

Financial Life ReDesignSM

A Baby Boomer's Guide to Reclaiming Financial Security After the Crash

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Millions of Baby Boomers find themselves struggling to deal with the aftermath of massive investment declines and a deep economic recession. Many of them are uncertain and confused about what changes they should make to address the reduction of their life savings. This working paper identifies this group as "ReDesignersSM." It suggests financial and societal trends that will impact this group. It also provides a financial planning and investment management framework by which a personal situation analysis can be completed.

Recent investment and economic realities:

1. The widespread elimination of defined benefit pension plans forced more Baby Boomers (born 1946 – 1964) to be responsible for their own retirement income using self-directed savings vehicles such as 401(k) plans and Individual Retirement Accounts (IRAs).
2. Realizing the need to build a nest egg that could be expected to fund many years in retirement, these people took relatively high amounts of investment risk (both intentional and unintended) in their retirement accounts.
3. Prevailing advice suggested that buy-and-hold investors with a long time horizon stood a very strong chance of building the required savings to fund retirement spending.
4. Even seemingly balanced investment portfolios have shrunk in value more than most people imagined was possible.
5. Time is moving toward expected retirement dates and people don't know what to do ... Make significant changes? Sacrifice goals? Work longer?

For many, reality now dictates that a Financial Life ReDesign is necessary. It's time to revise goals and timelines for achieving them. It's time to think realistically about absolute needs vs. ideal wants and wishes. It's time to realign your financial resources and your investment strategy with your life goals and values.

Definition: Financial Life ReDesigner

– a Baby Boomer who, prior to 2008, thought they were doing all the right things to pursue a satisfying, financially secure retirement. ReDesigners contributed to retirement accounts, lived within their means and looked forward to a certain lifestyle. Now, as a result of losses from the bear market of 2008-2009, they must ReDesign their retirement planning and investments to align their money with their life goals and values.

In this paper:

Section I: The Financial and Life Changes of ReDesigners

Section II: Emotional Aspects of Money

Section III: Financial Planning for ReDesigners

Section IV: Investment Considerations for ReDesigners

Section V: Next Steps for ReDesigners

Conclusion

About the authors

The Baby Boom generation has progressed as an economic and societal force that has witnessed and led incredible change throughout the world. Along the way, this eclectic mix of people obtained a variety of labels – hippies, yuppies, the rock ‘n roll generation, the TV generation and so on.

Today, they deserve a new label – an identity that defines their response to the historic financial turbulence that has disrupted their best-intended plans.

Introducing ... the Financial Life *ReDesign* generation, or simply, the *ReDesigners*.

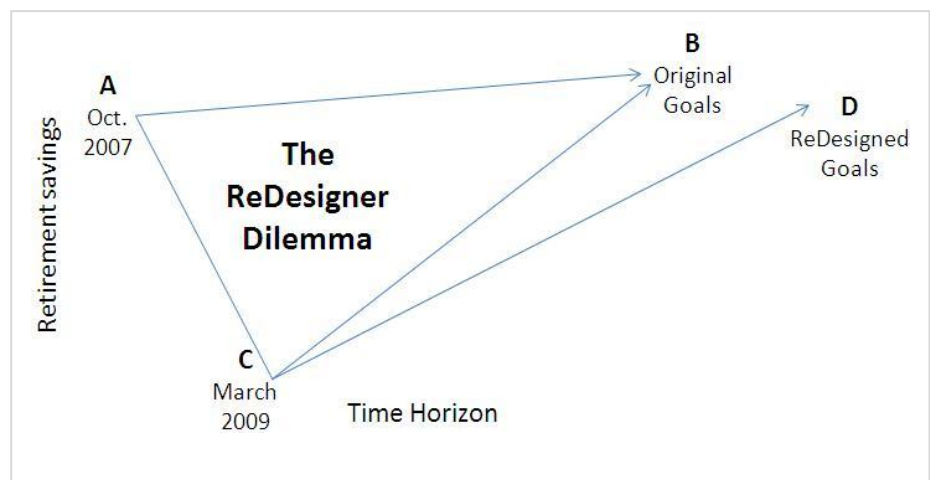
This generation came of age along with many modern money management theories meant to design bulletproof financial lives. From investment options to insurance products, tax considerations and estate planning, there has been tremendous advancement (both in simplicity and sophistication) in financial planning as the Baby Boomers have progressed toward retirement freedom. Unfortunately, the financial security necessary to provide the foundation for a satisfying retirement has now been wounded by wealth and economic destruction.

“The world has changed like nobody ever believed it would,” investment oracle Warren Buffett said March 9, 2009 in an appearance on CNBC.

The Crater Between Point A and Point B

The basic value proposition of a good financial professional is to give clients confidence in their advancement from point A (their current situation) to point B (their financial and life goals).

As a reasonably ordinary financial world in October 2007 disintegrated into a once-in-a-lifetime mess by the first quarter of 2009, almost everyone had seen their point A drop to point C and beyond. They may be reluctant to change their goals (point B). If goals remain the same, the path to pursue them now exhibits a much different climb. This is why point D now exists, marking a revised target for retirement wishes. For many, it has caused a revision of retirement goals from ideal to acceptable. In many cases, acceptable is still a good place to be. There is certainly a big difference between the risk of going broke and the risk of not meeting ideal goals and having to settle for an acceptable retirement lifestyle.



