



DISTRIBUTIONLAND

A RETIREE'S
SURVIVAL MANUAL
for Transitioning to a World of
*New Rules &
Unexpected Dangers*

MARTIN V. HIGGINS, CFP®

Foreword by TOM HEGNA



PRAISE FOR DISTRIBUTION LAND

“Finally we find simple and clear steps to organizing your financial affairs. *Distribution Land* provides the reader the tools to live life on purpose and be prepared financially. It was not raining when Noah built the ark. The actual client stories and the content of this book should motivate anyone reading it to understand why they need professional help and a written plan to have success in their financial affairs.”

Michael Herman, ChFC

Golden Wealth Solutions, Inc

“In the U.S., those who reach 65 have an *average* life expectancy of another 18.8 years. In addition, one in 20 Baby Boomers will live to be age 100! Increasing longevity offers today’s retirees opportunities that previous generations never experienced, but unprecedented challenges as well. ‘Making the money last’ is a complex issue, and pat answers and rules of thumb are wholly inadequate. In *Distribution Land*, Martin Higgins, CFP® does a masterful job off addressing the pitfalls that must be avoided as individuals transition from earning income to withdrawing income from savings and investments, and he makes a bullet-proof case for the importance of written retirement income plans that are customized based on each client’s unique set of values, priorities, and life circumstances.”

Carol Anderson

President, Money Quotient

“I’m very impressed by the author’s insistence that we should find someone who emphasizes meeting with us as a couple, and listening to the fears and concerns that I have, in order to develop recommendations that will work for the both of us. I am confident that our advisor is managing our retirement investments with both of us in mind, just as he discusses in his book. If Dave were to pass away before me, my wishes and interests will be well-protected (with Wills, Trusts, and investments), and it is a tribute to our advisor that he has made sure that our value-based goals and plans are in place.”

Stephanie Salewski

“As a relatively new retiree, *Distribution Land* has provided me with specific advice around financial planning as I crossed the bridge from Accumulation Land into retirement. The formal written financial planning process has helped to eliminate, for me, the fear of the unknown, and provided me with a sense of comfort, confidence, and stability”.

Jack Morrison

“Like many folks entering retirement, I felt comfortable with our family savings and investments. We didn’t have a formal retirement ‘plan’, and I didn’t think we needed one. But I knew I didn’t have all the answers, so I set up an interview with a Retirement Income Planner to clarify my thinking and get some objective advice. What followed was one of the more humbling, yet truly fortunate, experiences in my life. He challenged my assumptions and inconsistencies in a blunt yet reassuring manner, and suggested real strategies to improve our retirement. We were drifting into *Distribution Land*, unaware of the many potential dangers to our retirement nest egg. It became clear that we did, in fact, need a retirement plan, with goals and objectives, based on our family values. He clearly wanted to understand our values, goals and objectives, and he invested a lot of time in learning about us, and what we thought about different issues. This has made all the difference. In his book, Marty Higgins emphasizes communication, sharing, and joint decision making, in order to establish a realistic plan. My wife and I couldn’t agree more. We now have a friend who meets with us periodically, who is available to discuss a wide range of issues that may affect our retirement, and who manages our investment decisions. We have found a top-notch professional who has our back. I sleep very well at night.”

Dave Salewski

“Preparing for, transitioning into, and travelling through retirement requires a long-term relationship with a knowledgeable advisor who becomes an integral part of your life planning, helping to set meaningful expectations and contingencies, put protections and contingencies in place, make necessary adjustments as events occur, and remain at your side as your future evolves. We are fortunate to have such guidance in place. Implementing this life plan has not only given us joint control of our finances, but peace of mind and confidence that we have the maximum potential for a secure future together. It is important that both spouses are completely involved in this planning process and execution; this is essential for success. We are making sound joint decisions, and we have the correct focus with no distractions. In addition, our ongoing financial and future activity discussions are open, constructive, and enjoyable. The transition into retirement should be set at a rate that is comfortable to both spouses. In our case, one spouse has continued to work part-time, reducing the work hours gradually as other desired activities have been discovered. *Distribution Land* details the essential retirement planning components that have worked exceptionally well for us.”

