

The Parallel Paths

-Retirement-

The Parallel Paths

Preamble:

Nice to meet you: This should be whatever is socially appropriate. If you are going to say anything about your organization remember it is still a narrative and so it must include:

Description

Meaning

Relevance

Value

Purpose

The Two Questions:

What is your experience of Financial Planning or Financial Planners?

The key to this question is that it is the first time with this prospect we have a chance to show that we can be great with them. The idea is to be generous in our listening...not add to or subtract from their communication. To have them 'get' that we 'get' them.

After they speak this the next thing we do is say, "Got it. Thank you for sharing that." It doesn't matter whether they say something good or bad. If it's bad, it's not about you. If it's good, it is not an impediment to moving forward.

We want to make sure we don't create a comparison that we may regret later (or even in that moment.

What are three things that you would like to accomplish financially?

Again, the objective here is to let them speak. We are not trying to 'solve' their problems. And we are not trying to fix or change them. While the temptation is great, and we know we have the products and services to make a difference, we do not want to show up as every other salesperson has shown up in their lives.

The response to each one is "Got it". We don't want to force out more. If they come that's fine. If the fall short, that is fine too. You may say after the last one, "Anything else?"

Think about it this way: we want to be in the space of acknowledgement. They are making statements. You can ask a question but be sure it doesn't occur as a manipulation.

The Talk:

Everyone we meet has to be on two parallel paths.

Draw two parallel lines with arrow heads to the right:



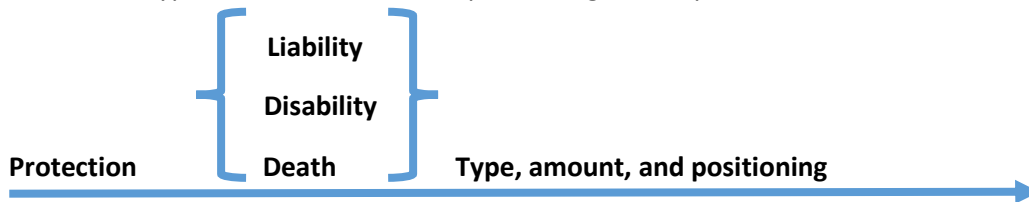
The first path is the **Protection Path**



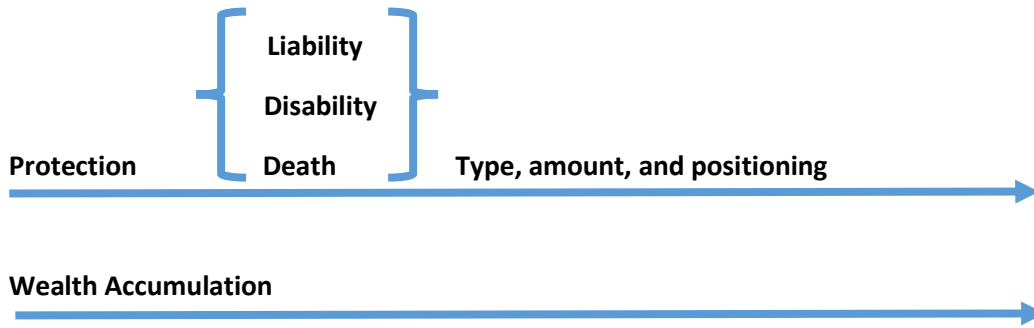
and what I mean by that is protection from liability disability and death.



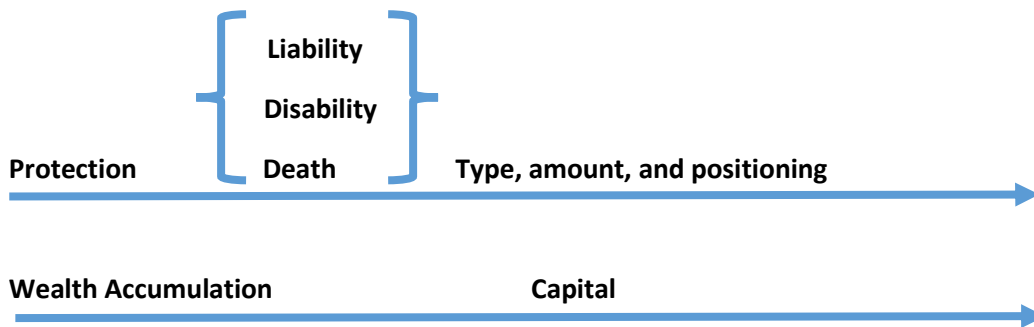
And that's about the type, the amount, and the positioning of that protection



