business.

—James



DECISIONS OF A LIFETIME

You hear it all the time, trumpeted by the so-called experts: Social Security is going broke, so take your benefit as soon as you can get it. The majority of people are claiming their Social Security benefits prior to full retirement age.

It's clear that people are influenced by a lot of misinformation about Social Security, and it leads them to make decisions that might not be proper for them. The hype about the impending demise of the system does not help. Retirees are unnecessarily giving up money. A major university study reported that \$10 billion is being left on the table due to improper Social Security decisions.

In the classes that we teach, we often talk about making wise Social Security decisions, and people sometimes tell us afterward that we seem to believe that you should never take your benefits early. But that's not true. What we believe is that you should learn about your options so that you can make the best decision for you and your family. Perhaps that *does*

mean taking the benefit at age sixty-two—but perhaps there are ways you can get a bigger bang for your buck.

FORWARD WITH CONFIDENCE

When older retirees meet us, they often tell us that they wish they had met us five or ten years earlier because they have learned what they didn't know then and have made some mistakes that they regret. Hindsight is twenty-twenty.

What most retirees want is confidence. A 2015 survey found that only 22 percent of workers felt truly confident that they would have enough money for a comfortable retirement.¹ That is higher, at least, than it was in the wake of the 2008 recession, when the confidence level was at record lows. The ebbs and flow of the market have much to do with how good people feel about their future.

It need not be that way. A holistic approach to retirement planning can dispel those fears and build confidence that you will enjoy many fruitful years come what may in the economy. You can enjoy your retirement predicated on educated decisions based upon your particular circumstances.

The financial services industry focuses on products. The marketing is designed that way. A lot of money is spent to convince the public that it's all about finding the next best

¹ Ebri.org, "The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence," Employee Benefit Research Institute (April 2015), https://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=5513.

financial product or hot investment that promises a successful retirement. That couldn't be further from the truth. A successful retirement requires comprehensive, holistic planning. You need to build strategies that look at how you will be doing five, ten, or twenty years down the road.

People come to us with a wide variety of concerns, but we see some prevailing themes. They want to know whether they will outlive their money. They wonder what will happen to their money if they were to pass away tomorrow—will they be able to leave it to their loved ones or charities, or will Uncle Sam step in to claim nearly half of what they spent a lifetime accumulating? They are concerned about losing much of their wealth if they need long-term care. In short, they want to maximize their resources while protecting their nest egg.

Holistic planning identifies and addresses your particular concerns. It deals with them from the start, so that you head confidently into retirement, and it keeps track of your changing needs and desires as the years pass. You begin with assurance, and you proceed with assurance. You are moving from your days of accumulating money to your days of preserving it to last the rest of your lifetime—and that requires careful management of all your resources.

“I’M THINKING ABOUT RETIRING...”

We have found that our ideal clients are those who are within ten years of retirement or are already retired. Those are folks who tend to understand the value of putting together a comprehensive plan.

Often we get a call from someone in his or her late fifties, saying something like this: “I’m thinking about retiring. I have to figure out what to do with my 401(k), but I’m not sure how that’s going to affect my pension and Social Security. What should I do? And I have a couple hundred thousand dollars in a savings account, and I’m wondering whether I should be investing it and taking more risk . . .”

A typical client situation is a married couple who have been together more than forty years. They have two or three children and some grandchildren. Most of our clients own a house, generally in the suburbs. Many have worked in middle management. We have teachers and IT professionals and a variety of others.

Our clients tend to be social, and they enjoy traveling—or at least that is their intention once they retire. They have a trusting nature. They love to share pictures and stories about their adventures, their grandchildren, and their activities. They look forward to the freedom to spend more time with family.

A ROAD MAP TO PROSPERITY

Many of our clients have one more thing in common when they come in to see us: they have not put much thought into comprehensive financial planning. In fact, most people think that their product—their 401(k), their IRA, their savings account—is their financial plan. Actually it's only one component of it.

We explain that a true financial plan is more like a road map to retirement. Without that map, they will have a much harder time getting there. And yet most people spend more time planning a vacation trip than their retirement journey. If they are going to France, they determine the best flight, ponder what to pack, and they decide where to stay, how to get around, and which sites to see. They don't just show up at the airport one day.

And yet that is the approach that people often take to retirement. Certainly, you should spend more time figuring out all the ramifications of retirement than you spend on all the details of a family vacation. There is much to consider. In the next thirty or forty unemployed years, how will you live without that paycheck? How do you make the most of your 401(k), and how much can you withdraw from it? Which is the best choice for the payout of your pension, if you have one? How does that choice relate to your Social Security

decision? How will the choices that you make today influence your lifestyle when you're eighty-five or ninety-five?

Clients tell us that they are unsure how much risk they are taking, and should be taking, with their money. How would another year like 2008, for example, affect their overall portfolio? They don't really know. It's certainly a legitimate fear. If your retirement begins on the cusp of a terrible market and you are forced to withdraw income from a portfolio already pummeled by the economy, your hopes for an abundant lifestyle could be dashed unless you have carefully planned for such a contingency. We will take a closer look at that in chapter 5.

Other clients come to us full of confusion and misinformation. They have heard so many different stories, some true but many distorted. Some people worry about fees that lie hidden within their 401(k)s. Some have heard that a particular financial vehicle is good and another is bad, but they don't really know why or under what circumstances. It can be difficult to distill wisdom from the barrage of information.

This is not a book of advice on how to beat the Dow Jones Industrial Average or the Standard & Poor's 500. It's not for people determined to get double-digit returns year in and year out. That is not our purpose here. We are looking for a long-term relationship with our clients so that we get to know them and their goals, and then we can create a financial

plan designed to meet those objectives. That means we need to decide up front whether we are a good fit for each other. If you just want us to beat an index, we are not for you.

Our planning process might not be a good approach for you if you are the type who likes to do it yourself and delve into the analytics, researching every stock and bond and exchange-traded fund (ETF). We have found that people with that kind of focus usually are mostly interested in chasing performance. They are more intent on finding the next best thing than the best long-term solutions. They are likely to feel frustrated by our strategic planning approach, which asks the hard questions and encourages some tough decisions. Instead of this book, they should be reading about financial market algorithms and high-frequency trading and the like.

Our book, by contrast, focuses on principles involved in transitioning confidently from your working life into retirement. You will be making crucial decisions involving your 401(k), Social Security, pension, savings, and much more, all of which will influence your comprehensive plan. You need to determine how each of those elements relates to the others and to your goals. This book is about *life planning*, and investment planning is but a part of it. Your investments need to fit your life. They should not define your life.

Many people experience a natural transition of mind-set as they approach the red zone of retirement, which is the

ten years prior. Their attention turns to other things besides high-flying returns. They become far more attentive to how an economic slump might interfere with their plans and their desired lifestyle. They are concerned about running out of money before they run out of life. If that describes you, then keep turning these pages. We have written these words with you in mind.