Bill & Elaine Blakemore

“With more and more people approaching retirement it is more important now than ever that people realize Income distribution is much different than Income accumulation. With income accumulation we had time to recover from our mistakes in Income distribution mistakes can be ever so costly. This book is outstanding and gives great insights and stories to help people realize these dangers in this ever changing world of income distribution. It will be an invaluable resource to whoever reads it. Thank You Marty for taking your time and putting this in writing to help everyone.”

Anthony G. Engrassia, ChFC, LUTCF
Financial Planner, Rocky Mount, NC

“For years the financial industry was talking about dollar cost averaging, a disciplined investment approach for the accumulation phase. Soon the industry may need to start talking about ‘dollar loss averaging’ as assets dwindle and markets gyrate. As we enter the Distribution Era and it will require more the same level of discipline. We are entering uncharted waters and fortunately Marty Higgins has done the work of a cartographer in *Distribution Land* that will enable you to both survive and thrive in the times ahead.”

Mitch Anthony,

Author, The New Retirementality

“Kudos to Martin Higgins for creating a guidebook to help boomers navigate the largely uncharted territory of *Distribution Land*. A readable, fun and informative book.”

Moshe A. Milevsky

The IFID Centre, York University, Toronto, CA

“I think a book like *Distribution Land* is well over due. Having experienced the recent health issues and subsequent passing of my parents, I witnessed the many circumstances that Marty references. After reading *Distribution Land*, I am encouraged and empowered to have a guide book that gives me and my husband a more progressive, strategic and uplifting process to reference rather than to repeat a well-intended but outdated philosophy and mentality. As an entrepreneur, I also appreciated his approachable manner in this emotional and financially risky process. After building a business, I would hate to not enjoy the fruits of my labor due to fear or misunderstanding of the new definition of retirement. A million thanks!”

Jeannie Balsam

JEANNIE BALSAM LLC

“Retirement is defined as a withdrawal from active service. But it does not mean a withdrawal from an active life! It means a chance to go places, do things, and enjoy life. It’s a journey that could possibly last 30 years or more. But like any journey there are many dangers that if not identified can wreak havoc on what should be a happy time. Marty’s book *Distribution Land* is the retirement traveler’s guide to help you maximize your retirement year’s opportunities and minimize the dangers that lie ahead. Use it as you would a trusty compass, map, or in today’s world a GPS to have a happy and safe trip through retirement.”

Danny Smith

President, Daniels Financial Group, Inc.

“My father worked tirelessly to provide financial opportunity for his family even when he wasn’t going to be around to steer the ship anymore. His goals were clear: keep mom at her standard of living and leave a generous inheritance to his children. The underlying principles and planning processes discussed in *Distribution Land* have provided a roadmap to meet my father’s goals for over 15 years. As a daughter helping her mom to keep her husband’s ship on course, I encourage those in or near retirement to learn then practice the lessons of this book. As a woman, I urge you to start NOW. Until there is true wage parity and our earning power equals a man’s, our only advantage is Father Time. You will be surprised, as I was, of the many opportunities and the sense of security in *Distribution Land* when a trusted advisor is part of your team.”

Carol Schmidt

“This book is a must read for anyone within 10-years of retirement or less, or even recently retired. Retirement is not for the weak or faint of heart and Marty Higgins does a masterful job in providing insight and the tools needed to help retirees navigate through this strange new world of *Distribution Land*. I am a financial advisor and having been helping people take the confusion out of retirement for more than twenty-nine years and I found the content of this book invaluable, even at this stage of my career!”

