



Retirement Plan Buyer's Guide | Weekly Newsletter

Car buyers use them and so do people shopping for appliances. The buyer's guide can be an extremely valuable resource for the person who wishes to compare and contrast the options available to them. But what about retirement plans? Is it possible to test-drive various options for converting one's nest egg into an income for life? While I'm not aware of such a thing for aspiring retirees, perhaps we can touch on some of the options available, to at least narrow down your choices based on a few key attributes.

So, here's your very-abbreviated Retirement Success Buyer's Guide:

"We have really solid guaranteed income available through pensions and social security and aren't concerned about the stock market's ups-and-downs."

Depending on how much income you'll need to draw from your investment accounts each year, you're likely a candidate for an **almost all stock portfolio** plan. Because most lifestyle costs can be covered by existing income sources, your remaining nest egg can fluctuate in the market while enjoying the long-term growth potential available through stocks. If the market drops considerably, your life (and lifestyle) isn't affected much so you can ride out the dips until sunnier days. If some income is desired from – or required from (thanks to IRS' Required Minimum Distributions past age 70) – your investments, you may still weight heavily in stocks but use a high percentage of blue chip dividend-paying stocks to create the income you need, while providing some added sleep at night knowing you're investing in larger, more stable companies.

"We don't have a lot in company pensions, so we need our investments to provide us with consistent income. We've long invested in the market, but we're concerned that a big market decline will be too costly at this stage in our life, so we're a bit nervous about taking a lot of risk."

With a willingness to invest but a need for sleep-filled nights, a **guaranteed/risk-based hybrid plan** may suit you nicely. In this plan, essential retirement income needs

are met through a combination of guaranteed income annuities that provide a known level of income for a known period of time, sometimes for life, while remaining nest egg funds are invested in the markets, via a combination of stocks and bonds. Using this strategy, long-term growth can be achieved through the risk-based investments while income unknowns are eliminated through the use of pension-like annuity income. The insurance company that provides the annuity income can offer a rate of income that's higher than most folks can accomplish on their own because of risk-sharing and longevity credits, which allows a retiree to invest a bit more aggressively in their risk-based accounts, providing the opportunity for even more long-term growth. This strategy is one that you could call a 'his-and-hers' plan because each spouse can get what they want from the plan; generally one spouse is comfortable with some risk, while the other is not. Opposites attract!

"The market is a terrifying place for us. We lost a ton in 2008 in our 401(k)s, and our parents always taught us to never lose money. We're ready to retire, but don't even try to convince us to invest in the stock market."

Fair enough. Your experience is uniquely yours. A plan for you to consider is a **principal protection strategy**; one that uses a combination of guaranteed annuities (often a different type than used in the example above), bank CDs, and cash. For this plan, most of the income generated will be from a return OF your money rather than a return ON your money. In other words, in exchange for a risk-free retirement, you'll experience fairly low rates of interest, requiring you to live off of both interest and principal. While not an impossible task, this requires a bit more planning and frugality to achieve a lifetime of income. You'll look like the smartest person in the room when the markets decline and your nest egg didn't, but you may wonder if you should've dipped at least a toe in the market waters when everyone around you seems to be celebrating their big wins when markets inevitable rise.

Ultimately, you're the buyer. It's your money that you likely worked decades to accumulate. Choosing the best plan for you is a very personal decision. Hopefully this Retirement Plan Buyer's Guide offers some indication of the direction that's best for you. Many nuances exist in all planning options, but personal preference and life experience should steer the conversation so you're feeling comfortable with the chosen approach.

If we can help you consider these options and respond to your questions, please feel free to reply to this email or give us a call at (419) 931-0704. Buying a shiny new car may be more fun, but putting the wrong retirement plan in place can cause you endless sleepless nights and many, many thousands of dollars.

A handwritten signature in black ink, consisting of stylized initials and a surname, likely reading 'L B [unclear]'. The signature is written in a cursive, fluid style.