

MARCH

2025

THE ROAD TO RETIREMENT

OUR MONTHLY GUIDE TO EVERY MILEPOST, JUNCTION,
AND LANDMARK ON YOUR ROAD TO RETIREMENT.



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WHAT'S ON OUR MINDS THIS MONTH

When planning for retirement, there are all sorts of things we have to think about. Income. Expenses. Where we'll live. What activities we'll do. Healthcare. Estate planning. These are some of the biggest, most important topics that occupy much of our time and mental space.

But because we spend so much time on these topics, there are other retirement-related issues that can easily slip through the cracks or go forgotten. It's only when they become *problems* that we realize how important they are.

So, over the next few issues of *The Road to Retirement*, we're going to focus on some smaller, less obvious areas of retirement planning. Some of them may apply to you; others may not. But it's important that you be aware of them all so that the road to retirement takes you *exactly* where you want to go.

Have a great month!

WHAT'S AROUND THE BEND: ACCOUNTING FOR INFLATION

Inflation is certainly a word we've all heard a lot lately, isn't it? Whether it's egg prices, gasoline prices, or home prices, inflation – the rate at which the price for goods and services go up – has hit most people very hard in recent years.

But retirees have to think about inflation in a slightly different way, even when we are *not* in a period of high inflation like we are in now. Even during “normal” times, inflation is almost always a factor. In fact, the Federal Reserve typically shoots for a baseline inflation rate of 2%. That means even when inflation is fairly low, it can still decrease your purchasing power.

This matters to retirees who, because they are not working, often have a fixed income and a lower growth rate for their investments. I'll give you an example. Let's take the period from January 2010 to January 2020. This was an era with a consistently low rate of inflation. In 2010, the Consumer Price Index, which measures the change in price over time for a representative sample of common goods and services, [was just 1.6%](#). Over the next ten years, it sometimes rose, and sometimes fell – but by the beginning of 2020, the CPI was even lower, [at just 1.2%](#). Still, if you had \$500,000 in savings in 2010, you would need over \$595,000 to have the same buying power in 2020, just because of inflation. That means the value of that initial \$500,000 decreased over time, even during a period of low inflation.

During a period of *higher* inflation, the purchasing power of a retiree's savings will drop even more. For example, it would take over \$615,000 in January 2025 to have the same buying power as \$500,000 in January of 2020.

QUOTES WE'VE
BEEN THINKING
ABOUT:

**“Mistakes fade
away...good
decisions last a
lifetime.”**

– WARREN BUFFETT

(To see these numbers for yourself, just use the inflation calculator found on the [U.S. Bureau of Labor Statistics website](#).)

For these reasons, it's so important that retirees factor inflation into their calculations. A static level of income will inevitably decrease in value over time because of inflation. That means it becomes harder to meet the costs that come with retirement, like living expenses, medical expenses, spending on bucket list items, etc.

Many retirees make the mistake of forgetting to calculate for inflation when they plan for retirement, but it's something you have to consider. It's why sticking all your money into a savings account (or under the mattress) just isn't enough. It's why proper investing is so crucial – it's the best way for your money to grow in a way that outpaces inflation.

The overall point is that inflation should always be on your list of things to prepare for in retirement. The good news is that by planning ahead, we can always find ways to protect you from a drop in purchasing power. Please let me know if you'd like to set aside time to discuss this.



WHAT'S OVER THE NEXT HILL: COMPANY STOCK DECISIONS



Many pre-retirees have a good portion of their retirement savings tied up in the company they work for through their employer's stock. Whether in the form of an employer-sponsored retirement plan like a 401(k), vested stock options, or simply by choice, it's crucial that you determine if your company's stock is the best place for your money to be.

Sometimes, investing in your company can be a smart move. Other times, the company may take up far too large a space in your portfolio, leaving you vulnerable if things go south. This is especially true if you have a 401(k). After all, you already rely on your employers for day-to-day income, so it may not be wise to tie the bulk of your future savings to them as well. To be frank, having a large portion of your savings tied up in *any* single position is always a risky move.

If you are investing in your company's stock, ask yourself why. Is it because of how your 401(k) is allocated? Is it out of a sense of loyalty? Or is it because you *know* it is a good investment?

The answer for most pre-retirees is usually one of the first two reasons. Most people have neither the time nor the training to understand if their company's stock is under- or overvalued, and it is important to note that you can't simply rely on a stock ticker. Remember, just because a stock is going up today doesn't mean it will go up tomorrow, and vice versa. So, most pre-retirees simply don't know whether their company represents a good investment or not.

This is one of those issues I mentioned that many pre-retirees don't really think about: Having too much of their savings tied up in a single, concentrated position. So, if this applies to you, it's critical that you take a very close look at whether investing in your company's stock is wise — and if so, how much of your money should actually be invested. If you ever need help with this, I would be happy to give you a second opinion on any company stock you may own.

FUN FINANCIAL FACT

The average credit score for Americans in 2024 was 715. That marks the eleventh straight year that the average FICO score in the U.S. has not decreased on an annual basis, suggesting that Americans are becoming more financially aware with each passing year.

SOURCE: [EXPERIAN](#)

WHAT'S ON THE HORIZON: CONSIDERING LIQUIDITY

When it comes to planning for retirement, few people think about the importance of liquidity. What is liquidity? The definition of liquidity is “the ability to convert an asset to cash quickly.”

For retirees, you can think of liquidity like this: “The ability to do what you want or get what you need whenever you want or need it...because you can always pay for it!”