Jay Van Beusekom RHU, LUTCF

President & CEO, Jay Van Beusekom Financial Advisor, LLC

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MARTIN V. HIGGINS, CFP®

Advantage®

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*To my loving wife Terri who
supports everything I do.*

*To my late dear friends, Ken Horowitz,
Jimmy Beal and Paul Bustard, who without
their support early in my career this book and
possibly my career may not have been possible.*

*And in loving memory of my parents,
Vince and Adele for instilling in me the
confidence and work ethic to succeed.*

{ ABOUT THE AUTHOR }

Martin V. Higgins is founder of Family Wealth Management, L.L.C., an independent wealth management firm. He specializes in providing tax-efficient strategies designed for preserving and growing family wealth.



A Certified Financial Planner (CFP™), Higgins is past president of the South Jersey Chapter of the Society of Financial Service Professionals, and the Estate and Financial Planning Council of Southern New Jersey. He was also recognized by the Million Dollar Roundtable as a Top of the Table Producer, an award earned annually by fewer than one-tenth of 1 percent of the world's insurance producers. With five professional designations, Certified Financial Planner (CFP), Chartered Life Underwriter (CLU), Accredited Estate Planner (AEP), Registered Health Underwriter (RHU), and Life Underwriter Training Council Fellow (LUTCF), "I consider myself a student of the profession," Higgins says. "I have focused my entire career on education. I know a lot of people in different professions with 25 years of one year's experience—they're simply just repeating the same thing they started doing 25 years ago, over and over again. I don't believe that they're any smarter or adding any

more value than they were 25 years ago. The world is full of people like that.”

As the president of Family Wealth Management and creator of “The WealthCare Process” (a program designed to simplify clients’ financial affairs), Marty has shown a commitment to his own lifelong learning for the benefit of his clients, earning an impressive five industry professional designations to include the Certified Financial Planner (CFP) and Accredited Estate Planner (AEP). The past president of the Estate and Financial Planning Council of South New Jersey and the Society of Financial Services Professionals of Southern New Jersey, Marty also has been the recipient of many well-revered industry honors. He was a 2014 recipient of the Women’s Choice Award for Financial Advisors and Firms,* a 2012 Senior Market Advisor of the Year finalist**, and a 2000 inductee into *Research Magazine’s* Advisor Hall of Fame.*** Marty also has been featured in national magazines, including *Forbes* and *The National Underwriter*.

Higgins is co-author of and contributor to two books. *Dream, Inc.* features 32 Philadelphia-area entrepreneurs and how they built successful companies from scratch, and he also contributed to Dan Kennedy’s book *The Ultimate Success Secret*. Higgins has been a featured speaker throughout the country and overseas, as well as for many company training programs. He regularly contributes to various industry magazines and local media.

“I altered the direction of my practice close to 15 years ago,” he says. “I wanted to focus strictly on retirement income planning and to get ahead of the wave of boomers going through that phase.

“I actually went out and did my own research via a series of luncheons with families, couples, widows and others. “We did our

own research, and crafted our own approach based on the type of experience and relationship people told us they wanted from a financial advisor.”

The aim was to learn what people needed in a financial advisor relationship and what frustrations they had faced. “One interviewee that I met with told us of his experience with a previous firm. He and his wife were retiring and they decided that they needed a financial plan. They met with an advisor at a major firm, he designed a plan, transferred their money, and that was it—no follow-up. He said it was like he and his wife wanted to go on this fantastic journey and what they got was a boat and a map and were sent out to sea with a *bon voyage*—as if the only real plan was to get his money. The research came up with some dominant themes and created what we call the WealthCare Process. One core principle was that not only would we write these plans, but we would become stewards of the plans as well.”

Higgins’s many years of experience in the financial industry began after he was laid off from his construction job after high school. That was in 1972. “My family insurance agent asked if I wanted to come in for an interview—and by 1978 I had become a manager at the age of 24, and here I was telling men and women with families what to do.” Soon he was engaged and buying a house, and decided to get life insurance for himself.

