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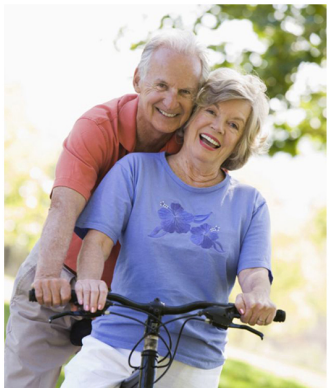
Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...



AUGUST 2020

Sequence of Return Risks

It is no secret that there are many people out there who have made a lot of money investing in the Stock Market. In fact, most people considerate it to be one of the top 5 places to invest their money. However, investing in the market has some extreme danger, especially for retirees. Many retirees believe that whatever they can average in the market is what they can take for an income (i.e. I averaged 5% over my lifetime so I can take 5% each year). This philosophy is wrong and extremely dangerous because of the 'sequence of return' risk.

According to Investopedia, "Sequence risk is the danger that the timing of withdrawals from a retirement account will have a negative impact on the overall rate of return available to the investor. This can have a significant impact on a retiree who depends on the income from a lifetime of investing and is no longer contributing new capital that could offset losses. Sequence risk is also called sequence-of-returns risk."

Put simply, just because you average x% does not mean your true rate of return is x% because of withdrawals. Recouping losses is a huge deal and sequence of returns has a heavy effect on that. Losses in early years cause a domino effect that depletes your account while losses in later years have less effect. (Assuming your average over the same time period is the same).

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Deductibles…What Are They Worth?

Renters, Health, Homeowners, and Car insurance…What do all of these have in common? A lot actually, but the topic for today is that they all have deductibles. What is a deductible though, and how do you choose the right one? In an insurance policy, the "deductible" is the amount that must be paid out of pocket (by the policy holder) before an insurance provider will pay any expenses.

So how do you know which level of deductible is best for you? (Ignoring health insurance, as it is much more complicated) choosing the right deductible comes down to three simple, yet imperative questions. First, how much is the price difference between the coverage for the different deductibles. Second, how often do/will you file a claim? Third, how much do you have in savings?

How different is the price between the policies with different deductibles? To answer this, you will need to have your agent run the numbers for you. You may be astonished at the difference in prices. The difference could be as little as $10/month, as much as $150/m or it could be more! The important thing to determine is how much money could you save each month? Keep that number in the back of your head for a minute as we go through the other 2 questions.

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Interesting Facts:

-The verb "cleave" is the only English word with two synonyms which are antonyms of each other: adhere and separate.

-In 1895 Hampshire police handed out the first ever speeding ticket, fining a man for doing a blazing 6mph!

-The average person walks the equivalent of twice around the world in a lifetime.

-Laughing lowers levels of stress hormones and strengthens the immune system. Six-year-olds laugh an average of 300 times a day. Adults only laugh 15 to 100 times a day.

*Are you unnecessarily paying income taxes on your social security call now for your **FREE** report*
"How to Stop the Taxation of Your Social Security Income"
Call now while supplies last.

"He who knows nothing is closer to the truth than he whose mind is filled with falsehoods and errors."
-Thomas Jefferson

Our Nation Is In Trouble!!!

We have a very serious problem in the United States that is going to affect all of us.

In 1975, as a nation, we were among the best savers in the world, saving over 9% of our incomes, annually.

Consider, aren't the peak savings years from age 45 to 65, when most people's children are grown and out on their own? If this is true, then weren't the people who were doing most of the saving in 1975, now retired?

Yet, everyday, don't we still see and hear about retirees who are struggling just to survive?

How many retirees do we see every day that are working at grocery stores, just to make ends meet? How many retirees are forced to live with their children and friends?

Aren't today's retirees, from the generation of the best savers in the world?

I don't want to see you struggle. Please give me a call today so I can help you make the most out of your retirement!

Sequence of Return Risks

For example let's say the market gains 10% each year for 9 years with 2 losses of 20% over an 11yr period (after fees). Based on when the losses occur will determine how much money you will have left over that time period. With that series of returns, you will have averaged 5%, so let's assume you are taking 5% income. In scenario one where losses don't happen until year 10 and 11, you will end the period almost exactly where you started at $99,826. However, if the losses are in year 1&2 you will only have $61,789. (Almost a 40% decrease in assets.)

All in all, sequence risk is a huge factor that needs to be considered when planning out your retirement. There are many strategies out there to minimize this risk but there are 2 only ways to eliminate it. Guarantee your income, or guarantee your returns. If this is something that worries you, please give my office a call today so I can help you find the best strategy for your situation.

Deductibles…What Are They Worth?

The next question is, how often have you filed in the past, and how often will you file a claim? Is it homeowner's insurance that you have never filed a claim in your life? Is it an automobile policy, and you have a teenage driver who has wrecked three times in the past year? It is important to use *realistic* numbers, not optimistic ones. The important thing you need to determine is how often will you be paying your deductible?

The last question is, how much do you have in savings? How high of a deductible can you afford to pay? Do you have no savings, and will be financially crippled if you must pay a $1,000 deductible? What happens if you must pay it twice? Do you have large savings and can comfortably pay the deductible with no stress? This is important, but also you should realize that the savings you can get can help you build this up.

Once you know those three things, it is then a balancing act. For example, in car insurance again, if you can save $60 bucks a month by going from a $500 deductible, to a $1,000 deductible, knowing that you have $3,000 in savings and haven't used it in over 5 years. You could have saved (60*12*5) **$3,600.** Now you can pay your deductible 3 times over. Even if you don't have any savings, you could have enough to pay the difference in deductibles in under a year. On the flipside, let's assume you are in the same situation but you have high risk drivers and use your insurance regularly 1-2 times a year. That $60 you save each month is not making up for the amount you are having to pay in deductibles, so it does not make sense.

Like most matters in life, there is no "one size fits all" best solution for everyone. Everyone's situation is different. For help choosing the right deductible for you and your family, give me a call today.