For the sake of a visual explanation, you can correlate the challenge faced by financial life ReDesigners to a before and after picture of Mount St. Helens. Until May 18, 1980 its shape represented the progression of a long-time investor's lifecycle. Over a working career, they accumulate assets (climbing up the mountain from the left). Ideally, those assets reach a peak at retirement when they stop earning money. Then, they begin a controlled spending of that money (working down the mountain) to support their preferred retirement lifestyle.

But, as we've experienced over the past year, ideal plans are susceptible to eruption. Along comes an especially swift and steep decline – a crater if you will. This destruction forces ReDesigners to change their plans and expectations. It changes the landscape upon which they feel comfortable basing their financial decisions. They may be able to climb back to an elevation similar to where they were before the eruption but doing so requires a new strategy and more time.

Before and After the Market Eruption



Photos: USGS

The Response to Market Eruption

Through the bear market and recession of 2008-09, it has become clear that many financial planning and investment management rules of thumb failed to reduce risk even in what were considered to be prudent approaches to money management. Because of this, many people with well-intended plans have not been immune to the impact of a lost decade for stock market returns. At this point, it is certainly worthwhile, if not critically urgent, that many people perform a diligent Financial Life ReDesign.

The remainder of this paper outlines a variety of considerations that will influence ReDesigners.

SECTION I: The Financial and Life Changes of ReDesigners

Much has been written about the demographic and financial planning issues associated with the Baby Boom generation. For many years, financial planners have understood that the members of this group have to save and invest more consistently and successfully than their parents if they are going to retire with sufficient assets to maintain their standard of living. Unforeseen was the massive reduction in the value of employer-sponsored retirement plans and IRAs meant to fund vibrant years beyond careers. Combined with society-wide economic tumult, diminished home equity and likely higher future tax rates, the crash of 2008-09 will lead to large-scale changes in retirement preparation, financial planning and money management – essentially a ReDesign of key elements in the pursuit of financial security.

75 million Baby Boomers become Financial Life ReDesigners

Baby Boomer Group	Population	Average Age ('09)	Avg. Years Until Retirement	ReDesigner Group
Early	21.8 million	60	3-5	High risk
Middle	28.7 million	54	8-10	Moderate risk
Late	24.7 million	48	14-16	Lower risk

The market crash, economic recession and uncertainty regarding the global banking system will lead (and in many ways have already led) to a paradigm shift, a new perspective on retirement planning and financial preparedness. What once were the beliefs of a majority of Baby Boomers now have turned into the views of the ReDesigner.

(OLD) Pre-collapse perspective	(NEW) Financial Life ReDesigner perspective
My investments will go up and down a little bit, but if I have a long-term investment time horizon, things will average out and I will be OK.	There are many uncertainties in the global economy and investment markets. Always have been and always will be. The recent market collapse has changed my expectations about long-term average returns, and they sure are not what they were a year ago. The time horizon I have to achieve my goals is also getting shorter and I don't want to take more risk than necessary trying to catch up.
The equity in my home will supplement my retirement income.	It is difficult to plan how to best use the equity in my house. My home value has declined and I am not sure if I will be able to sell it for what I think it is worth when the time is right.
I trust professional advisors and investment managers to be stewards of my life savings. I don't understand exactly what they do, but it appears to be a good way to build wealth.	It is obvious that many professional money managers bought investments without completely understanding the risks involved. I want clarity in my investments and an unbiased process for the management of my money. I prefer an approach that: <ul style="list-style-type: none"> ○ Utilizes core portfolio-building techniques I can understand ○ Keeps tax and expense costs low ○ Personalizes strategies that align with my short and long-term goals ○ Eliminates or minimizes use of derivatives or other highly engineered products that haven't stood the test of time

I didn't think that it would be possible for the value of my retirement assets to drop 50% in a bear market. I didn't understand how risky these investments were.	I think that investments should be better explained so that I can make a prudent determination about the tradeoffs between potential risk and expected return.
I trust that the government will regulate the investment markets.	I know that financial engineers will continue to try to design the next big thing that increases return without increasing risk, but I don't trust that market regulation will keep my assets from being vulnerable to the next "innovation."

Important Financial and Societal Trends That May Influence ReDesigners

These new perspectives will lead to important changes in our economy as ReDesigners change the way they manage money.

Financial trends—influenced by ReDesigners

- Many ReDesigners will have to lower their financial goals and plan for lower levels of income in retirement.
- ReDesigners should prepare for the impact of higher inflation over the next several years. Dramatic levels of government spending could drive inflation well beyond the long-term average of roughly 3.5% per year. This will lower purchasing power and the “real” return of invested dollars.
- In order to try to recover to account values that they held emotional attachment to, some ReDesigners will turn up the risk dial on their investment portfolio in order to increase expected returns.
- At the opposite end of the ReDesigner spectrum, those who have grown more fearful of investment products and markets likely will focus on investments where the risks are very well defined. Collectively, they may be more pessimistic in their outlook for the returns of their investments. They will also invest less of their portfolios in stocks and higher-risk investments. Instead, a large portion of their investments will be in CDs, Treasury bonds or investment alternatives that are considered “risk free.”
- Due to a lack of trust in things they don't entirely understand, ReDesigners are likely to want to do more research on a variety of issues surrounding their finances ... insurance, investing, annuities, spending, estate planning, charitable giving and taxes, before making decisions about these topics.