“Tough day?” a nurse asked during the exam. “They’re all tough days,” he told her. He was in management at the time and had grown weary with people’s lack of work ethic. “Honey,” she said, “you’re 26 years old and your blood pressure is 158 over 120. You’re about to blow out this window.”

That was when he knew he had to do something different. “I talked to my fiancé, now my wife, and my dad, and said I was going to quit as a manager.” That was October 1980, and he since has received the most consecutive Chairman’s active Council awards in Mutual of Omaha’s history.

Higgins earned his CFP designation in 1984, and has since earned four others within the industry. He is a Registered Representative of and offers securities through Mutual of Omaha Investor Services, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. In addition to this, he is an Investment Advisor Representative and offers advisory services through Mutual of Omaha Investor Services, Inc., an SEC Registered Investment Advisory Firm. Insurance products and services are offered by various underwriting companies. Underwriting company is dependent upon insurance product sold. Family Wealth Management, LLC and Mutual of Omaha Investor Services, Inc. are not affiliated.

Higgins has lived in the South Jersey region all his life. He, his wife Terri, and their three children share a love of travel, local culture, and sports, including golf, baseball, lacrosse and hockey, as well as *all* of the Philly sports teams.

*The Women's Choice Award Financial Advisor program was created by WomenCertified Inc. The Women's Choice Award Financial Program is based on 17 objective criteria associated with providing quality service to women clients such as credentials, experience and a favorable regulatory history, among other factors. Financial advisors do not pay a fee to be considered or placed on the final list of Women's Choice Award® Financial Advisors, though they may have paid a basic program fee to cover the cost of comprehensive review and client survey. The inclusion of a financial advisor within the Women's Choice Award Financial Advisor network should not be construed as an endorsement of the financial advisor by WomenCertified or its partners and affiliates and is no guarantee as to the future investment success. Women's Choice Award® Financial Advisors represent less than 1% of financial advisors in the U.S. As of June 2014, of the 622 candidates considered for the Women's Choice Award, 104 were named Women's Choice Award Financial Advisors. This portion is updated monthly: please access updated monthly content at <http://www.women-choiceaward.com/financial-advisor-information/>

**Nominees were evaluated by the editorial staff of Senior Market Advisor based on the following criteria. 1) Nominees had a minimum of five consecutive current years as an advisor 2) Have sold a minimum of \$5 million in annuity/life insurance premium in PERSONAL production during 2011; or have sold a minimum of \$400,000 in LTCI premium in PERSONAL production during 2011 3) Clear a 7-year background check for civil, criminal and business violations by the National Ethics Bureau (for complete details about the background check, visit <http://www.ethics.net/>) 4) Have an average client age of 60 or older 5) Be able to demonstrate a commitment to community involvement.

***2000 Research Magazine Hall of Fame candidates must pass our rigorous screens, including: service for a minimum of 20 years in the industry, substantial assets under management, superior client service, and recognition from their peers and the broader community for the honor they reflect on their profession.

{ ACKNOWLEDGMENT }

With this book, you are not alone.

My nearly one-year-old granddaughter (our first grandbaby, so far) is a prodigy. And wouldn't we all say the same of our kids or grandkids, given the opportunity to publish such news?

Ok, so “prodigy” may be a bit of an overstatement, but I can tell you this – that baby girl of ours is a pro at trusting those plump legs of hers to walk, run and even downright gallop. And she has been for some months now. My daughter is told regularly by strangers on the street that this walking-before-you're-one-year-old thing is quite extraordinary. We like to think it's only the beginning of greatness.

Just goes to show that we're all really good at something.

Having said that, though, here's what I'm not so good at. I'm not good at diagnosing the simplest health issues let alone the more complex ones that doctors see every day. I'm not good at debating in court someone's motivation for committing petty crime. I'm not someone who can paint the kind of art anyone pays to look at, I'm not a chef who can prepare decadent meals for hundreds of hungry patrons at once, and I'm not a PGA golfer (though I like to think I might be someday). For those of you who excel in these categories, I'd like to thank you for diagnosing, debating, painting, cooking and inspiring me to improve my golf game. I'm guessing, considering

you have this book in hand, that you also are someone who has been good at accumulating money during your earning years. You and I have that in common.