The second path is the **Wealth Accumulation Path**

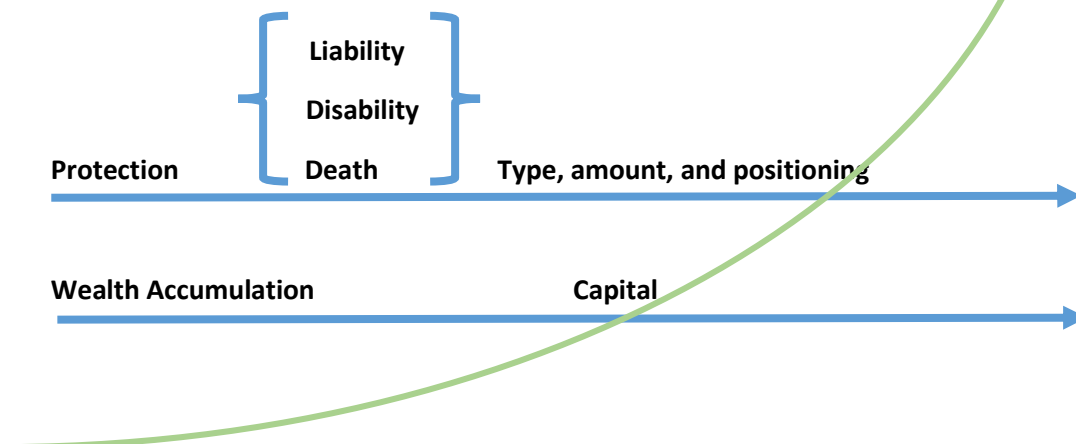


and that's about capital.

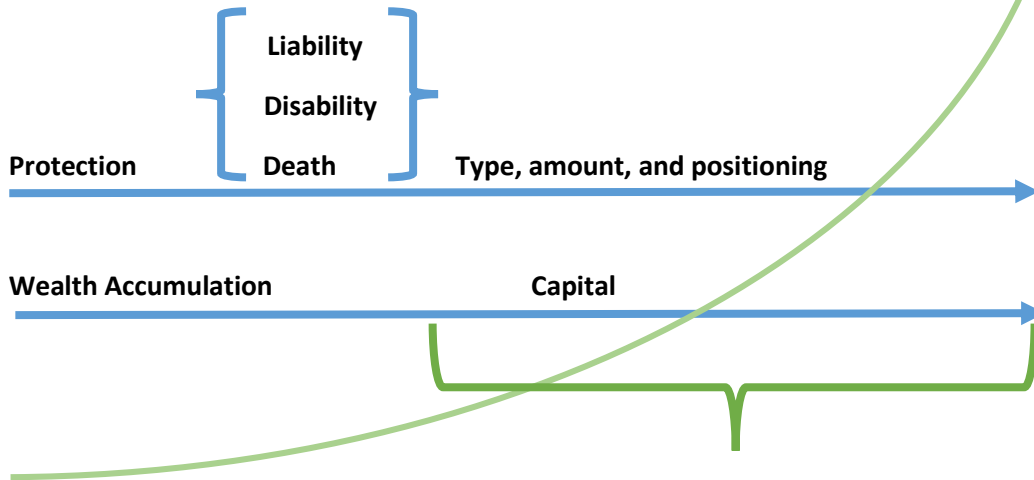


...Capital for your long-term and short-term capital needs...like funding a college education, buying a new home and most especially retirement.

And the reason why you have to do both is because of the way wealth grows over time