2008-09 financial cocktail

- Global stock market upheaval
- Dysfunctional bond markets
- Banking and credit system failures
- Rapidly declining home values
- Rising unemployment

2009 and beyond money management hangover

- Avoidance, rather than management of, risk
- Increased savings/thrift
- High inflation
- Reduced “real” returns
- Less faith in the future
- Overpaying for “safety”

- If ReDesigners are unable to get back to the peak values of their retirement accounts, they will have to rely on Social Security for a higher percentage of their retirement income.
- Increasing longevity means that the transfer of wealth from the parents of Baby Boomers will take place later in life. The Baby Boomer ReDesigners will use this transfer of wealth to assist their income needs, but will end up transferring less money to their children than previous generations.
- Many ReDesigners will choose to save more and spend less. The impact of these actions could be felt throughout the U.S. economy and investment markets for a long time as companies struggle to adapt to reduced consumption.

While ReDesigners may be focused on the financial impact of market upheaval, this experience will also lead to new social trends.

Social and lifestyle trends

- ReDesigners will realize that they need to focus on what they can control—their own actions and reactions to the events of their lives—to successfully navigate their retirement with fewer financial resources.
- Before the crash, many ReDesigners planned to retire in the next few years. Now, many ReDesigners, especially those nearest an expected retirement date, do not have the money that they need to retire with a desired lifestyle. This will force many of them to continue working beyond their intended retirement dates.
- Forced to get by on lower retirement income than they had expected, many ReDesigners will change their retirement plans to emphasize family, health, volunteerism, and low-cost ways to have fun. The “staycation” will become more prominent.
- ReDesigners who continue to work past their initial retirement date target will have to pay more attention to their health in order to remain productive workers longer into their lives.
- ReDesigners will stay in their homes longer than planned. They may postpone downsizing or changing their housing situation in order to remain close to work and family. Or, they may simply not be able to afford the preferred retirement housing arrangement.
- ReDesigners will have two divergent experiences with Social Security income. Either they will be forced to start claiming benefits as early as possible at age 62 because they need the income to get by, or they will postpone Social Security benefits as long as possible, increasing their benefit when they ultimately begin to receive it.

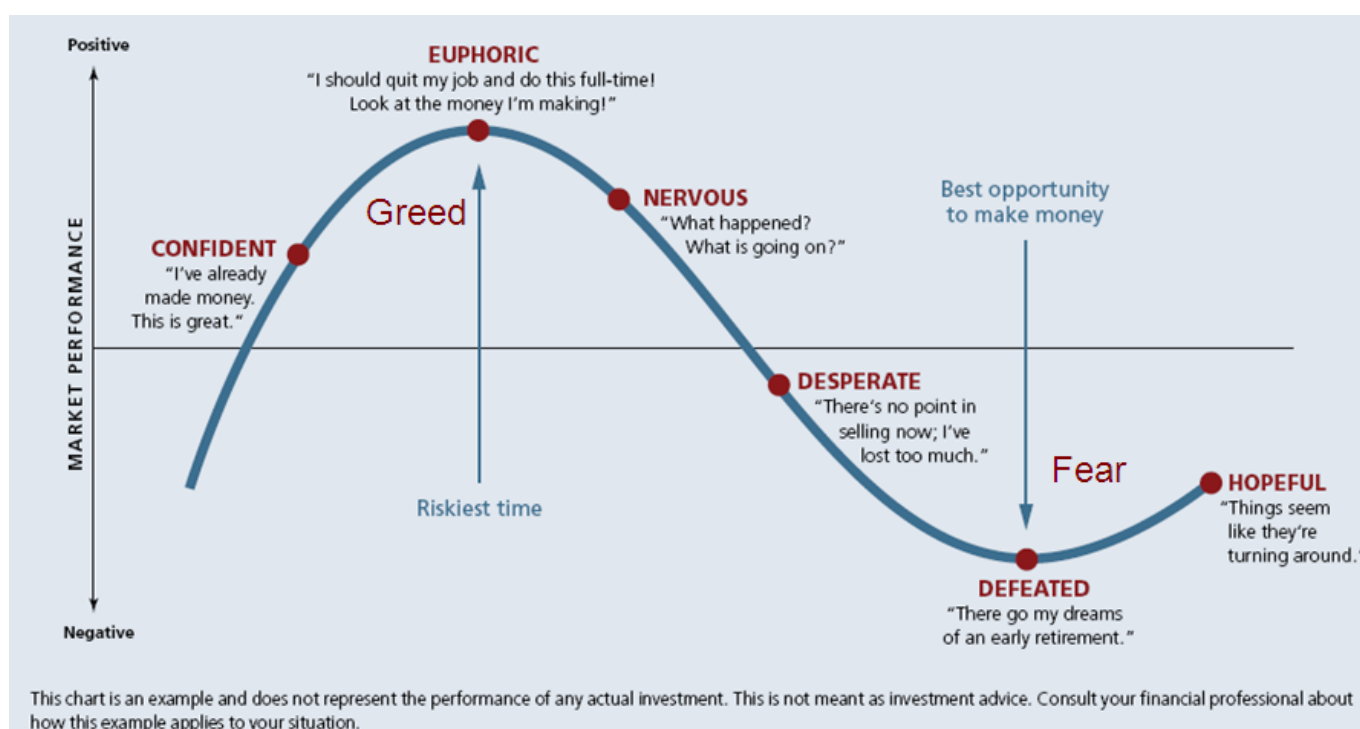
SECTION II: Behavioral Finance and Emotional Considerations for ReDesigners

When the technology bubble popped, creating the 2000-2002 bear market for stocks, Baby Boomers and others experienced significant declines in account value. However, they found some comfort in the fact that they collectively still had many years to recover before retirement.