After nearly 40 years of learning an industry that's ever-changing and complex, doctors, lawyers, artists, chefs, golfers, teachers, actors, event planners, CEOs, CFOs, brick layers and psychologists (to name but a few) move from earning a future to living one. Making the transition from accumulating money full time to distributing it full time requires the same type of expertise and education that any other field demands. If you proceed into distribution land alone, you may find that your tried-and-true practices of financial management (perfected during your 40-some years of accumulation) will actually work against you there. With this book, you are not alone.

Though the pages here do include a near-lifetime's worth of data and knowledge about financial planning in distribution land, you also will find here years' worth of stories that represent real people. I learned early on in my career that there is no such thing as a one-sized-fits-all approach when you're working with humans and their dreams. My clients have worked hard and planned well for years and they demand (and deserve) that planning to come to fruition now. Don't you deserve the same?

This book will give you the "legs" so you walk, run and gallop into distribution land with a toddler-like enthusiasm. I like to think it's only the beginning of your greatness.

{ FOREWORD }

Retirement for your parents was something that just happened, they really didn't have to plan for it. See, in the 1980's, you typically worked for the same company for thirty years. They then held a nice retirement party, presented you with a shiny gold watch and gave you a guaranteed paycheck for the rest of your life in the form a pension. Wow! You could take a cruise, join the country club and literally live Happily Every After!

Your retirement will likely not look like that. Pensions have disappeared for almost everyone other than government workers. The success of your retirement is not about the success of your former employer – it is really about how much money you were able to save and then, even more importantly, how do you turn that money into enough income to last you the rest of your life. If you take out too much, you will likely run out of money. If you don't take out enough, you will live a suboptimal retirement.

This is what Distribution Land is all about. For most retirees, Distribution Land is a foreign, scary place. It doesn't look like anything they have ever seen or experienced before. Oh sure, they have learned how to SAVE money, how to INVEST money, but they may not have learned how to DISTRIBUTE money! In fact, most retirees don't WANT to distribute money. They try to “not touch their principal” and “stay in control” of their money. All the while,

they are setting themselves up for failure – either spending too much or too little.

With the concepts in this book as your guide, you will have your own “GPS” to show you exactly where you are, where you SHOULD be going, and the safest way to get there. He will show you where the unseen risks are and how to avoid them.

In my Public TV Special Don't Worry, Retire Happy – 7 steps to Retirement Security, I talk about how important it is to have a plan. People who plan for their retirement are more confident about their retirement, they are happier in retirement, and most importantly, they are more successful in retirement than those who don't have a plan.

I also talk about how important it is to use a trusted Financial Professional. Retirement is NOT a do it yourself project. Hey, if you have a cavity in your tooth, I'll bet you don't go into the garage, search for the correct size drill bit, hold up a mirror and try to drill the cavity out yourself! Well, retirement happens to be a lot more important and more complicated than drilling a cavity.

The retirement landscape is changing quickly, companies are adding new products, benefits and features every day. How can YOU keep up with all of this? You can't. You need a professional who does this every day. Look, I am considered a Retirement Income Expert by many and I use a Financial Professional. Why? Because even though I know what I need to do to retire optimally, I don't follow the day to day changes in product offerings. Besides, retirement is so important that I want a second set of eyes on my plan. I get busy and I need someone to remind me that it is time to review the plan as well. You should do the same.

So, what are some of the minefields in Distribution Land? The Stock market might crash right before or right after you retire. How would that affect your plan? Inflation could decimate the purchasing power of the income that you were able to generate with your savings. Can you live on 50% less income? That is what 4% inflation will do to your purchasing power over a 20 year period of time.

