

## *Extending the horizon of our financial future*

Unless you believe that the world as we know it will come to an end on December 21, 2012 by one or more global cataclysmic events, as predicted by the IHC (Institute for Human Continuity)\*, then, you need to consider what your financial future will look like in 2012 and beyond.

For most of us, we spend our entire working career dreaming of what life will be like when we can finally retire and begin to enjoy the life that we worked so many years to achieve. However, financial events over the past year have challenged some of our plans for when we may reasonably retire or how our life is affected now that we are already retired.

The question becomes how much money will it take for us to retire to a life reasonably similar to the life we have in our working career and how do we make that money last for the duration of our retirement.

The primary point to consider is how long we will spend in our retirement years. All too often most people are fixated on how the market is affecting their retirement accounts as they near their projected retirement date. Quite honestly, this is only the beginning of the equation of what we look for in determining our economic condition during our retirement years. More importantly, what we should be more concerned about is how we make our retirement funds last during those retirement years.

Consider that your projected retirement age is 65. How many years do you think that you will remain in retirement? Financial planners typically use 20 - 30 years as the projected number of years that you will remain in retirement. If that is the case, then the reality is that you need have your retirement funds invested such that you can achieve some growth as well as maintaining a level of stability in your retirement accounts to ensure that you have enough to last you during your retirement years. If your portfolio is too aggressively weighted then a long bear market could wipe out a good bit of your savings, leaving insufficient time to recover the losses that you might experience during an especially long market down cycle. Too conservative of mix can retard your growth potential thus also leaving too little to last during your retirement years.

What is the right mix for you? Much depends on how long you anticipate that you will remain in retirement (your time horizon) as well how comfortable you feel with your asset mix. There is no canned mix that is right for everyone. The key is to develop a balanced portfolio of equities and fixed income assets that will meet your projected needs. Ned Notzon, chairman of T. Rowe Price's Asset Allocation Committee recommends that **“even those in the early stages of retirement should have a 40% to 60% equity exposure to have a reasonable likelihood of their assets lasting at least 30 years and of maintaining their standard of living”**. Unless you are well versed in asset allocation management, the services of a good financial planner could be very beneficial to you during this time. In addition, mutual fund families have developed **TARGET DATED RETIREMENT FUNDS** that methodically rebalance the funds over time to include more

stable funds in your portfolio to limit your risk exposure during your retirement years. Of the target dated funds in the market, the three most successful are T Rowe Price, Fidelity, and Vanguard.

The most important point to remember is that your projected retirement date is not an end within itself, but rather, a beginning. You need to extend your time horizon to consider the total number of years that you anticipate remaining in retirement to determine how to best position your retirement portfolio as you near your long anticipated end of your working career. And once in retirement periodically rebalance your portfolio “**gradually, moving small amounts over a year to 18 months** “ to best meet your goal of making your assets last the duration of your retirement years.

\* The IHC is a fictional organization developed to hype the upcoming movie “**2012**”.

As a side note.....some funds that I have been tracking for some of my clients have recovered from 91% to 94% of their value since beginning the worst economic calamity since the Great Depression. Hopefully, by the end of the year, they will be back to where they were before all this began.

*Til next time,*

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