Leading edge boomers weren't set to begin retiring in mass until 2009-2010 and other boomers hadn't even given retirement a whole lot of thought yet. There hadn't been a significant bear market since 1973-74 so the assumption of many people was that another generation would pass before the next debilitating crash. Then in 2008-09 came a second massive bear market in less than a decade. This created a lost decade with negative stock market returns over a full 10-year period.

Now, with millions more people on the cusp of retirement, there's little time to catch up. This has created emotion-driven decision making that may not ultimately be in the best interest of ReDesigners. Figure 1 below represents the emotional cycle and historical tendencies of investors. History shows that investors do a great job of buying when confident or euphoric and selling when desperate and defeated. This is a buy-high, sell-low problem that causes average investors to underperform even market averages. This is the reason that financial security is determined as much by investor behavior as it is investment performance.

Figure 1



Source: John Hancock Mutual Funds

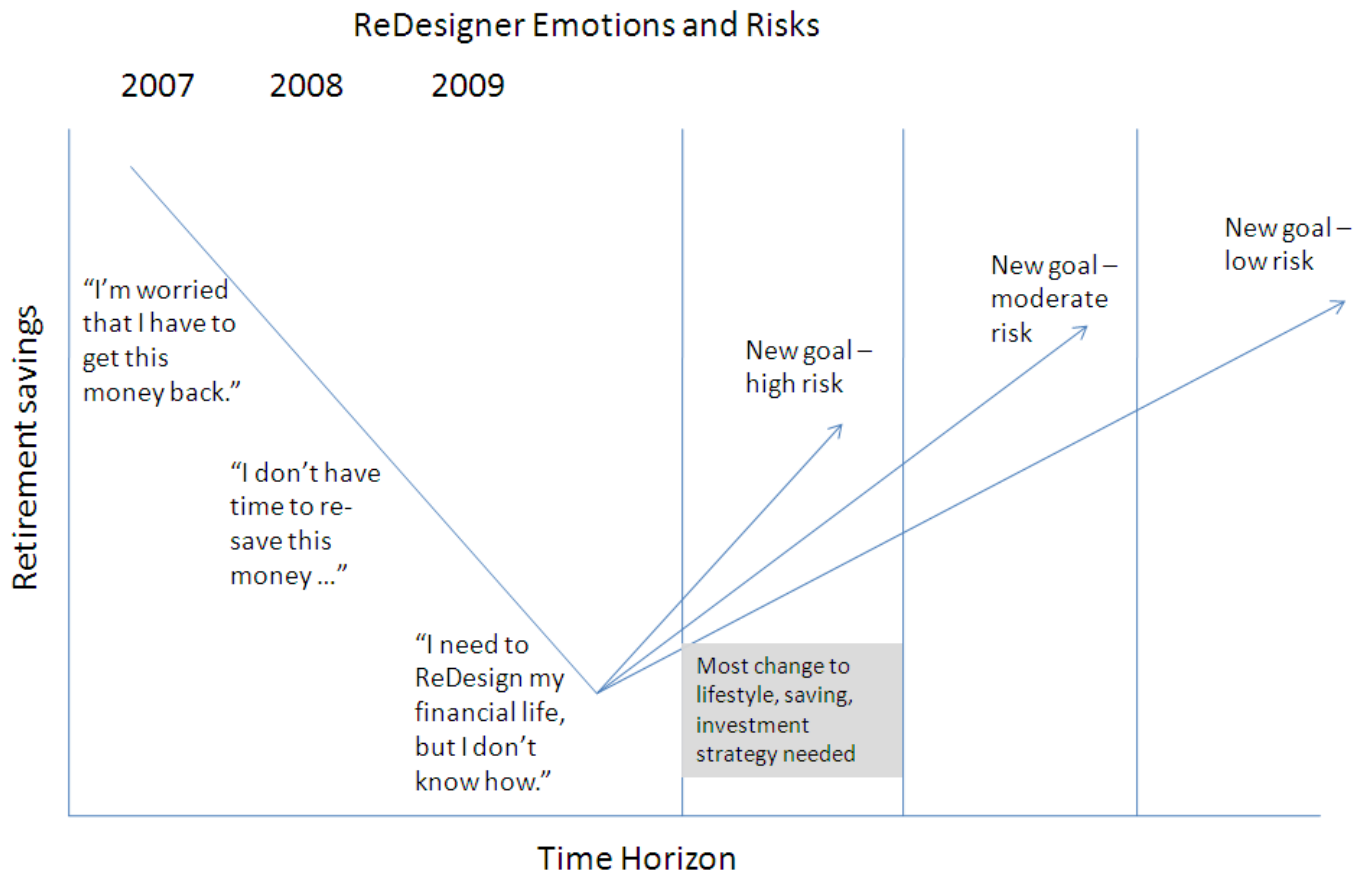
Even bright, educated people struggle with economic and market cycles which cause emotional reactions and impact their money management decisions. Nobody is immune to the tug-of-war between fear and greed, opportunity and risk. In times like these, it is particularly difficult to recognize the difference between opportunity and risk because they often show up masked as each other.

It's important for ReDesigners to understand that, at the low point in this cycle, fear rules the day and many more people can relate to emotions of desperation and defeat than those of hope and confidence. What we don't know with accuracy is the size or speed of the recovery opportunity. These cycles have repeated with slight variations and a long-term upward trend for decades. Unfortunately, the depths and heights are only evident in hindsight and the emotions associated with them are intense.