Here are some examples of different types of assets in order of how liquid they are:



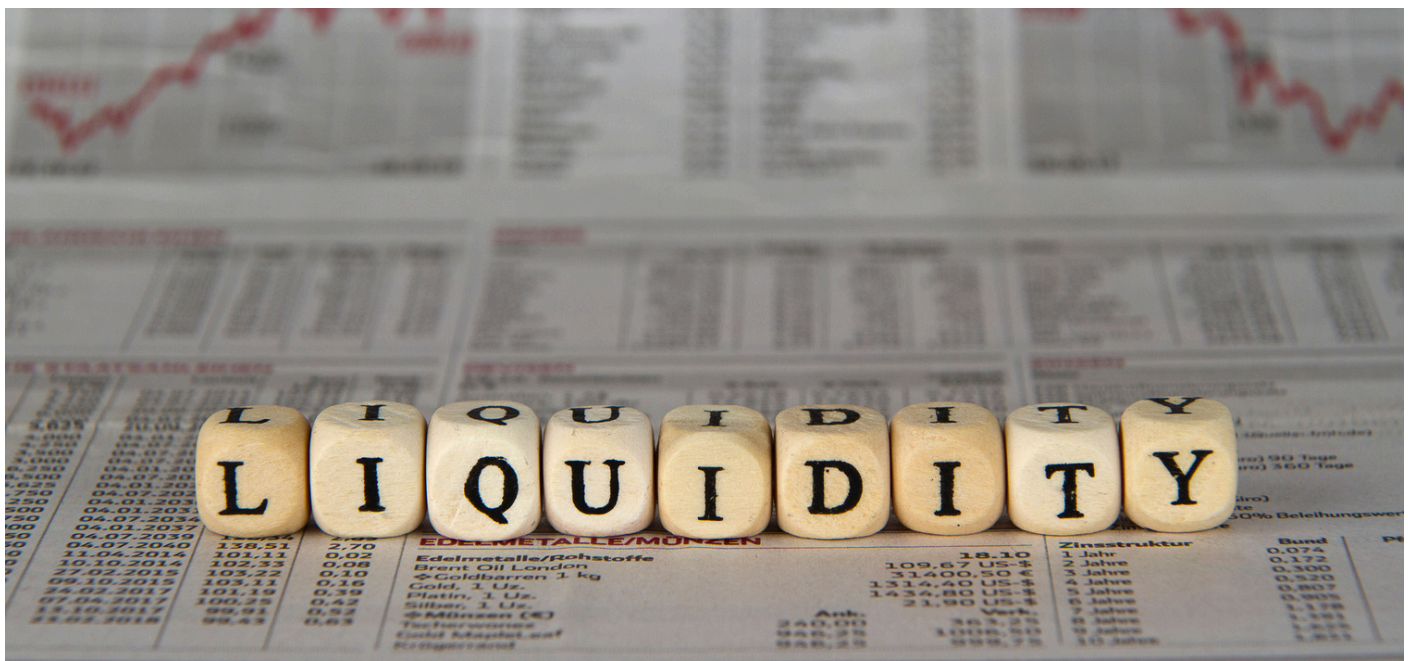
Technically speaking, cash is the most liquid asset there is, because it can be used immediately and under almost any circumstance. Other assets have varying degrees of liquidity. Stocks are relatively liquid since they can usually be sold easily. More tangible objects, like a car or even a prized baseball card, are far less liquid because it might take longer to find an interested buyer. Items like these might also be harder to sell for their full value. Real estate is one of the least liquid assets of all—ever tried selling property before? Sometimes the market cycles allow for a quick sale at a great price. Other times it can take months to years to get the price you are looking for.

Why does this matter? The main reason is because of the unexpected expenses you will inevitably face after retirement. What if your house is damaged by a storm and needs repairs? What if your car breaks down? What if you have sudden medical expenses to pay? All those things require cash. You can't rely on things like Social Security alone because that will have already been earmarked for your expected expenses.

One of the easiest and smartest ways to give yourself some needed liquidity in retirement is to establish a rainy-day fund outside your normal savings and investment accounts. It's a fund that only gets touched in the event you have unexpected expenses.

Generally, a good rainy-day fund should contain enough liquid assets to cover 3-6 months' worth of living expenses. If you don't yet have such a fund, start now, and start small. Deposit \$100 or so into a new savings account and then contribute to it every month. You'll be surprised how soon it adds up!

Unexpected expenses are why liquidity is so important. No one can plan for every occurrence. We have to expect the unexpected. It's why you should always keep a first-aid kit in your car or a flashlight in your house. For these reasons, when pondering how you are invested during retirement and where your income is coming from, it's important that you have a plan for how to convert assets to cash quickly should you ever need to.



WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (FEB-MARCH)

It was a chilly month for the markets in February, [with the S&P 500 sliding 1.45% and the Dow falling 1.6%](#). Meanwhile, the Nasdaq dropped 4% for the month.

Much of the market's angst was due to broader concerns about the economy. With tariffs on Mexico and Canada set to kick in next month and consumer spending sliding in January, investors have not found much to cheer about in recent weeks. Additionally, tech industries have seen increased volatility as investors debate whether all the enthusiasm over AI, and demand for the chips that power it, will continue. However, there was some good news at the end of the month as the latest inflation report came out [in line with most economists' expectations](#).

HERE'S WHAT WE'RE KEEPING AN EYE ON IN MARCH & BEYOND

Tariffs will be the number one storyline to watch as we move into the spring. The situation has been very unpredictable thus far, and with uncertainty comes the potential for more volatility. However, March may bring more clarity as to what kind of tariffs the Trump Administration will actually levy, and clarity is often a stabilizer for the markets.