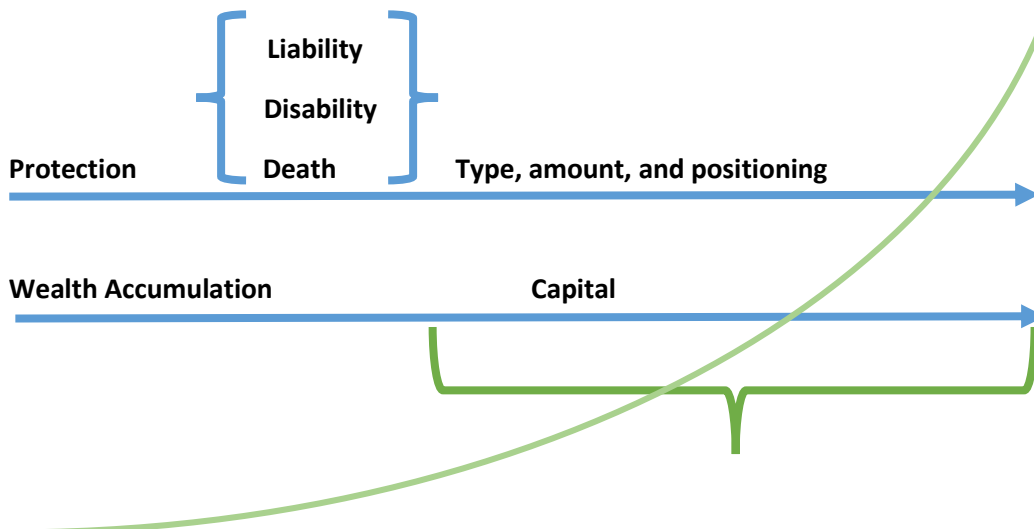
You see when you put your first \$15,000 into a 401(k) plan it didn't suddenly become \$1 million (or whatever seems appropriate given the context). It took time. You had to deposit money over time and get a return; so what we say is that wealth accumulation is most effective later.



You have to start it today. But the effect, the big impact of saving happens later.

Now you don't own the curve. You don't have a right to have the curve. There are all sorts of things that can interfere with having that curve. What are some of those?

Job Loss Disability Lawsuit Divorce Death Health Market Drops

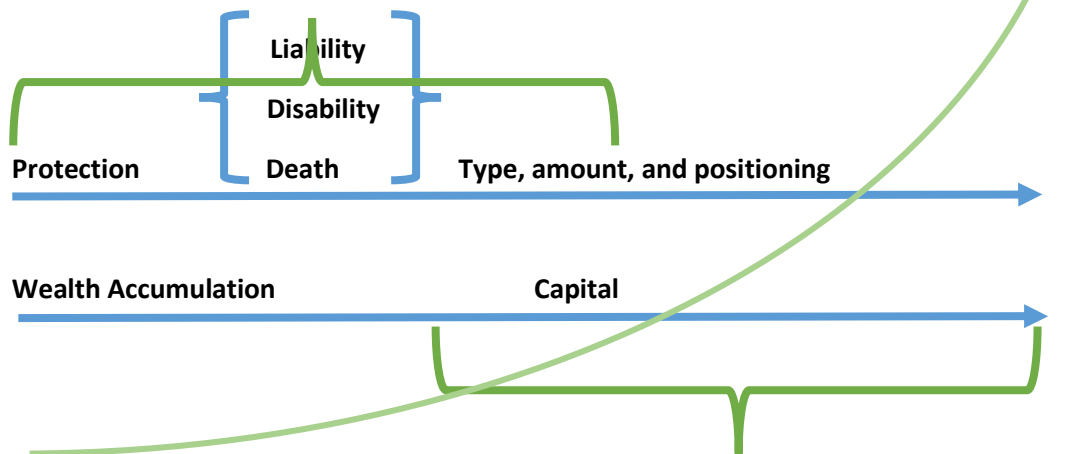


The client typically says job loss, disability, lawsuit, divorce, death, market fluctuation. It is unwise to jump on any of these or engage in a conversation about them. Again, the goal is to allow the prospect to be heard. As the client speaks these things you must write them down. It is a good idea to ask INTELLIGENT clarifying questions. Say a prospect says, "Health". That can mean different things. You may ask if it is an expenditure due to poor medical coverage or a disability and the resulting loss of income. Ultimately, you want the prospect to dwell in the truth that growing wealth or having wealth is subject to a lot of elements working in their favor.

Got it...thank you for sharing. You see the reason why we protect first is so that we assure ourselves of the probability of having that curve materialize with certainty. Some advisors insert, "How many things have to go right to have that curve work out? Prospect typically says, All of it" or "Everything". "How many of these threats have to happen for the curve to fail"? Prospect says, "Just one".

And that's why we protect. The Protection Path is protection against those things that would stop that curve from occurring.