SECTION III: Financial Planning for ReDesigners

Using the cycle of investor emotions as a guide, consider zooming in on the experience of ReDesigners in Figure 2. This reveals the reality of today's situation in the context of recent events and future options. The size of the market collapse, combined with shortened time horizons to retirement, creates a dilemma with varying levels of risk for ReDesigners.

Figure 2



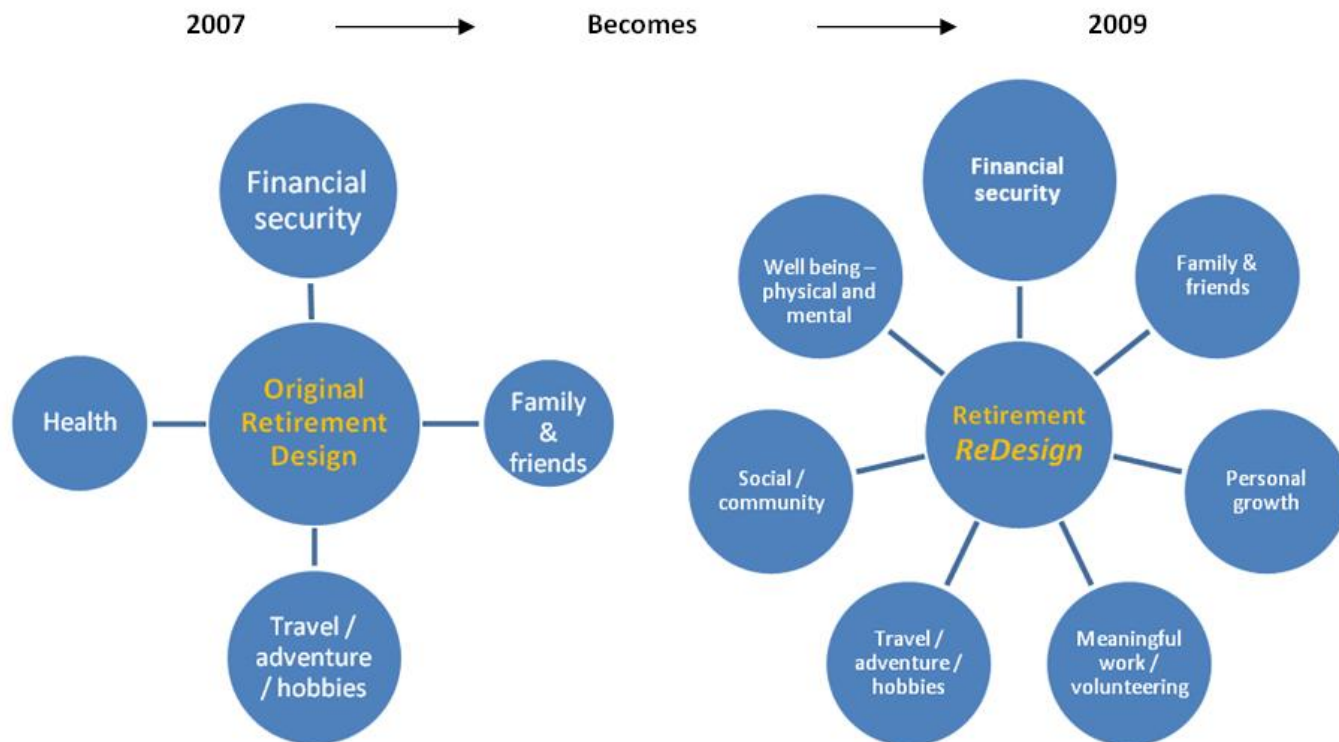
Working out of the crater creates a need to revise goals, timelines, expected savings, and other considerations. Therefore, a Financial Life ReDesign has to start with a goals-driven plan, one that accommodates for acceptable goals and works toward ideal goals in the most risk-aware way. Until people put their situation to the test of a financial plan, incorporating the various elements that impact the probability of reaching goals, it's difficult to know what the investment strategy ReDesign should look like.

Also, especially when facing the ReDesign of a desired retirement, as much attention should be placed on non-financial elements of your life as the dollars and cents. As Michael Stein wrote in *The Prosperous Retirement: Guide to the New Reality*: "More retirements will fail for non-financial reasons than for financial reasons." Retirement is every bit as much a life event as it is an economic event.

With that in mind, we believe that many ReDesigners will place more emphasis on aspects of life planning that go beyond retirement income and investments.

Figure 3

The Evolution of Retirement Priorities



In the age of the ReDesigner, more emphasis will be placed on what is important to achieve and/or pass on. The financial plan will grow into a legacy plan, whether or not transfer of money is part of the legacy.

In this environment, a wealth management plan will expand to mean:

- Aspects of intelligence or emotional wealth – values, ethics, life lessons, character
- Family history – heritage or possessions
- Community, philanthropy and civic responsibility

In addition to the traditional wealth management aspects:

- Retirement income, investments, insurance, annuities, estate planning and beyond

This broadened exploration and articulation of goals and meaningful aspects of life will ReDesign the connection between financial security and purpose.