Or what about deflation and the threat of another great depression – what would THAT do to your plan. Some people think that because the market has averaged over 10% per year since 1926 that they can withdraw 10%, or 8% or 6%, well, surely 4% per year, right? NOPE. Those numbers will likely have you running out of money before you run out of breath.

What about the need for long term care? Long Term Care services are very expensive. What happens if YOU need some care? Is that in your plan. And what about the granddaddy of all retirement risks – LONGEVITY. What would happen to your plan if medical technology continues to develop cures and solutions for our medical problems. What if you live to age 100 or 110?

See Distribution Land can be a scary and dangerous place. Make no mistake, Millions, no, Tens of Millions of people will be ambushed by one or more of these risks. But not you! What Marty has done in this book is not only share the risks that are out there. He also shares very simple solutions. Ways that you can take risks off the table!

I give public seminars all across the country. I, too, am on a mission to help people avoid these risks. Many people think retirement is so complicated. I disagree. In fact, I believe the ULTIMATE SUCCESS of your retirement will depend on your answers to my

next two questions. And, no, I'm not going to ask you how big your 401k is or how expensive of house do you live in.

See the success of your retirement is NOT about your assets! This is a paradigm shift. Your assets can be lost, they can be stolen, swindled, sued, divorced or decimated in a market crash! The ultimate success of your retirement will depend on your answers to these two questions:

1. How much Guaranteed Lifetime Income Do you have?
2. Have you taken the key Retirement Risks off the table?

That is it! See retirement is ALL about income, and I argue – Guaranteed Lifetime Income. You cannot spend your assets, you need income. By using the financial strategies Marty discusses, you can set up an optimal retirement plan – one where you will NEVER run out of money. A plan which helps you feel more confident about your financial future. One designed to help minimize key retirement risks and leave an inheritance for your loved ones when you die.

Both Marty and I were reluctant authors that realized how important it was for our simple message to be heard. After reading this book, you will understand why we are both so passionate about our message!

I have been training financial advisors for over 30 years and speaking about retirement to clients all around the world. I've written 3 books on retirement, *Paychecks and Playchecks: Retirement Solutions for Life*, *Retirement Income Masters: Secrets of the Pros*, and my new book releasing in late 2014, *Don't Worry, Retire Happy*. All of my books have the same common theme...Your retirement does NOT

need to be complicated. Proper retirement planning can be based on math and science.

If you are looking for an enlightened perspective on retirement beyond the traditional sense, put aside some time immediately to read this future best seller. Once you understand how simple retirement is, you will have plenty of time to enjoy it with your grandchildren instead of sweating every time you open the business section of the paper.

Tom Hegna, Author and Economist
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{ INTRODUCTION }

A sweet and scary land

‘Hmmm,’ I said as I scanned the analysis. I shook my head, and then looked up at the doctor who was sitting in my office waiting for the prognosis. “I’d like you to come back tomorrow, and bring your wife.”

“Is everything all right?” he asked.

“I just want to show you the results.”

He was the first of two doctors who met with me that same week in 1999 for financial advice. It was the week I realized I needed to answer a calling. I wanted to help people to avoid screwing up their retirement.

I call this “The Tale of Two Doctors,” but the fact that they were doctors wasn’t all that significant—they could have been teachers, or brick layers. What is significant is how their stories illustrate the need to plan early and earnestly for your retirement years.

That first doctor had about \$500,000, all in certificates of deposit. He was contributing the maximum amount permitted to his retirement plan, all in the CDs, and he planned to retire within five to seven years. He was about 60. We did a retirement income projec-

tion for him. He didn't want to have anything to do with equities or anything else other than bank deposits. I ran the analysis.

When he and his wife returned, I explained that the income projection showed that they would be out of money before he even reached age 80. It wasn't as if they were requiring some exorbitant income. And the problem wasn't market performance. The problem was that the return on his investments was barely enough, if that, to keep up with what would reasonably be expected to be the rate of inflation.

"You're going broke," I told him. "You're doing it safely, if that makes you feel any better, but you're going broke."