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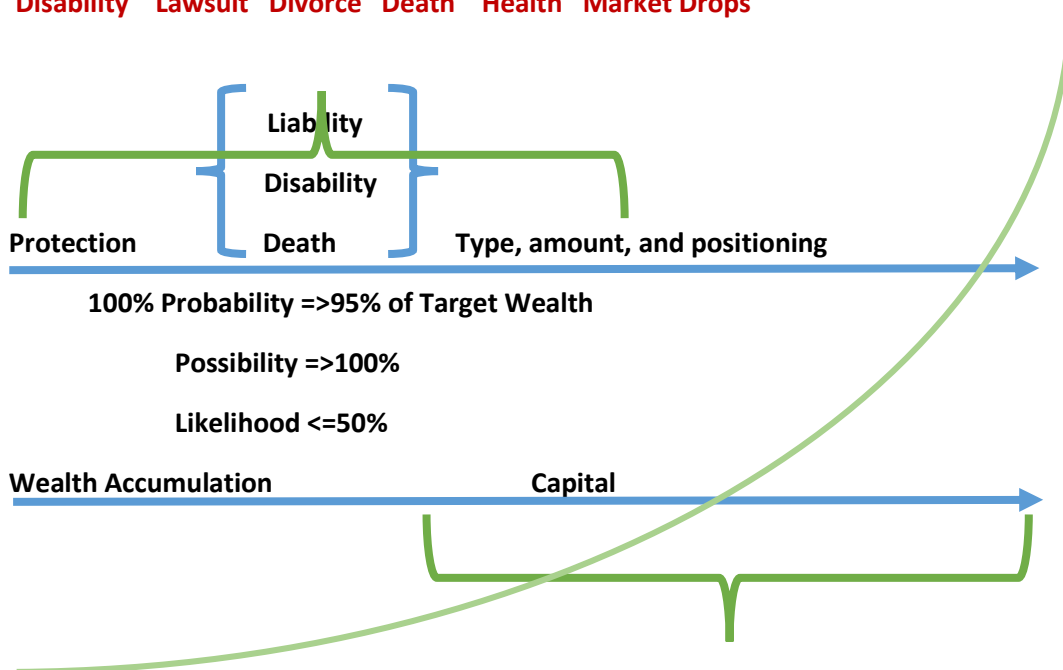
Protection is necessary to assure the probability of that curve happening. That what all the empirical evidence shows us

Social Proof Component

And if I could put all my clients in this room they would tell you that they would rather have a 100% probability of getting to 95% of their target wealth rather than the possibility of getting to 100% and the likelihood of getting significantly less maybe even less than 50%.

This is what we've learned after hundreds of thousands of man hours on tens of thousands of cases over the last 30 years.

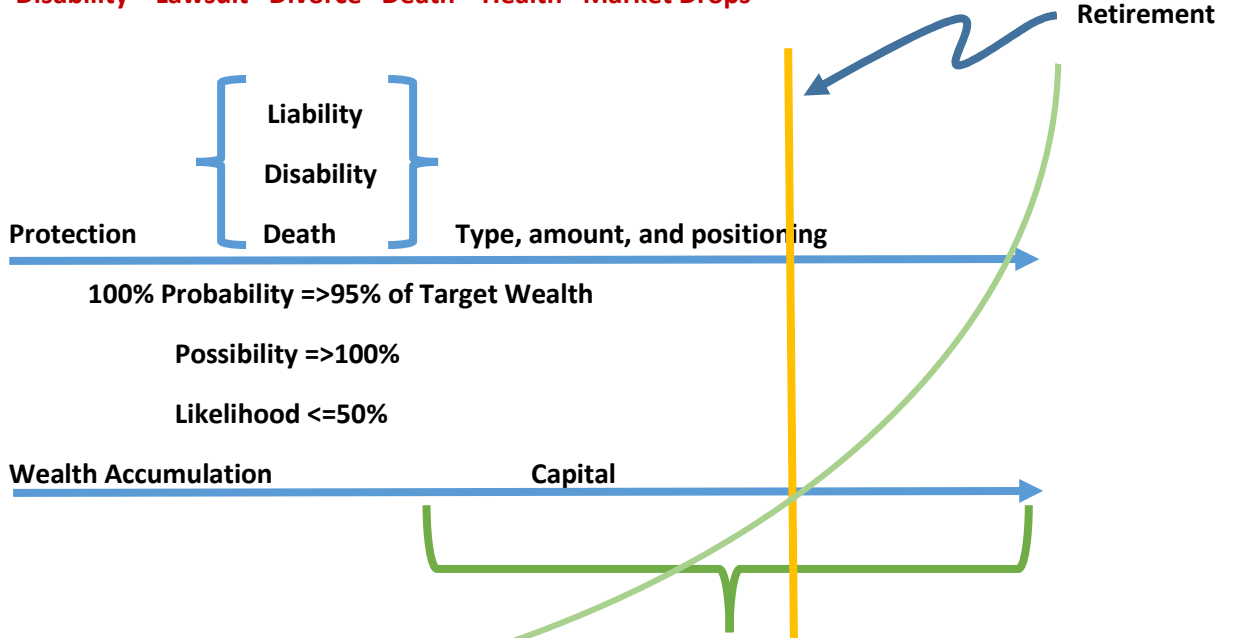
Job Loss Disability Lawsuit Divorce Death Health Market Drops



At or Near Retirement Conversation

Given that you're (close to) or (at) or (in) retirement, it's important to understand that there is a very important change to the parallel paths. This line represents RETIREMENT.