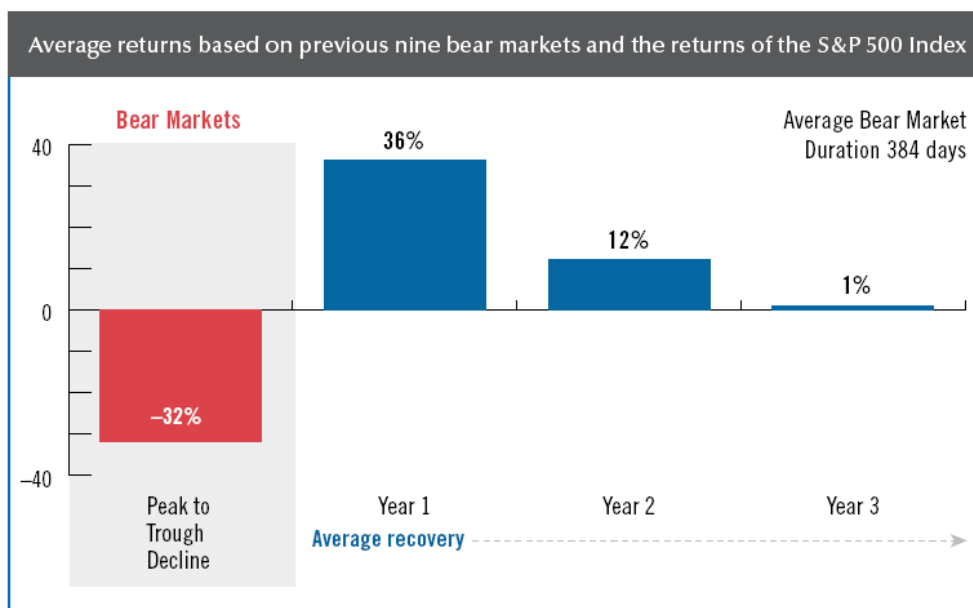
SECTION IV: Investment Considerations for ReDesigners

In the aftermath of market collapse, a lot has been learned about the ills of unsuitable leverage, complex products with undefined consequences, faulty credit ratings and other regulatory and oversight concerns. We will, no doubt, continue to learn more as time passes.

That information may be nice to know in hindsight but it will never be as important as several key ingredients of investment management that ReDesigners can understand today. These realities should be considered before making decisions about how to direct life savings.

1. Markets have historically rebounded strongly once they turn out of bear troughs.

Consider this view of the nine bear markets between 1957 and 2002. The recovery in the first year after the bottom point was significantly more than the next two years in all nine cases. Therefore, history demonstrates that if you miss the initial stages of recovery, you risk missing the majority of the recovery.



Source: Prudential/JennisonDryden. The S&P 500 Index is a weighted, unmanaged index composed of 500 large-cap stocks. It provides a broad indicator of stock price movements. The index cannot be invested in directly.

Keep in mind that, even with a strong initially recovery rally, it can take years for a return to pre-bear market levels for market indexes. It took 78 months (without including reinvested dividends) for the S&P 500 to recover from the 1973-74 bear market. It took 90 months to return to the March 27, 2000 value after the bear market that lasted well into 2002.

2. "Safe" assets can be misunderstood.

Retreating to a very conservative bond/CD portfolio can be more risky than safe. This is because a fixed income in a rising cost world is a recipe for disaster. Over what could be a multi-decade retirement, it's very important to outpace inflation.

3. Don't expect the average return – it doesn't exist.

From 1974 through 2008, the average return of large-company U.S. stocks, as represented by the S&P 500, was 10.02 percent. In that 35-year span, however, only two calendar years featured returns that were within plus or minus two percent of the long-term average. Bonds are often assumed to be much more consistent in their performance. But in the same 35-year period, an aggregate measure of U.S. bonds exhibited annual returns within two percent of the long-term average (8.26 percent) only 11 times.

4. Hollow victories can be important.

Experiencing a loss of one third of a portfolio's value may not seem like much to be thankful for, but in recovery terms, it's a blessing compared to a portfolio that has lost 50 percent. For an investment to recover from a 50 percent loss, it has to have a 100 percent gain. For an investment to recover from a 33 percent loss, it has to rise only 50 percent. The recovery could be years shorter.

5. Diversification and asset allocation are still the biggest factors in overall risk and return expectations.

It's important to compare holdings across all accounts to identify gaps and overlaps that increase risk unnecessarily.

6. Investment strategy changes significantly when you flip the switch from accumulation (growing your nest egg) to distribution (living off of your savings).

Consider these differences in managing money before and after retirement:

Attribute	Accumulation	Decumulation
Time Horizon	Known, controllable	Unknown, uncontrollable
Nature of the Investment Goal	Future wealth (an amount required to then achieve a desired level of income in retirement)	1) Ongoing cash flow 2) Future wealth / bequest remainder
Risk Measure	Variability in wealth	1) Sustainability of cash flow 2) Variability in future wealth
Cash Flow	Steady contributions	Steady withdrawals
Timing of Returns	Dollar-cost averaging is generally beneficial	Market performance in the early years dramatically affects chances of success Reverse dollar-cost averaging is generally harmful, but frequently unavoidable
Inflation	Seek growth in excess of inflation	Protect purchasing power of cash flow

Source: Russell Investments. *The fundamental differences in accumulation and decumulation.* By Richard Fullmer, March 2008.

7. Maximizing Social Security can make a huge difference in lifetime income.

For many people, Social Security is their only guaranteed retirement income source that is annually increased to combat inflation. Benefits are permanently reduced if requested before full retirement age. Bonus increases are available for waiting beyond full retirement age, up until 70. If life expectancy exceeds the early 80s, it may pay to wait to increase the monthly benefit. This is the equivalent of longevity insurance. Social Security benefits have many intricacies. It is important to understand the variety of options that apply to your specific situation.

SECTION V: Next Steps for ReDesigners

“Financial security” means different things to different people. Ideally, it comes down to the opportunity to make life decisions from an assortment of preferred choices rather than settling for the default option or safety net.

Each individual definition of financial security will influence a chosen path in pursuit of it. Whether ReDesigners are already retired or nearing retirement, they can be categorized into high, medium or low risk groups depending on the size and timing of their goals and the extent to which the path to them has been interrupted by investment declines.

Whether in a high-risk category or low risk, people need to understand the relationship between their planned retirement spending and a realistic level of sustainable income.

There are five factors with varying levels of personal control that most people should be mindful of, and possibly ReDesign, to address sustainability of lifetime income.

1. **Career earnings** – Your ability to work. Using your human capital to assist recovery rather than expecting your investment capital to do the heavy lifting, makes a significant difference in long-term retirement income generation. Each additional year of earned income and postponed withdrawals from invested assets at low levels has a multiplying effect on the probability of generating sustainable income in retirement.
2. **Savings** – It’s important to fund retirement accounts to the fullest extent possible while still working. “Catch up” contributions within qualified retirement accounts are more necessary than ever. There have even been some calls to eliminate savings limits within these plans. Elevating savings now can make a huge difference 30 years from now.
3. **Spending** – Expectations for future spending may be easier to adjust than current spending but both should be under review to establish priorities in relation to expected income.
4. **Money management options** – There are many investment options to realign risk tolerance with probability of meeting spending goals. The mix of stocks, bonds and cash in investment accounts is certainly critical. Expectations for risk and return could swing greatly depending on the use of, for example, a 40% bonds, 60% stocks portfolio or the opposite. If steady income detached from the mood of the market is desired, an annuity might be a sensible alternative for a portion of the income strategy. In other cases, a reverse mortgage might provide access to an income source (home equity) that can build a bridge to get to sustainable long-term income.
5. **Health** – Managing physical and mental well-being can translate to large savings in medical costs, allowing more savings to be applied to lifestyle spending.

These five factors require personalized planning and ongoing management. The very nature of the ReDesign is to craft a strategy for your specific situation, not one that fits the needs of a wider group.

That understood, here are some thoughts that can help you get started.

The ReDesign Process – Guidance For Where To Go From Here

1. **Understand life changes.** For many ReDesigners, it is important to reflect on current financial and social situations to determine how they will live in retirement and what financial changes they will need to make either between now and retirement, or after retirement.

Lifestyle issues to determine future spending

- For each retirement living expense or spending goal, identify an ideal savings or income need as well as an acceptable one.
- Determine where you want to live in retirement and estimate the costs (rent, insurance, utilities, taxes, maintenance, emergencies) associated with that decision.
- Identify other likely costs in retirement (health care, transportation, insurance, food, clothing, gifts, travel and entertainment etc.)
- Determine monthly income sources in retirement. These could include Social Security, pension payments, income from rental property, annuities, etc.
- Identify retirement income shortfall (if any) and determine where the additional money will come from. This could be from IRA or 401k distributions, a taxable account, part-time employment, the sale of assets or from another source.
- Understand the potential costs of long-term care and the likelihood that you will require significant medical attention at some point. Evaluate your options for long-term care insurance.

Savings and investing habits

- Maximize employer retirement plan contributions.
 - Take advantage of over age 50 catch-up opportunities for qualified retirement plan investors.
 - Reduce expenses of investment management.
 - Consider the role of an annuity for long-term income.
2. **Determine new asset accumulation goals:** Refer back to the ABCD graphic on page two. You're at point C, the first thing that you have to do is figure out what your new point D is. This will require you to determine how much you can grow your savings and invested assets between now and retirement so that you can plan your lifestyle during retirement.
 3. **Identify your level of risk aversion.** You may find it helpful to complete the Financial Life ReDesign Retirement Risk Analysis below. This will give you a better sense of how much risk you may want to take with your investments between now and the time that you retire.

Financial Life ReDesign Retirement Risk Analysis

Description	High		Moderate		Lower
What is my ReDesigner Risk Classification?	10 (short time horizon)	7	5	3	1 (long horizon)
How much progress have I made toward my savings goals?	10 (little)	7	5	3	1 (a lot)
What is my appetite for investment risk?	10 (little)	7	5	3	1 (a lot)
How much can I change my saving/spending rates between now and retirement?	10 (little)	7	5	3	1 (a lot)
How much will I be able to manage my spending in retirement?	10 (little)	7	5	3	1 (a lot)
Subtotal					
Total Score					