Job Loss Disability Lawsuit Divorce Death Health Market Drops

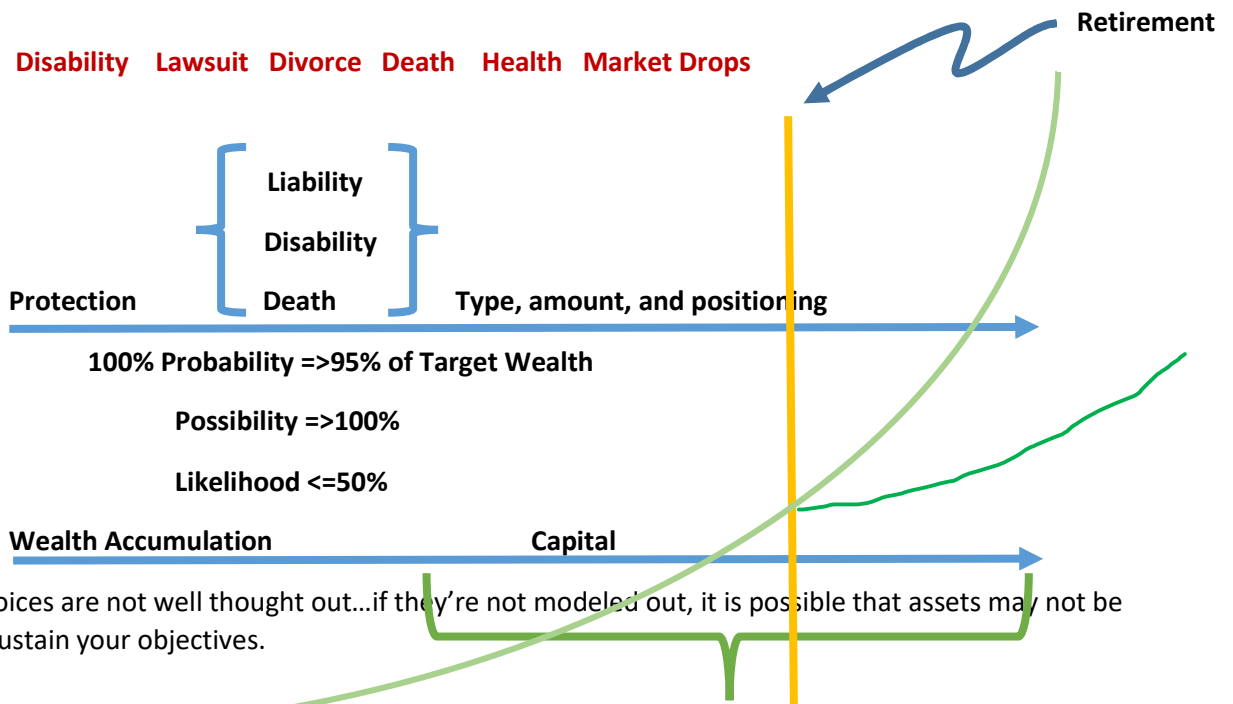


At retirement earned income stops and so does compounding. What we know for sure is that after this point there is NO ROOM FOR ERROR. How you manage decisions from here on out will determine the path your assets are on.

Draw the green line.