If your score is 30-50; your risk is High

Potential Recommendations

- 1) Consider pushing back the date of your retirement or continuing work in a part-time role.
- 2) Determine your planned expenses in retirement, ideal vs. acceptable.
- 3) Think about possible “what if?” options for retirement and significant spending goals.
- 4) Estimate your income sources in retirement (including Social Security, defined benefit pension plans, income from real estate or other assets, part-time employment or income from other sources).
- 5) Identify the monthly income shortfall (surplus) and determine how much you will need to have in other accounts to fund this need.
- 6) Understand your options for income via annuities, reverse mortgage, or other sources.
- 7) Determine how much you can save before retirement in both taxable and tax-qualified accounts.
- 8) Re-evaluate your tolerance for future market fluctuations.
- 9) Review your current portfolio values and determine your updated savings goal given the planned extra investments between now and retirement. Determine the growth rate required of your existing portfolio to achieve your savings goal.
- 10) Determine the percentage of your investable assets that you will invest in options with low levels of volatility (i.e. CDs, laddered bonds, etc.) to help achieve your updated portfolio goal.
- 11) Determine what performance will be required for the portion of your portfolio to be invested in assets with more growth potential, but also more exposure to market fluctuation.
- 12) If the rate of return required to meet your retirement goals is dramatically higher than long-term averages, consider reducing your planned expenses in retirement.
- 13) Determine the investment mix necessary across all savings and investment accounts to increase your probability of achieving the ReDesigned goal.
- 14) Implement, monitor and review chosen investment strategy to judge its continual alignment with your goal.

If your score is 20-29; your risk is Moderate

Potential Recommendations

- 1) Identify your expected retirement date as well as potential “what if?” options.
- 2) Estimate your planned expenses in retirement. Identify a range of possibilities from ideal to acceptable. (Where do you want to live? How will you live? How will your expenses change over time?).
- 3) Estimate your income sources in retirement (including Social Security, defined benefit pension plans, income from real estate or other assets, income from other sources including part-time employment).
- 4) Identify the monthly income shortfall (surplus) and determine how much you will need to have in other accounts to fund this need.
- 5) Determine how much you can save before retirement in both taxable and tax-qualified accounts.
- 6) Re-evaluate your tolerance for future market fluctuations.
- 7) Determine the growth rate required of your existing portfolios to achieve your savings goal.
- 8) Determine the investment mix necessary across all savings and investment accounts to increase your probability of achieving the ReDesigned goal.
- 9) Implement, monitor and review chosen investment strategy to judge its continual alignment with your goal.

If your score is 1-19; your risk is Low

Potential Recommendations

- 1) Identify the range of possible retirement dates.
- 2) Estimate how you want to live in retirement (current or new home, possible health care needs, entertainment and travel costs, etc.).
- 3) Think in terms of ideal vs. acceptable targets for your goals.
- 4) Estimate your income sources in retirement (including Social Security, defined benefit pension plans, income from real estate or other assets, income from other sources including part-time employment).
- 5) Identify the monthly income shortfall (surplus) and determine how much you will need to have in other accounts to fund this monthly need.
- 6) Determine how much you can save before retirement in both taxable and tax-qualified accounts.
- 7) Re-evaluate your tolerance for future market fluctuations.
- 8) Review your current portfolio values and determine your updated savings goal given the planned extra investments between now and retirement.
- 9) Determine the growth rate required of your existing portfolios to achieve your savings goal.
- 10) Determine the investment mix necessary across all savings and investment accounts to increase your probability of achieving the ReDesigned goal.
- 11) Implement, monitor and review chosen investment strategy to judge its continual alignment with your goal.

Conclusion

The changes that ReDesigners will have to make in their own saving and investing habits will change the American economy and their personal outlook on retirement. To improve the possibility of success, they will have to focus on the actions that they can control, be diligent in their investing practices and manage their expectations about retirement lifestyle and spending decisions. For many, delaying retirement or continuing to work in a part-time capacity will make a significant difference in the probability of reaching their goals. For others, a new perspective on acceptable retirement spending, rather than the ideal lifestyle, will reduce the impact of market upheaval.

Many ReDesigners may find value in working with a qualified financial planner to understand the impact of money decisions related to short and long-term goals. An experienced financial architect can help create financial lives defined by flexibility, responsiveness, risk management and alignment with goals and values.

About the Authors

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Gary is co-owner of Financial Life Design, a fee-based financial consulting firm in Tacoma, Washington. Gary is a CERTIFIED FINANCIAL PLANNER[™] and Chartered Retirement Planning Counselor. He writes a monthly financial planning column for *The News Tribune* in Tacoma.

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Allyn also co-owns Financial Life Design and is a Chartered Financial Consultant (ChFC) certificant as well as a candidate for CERTIFIED FINANCIAL PLANNER[™] certification, having passed the national board exam in November 2007.

For More Information, please visit www.FinancialLifeReDesign.com.

There, you can learn more about the Financial Life ReDesign consulting service we built specifically for ReDesigners and access resources we've created to help ReDesigners assess their situation.

Financial Life ReDesign – Consulting Services

We understand that each ReDesigner has specific financial issues that are his or her own. That is why we have created our customized Financial Life ReDesign Consulting Service. This service starts by working with people to understand their specific situation and goals. We then provide analysis and personalized recommendations.

ReDesign Consulting Clients Receive:

- Insight and experience of a qualified, independent financial professional applied diligently to their personal situation
- Review of progress toward goals
- Confirmation of Retirement ReDesign Risk Classification
- Demonstration of probability of achieving goals (current vs. “what if?” proposal)
- Analysis of investment accounts and holdings across employer plans, IRAs, taxable and other accounts. This analysis will review the amount of intended and unintended risk being taken with current investments
- Recommendations for revised asset mix
- Projection of asset growth and risk level for current vs. proposed investment mix
- Recommendations for revising savings/spending strategies to help increase the likelihood of reaching goals
- Identification of alternative strategies that may increase retirement income

Visit www.FinancialLifeRedesign.com or call 888-530-7783 to learn more.

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