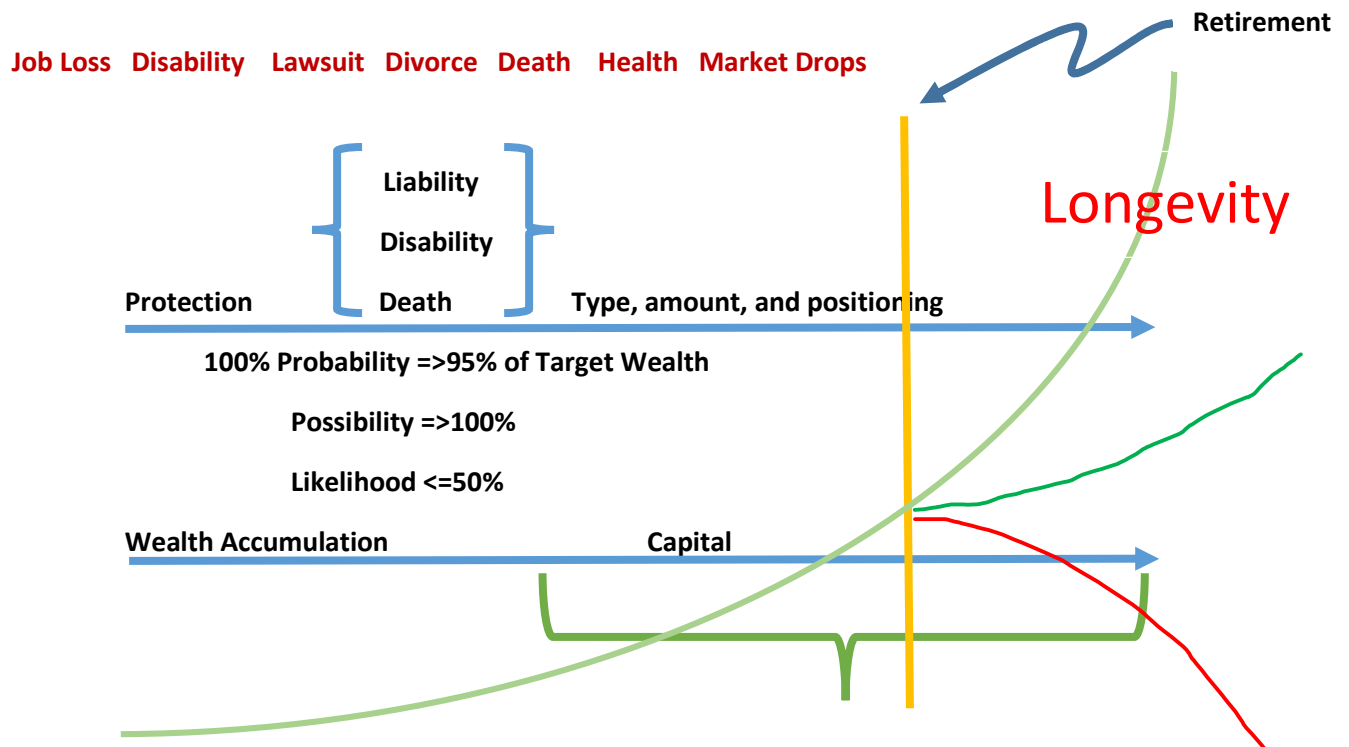
When you make solid, well thought out choices, your assets have the best chance of doing well.

Job Loss Disability Lawsuit Divorce Death Health Market Drops



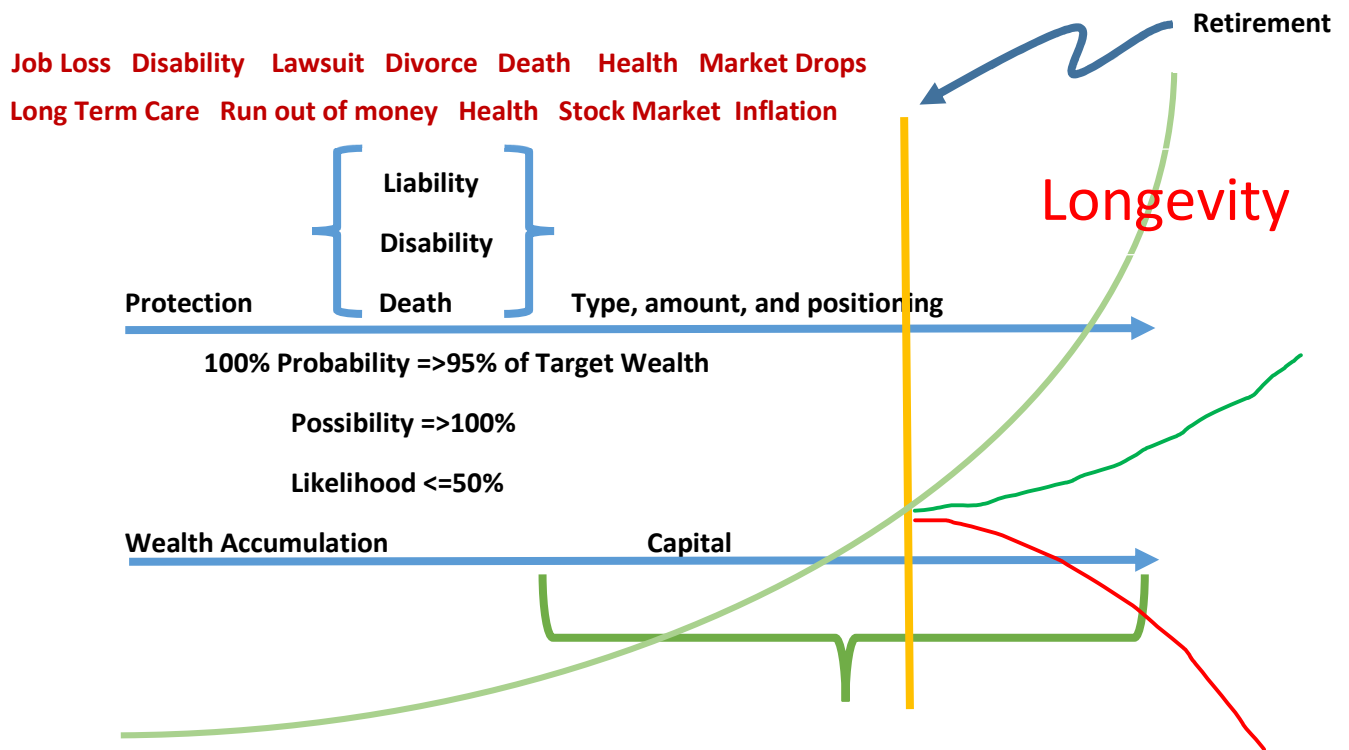
If the choices are not well thought out...if they're not modeled out, it is possible that assets may not be able to sustain your objectives.

Draw the red line



You see, at this point there are a whole new set of risks that come into play. From where you sit, what would some of those additional risks be?

Clients will usually add to the already existing list of risks. The Complete List of Risks include: Longevity, Inflation, Excessive Withdrawal, Health Expenses, Long Term Care, Frailty, Financial Elder Abuse, Stock Market, Interest Rates, Liquidity, Sequence of Return, Forced Retirement Risk, Re-Employment, Employer Insolvency, Loss of Spouse, Unexpected Financial Responsibility, Timing, Public Policy Changes, Income Taxes, Torpedo Taxes. Again, it is important to record the risks that the client voices just as before. They are telling you what matters to them.



If the prospective client has said 'Longevity' or 'Living Too Long' compliment them and say the following:

I'm impressed that you said Longevity (or Living Too Long). Longevity is a turbocharger that increases the likelihood of the exposure to all the other risks. If you retire at 65 and die at 67, does it matter if taxes go to 60%, the market drops 25%, and inflation goes up 10%?...No, you didn't live long enough for that to matter. A male in good health at age 65 has a life expectancy of age 87 and a female is even longer. Most people misunderstand life expectancy...it's not a wall you hit...it's merely a speed bump as there is a 50% chance you'll survive age 87. The longer you live the more exposure you have to all the other risks.

If the prospective client has not said 'Longevity' or 'Living Too Long', say the following:

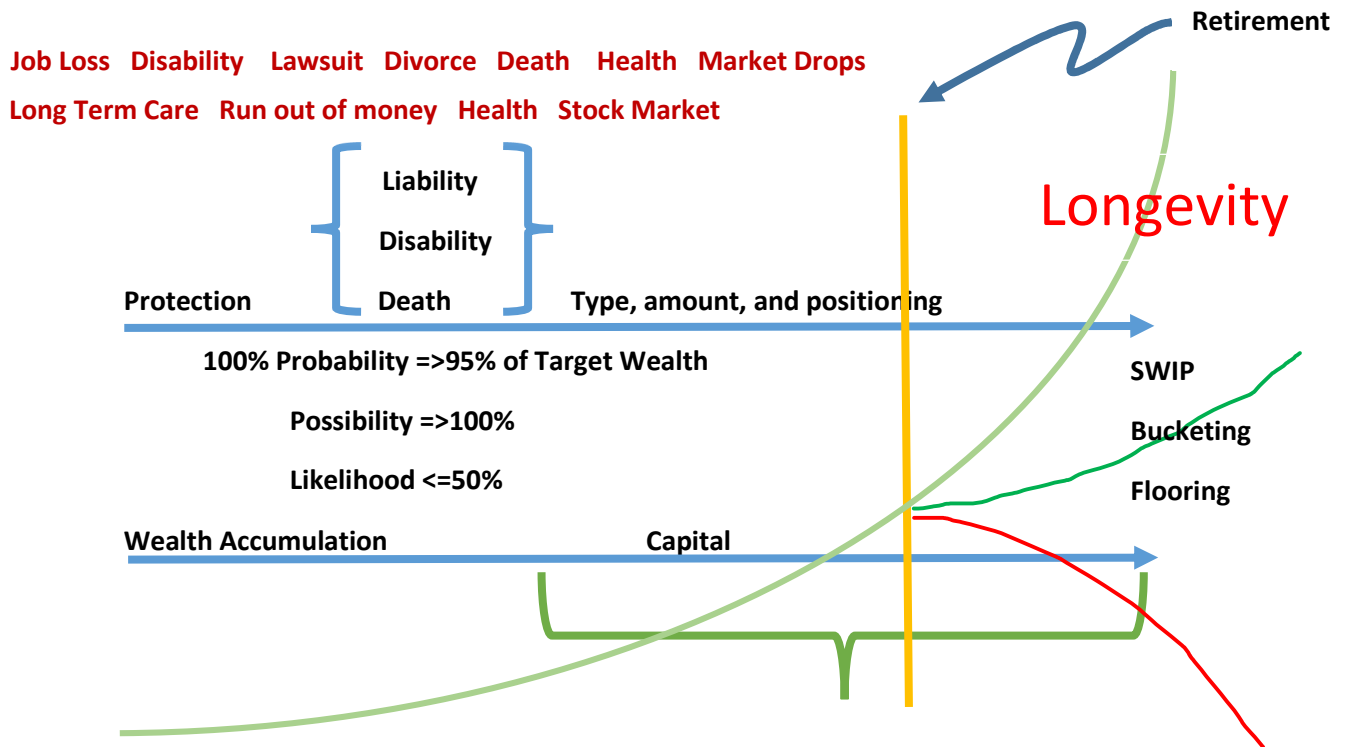
There's one critical risk that many people miss, and I feel it's necessary to highlight it and that's 'Living Too Long' or 'Longevity'. Longevity is a turbocharger that increases the likelihood of the exposure to all the other risks. If you retire at 65 and die at 67, does it matter if taxes go to 60%, the market drops 25%, and inflation goes up 10%?...No, you didn't live long enough for that to matter. A male in good health at age 65 has a life expectancy of age 87 and a female is even longer. Most people misunderstand life expectancy...it's not a wall you hit...it's merely a speed bump as there is a 50% chance you'll survive age 87. The longer you live the more exposure you have to all the other risks.

There are only three ways of handling money in retirement:

Safe Withdrawal Income Plan or SWIP

Bucketing

Flooring



SWIP Conversation

SWIP stands for Safe Withdrawal Income Plan. Academic studies say the most you can withdraw from a portfolio is 3% to 3 ½% regardless of what you expect the portfolio to yield and regardless of the asset mix. What most people don't realize is what this actually means is that you will have no less than one dollar in the portfolio at the end of thirty years. For most clients, that level of uncertainty makes them uncomfortable. While investing is important in order to beat inflation, relying on investment returns alone comes with significant risk at a point in time when most people prefer less risk.

Bucketing Conversation

Bucketing is the theory that says that you can set up your future cash flow in buckets spread out over time. The money that is needed soonest sits in cash or CDs. Then a bucket is set up that may be bonds or other higher yielding fixed income securities. Then further out perhaps a moderate equity portfolio, and even further out, a more aggressive equity portfolio.

The objective in bucketing is to allow more time for more aggressive assets to hit their average rate of return. This tends to look like the Safe Withdrawal Income Plan arrangement especially if it is not managed over time.

Flooring Conversation

Flooring is a methodology where income is supplied in layers. Everyone engages in some form of flooring. Social Security is a guaranteed source of income that provides a floor of cash flow for you. So are pensions and lifetime income annuities. Some people have all their required retirement income provided from flooring strategies; some people only know about Social Security. And even with that, important decisions must be made about how and when to take Social Security.

The Bridge

What do you think of all this?

Prospect will typically say any one of the following:

That makes sense to me!

How come I haven't heard of this before? In which case the response is "I can't speak to that. All I know is this is what all the empirical evidence supports"

What do we do next?

My advisors have never told me this!

I've done a very poor job on the Protection Path

Would you like to see what your assets and income look like on these two paths over time?

Typically, "Yes".

We have a diagnostic tool that we use to make these assessments. It's called (Insert Appropriate Planning Platform). I just need to ask you a few questions....