"What can I do?" he asked. I told him he could work longer, for one. Or he could take the money out of CDs. He didn't want to do either. He was hoping that interest rates would somehow return to the 1980 yields.

Later in the week, I went to see the second physician in his office. He had a similar set of facts—he was about 60, maxing out his retirement plan, and wanted to work five to seven more years. However, this doctor had about \$5 million put away, ten times as much as the first doctor.

His investments were almost all in technology and health care stocks. His buddy, a doctor out on the West Coast, was managing both of their portfolios and was hot on tech. He'd pretty much stopped practicing medicine in pursuit of NASDAQ riches. Do you hear the sound of a bubble bursting?

"Let me ask you a question," I asked the doctor. "Do you think you have enough money to live the rest of your life comfortably?"

“Yeah . . . what do you think?” He had called me in for a second opinion, if you will.

“I think you do. So why, then, are you trying to turn \$5 million into \$25 million? Because if it goes down to a million, you’re going back to work. You’re not going to be able to retire.”

A year or so later, I asked how his buddy had fared. He’d lost almost everything—he’d taken a 90 percent hit in technologies—and was back to practicing medicine.

Seven years later, I unexpectedly heard again from that first doctor. He asked me if I’d changed my opinion about his investments and what he needed to do. I told him once again that he was on the path to going broke. The man was shopping. He wanted to find an adviser who would tell him what he wanted to hear. He’ll eventually find someone. There are plenty of so-called “advisors” willing to sell him something.

Fear was the risk factor for the first doctor I saw that week. For the second, it was greed. A financial advisor has to work with people at each extreme—and fear or greed are at the heart of most financial failures.

A WHOLE NEW LANDSCAPE

Managing risk is the most important aspect of good retirement planning, not pumping up your investment return. Meeting those doctors drove that point home for me—and I began focusing my career on helping people manage their risk as they are heading into retirement—or, as I call it, heading into Distribution Land. It’s that

new land that you enter as you prepare for retirement and begin taking out the money that you put into investments all those years.

Distribution Land is totally different than what you've experienced. To this point, you have been in Accumulation Land, where time has been your friend. You were likely advised to put money away consistently. You weren't too concerned about whether the market soared or sagged; if it went down, it meant you could buy a greater number of shares at a bargain price. You were not planning to pull out the money soon for income. Your objective was to gobble up shares, and you felt confident that, based upon its historical performance, the market seems to rebound over time.

You didn't focus on the daily price because you knew that wasn't the price you'd eventually get. The price in the paper that day was someone else's price. It was for the person that day who needed to sell.

Now you are crossing through the mist into a new world, Distribution Land. Everything looks different. Now you are withdrawing money for income, and time is no longer your friend. If the market drops while you are pulling from your portfolio for your income needs, you are in trouble. You are not buying any more shares at a bargain; rather, you are forced to sell at just the wrong time—and you don't have years stretching ahead of you for a recovery. What you did before doesn't work anymore. In this land, you need different weapons for survival.

Just as your life has likely been nothing like your parents', your retirement probably won't be either. It's no longer as simple as signing up for Social Security, collecting your pension, and settling back. You will probably be more active, live and work longer, and, for income,

need to rely more on what you've saved. And that means ensuring that this income has the potential to last for your lifetime and to weather rising health care expenses, inflation, and market ups and downs.

DANGERS LURKING BEHIND THE BUSHES

“O brave new world,” Shakespeare wrote. “How many goodly creatures are there here!” He was not referring to Distribution Land where, yes, the wonders of life are lush, but beasts lurk there that are less than goodly. They can be, in fact, quite vicious. One must be armed.

In a way, they are like Transformers. They look like one thing, and then suddenly they're something else. One of them is called “sequence of return risk,” which we will be discussing. In short: At this stage of life, you may be buying the very same investment that you bought in your accumulation years that averaged 8 percent over time. Now, it still may average 8 percent over time—but if the bad years come early, the beast has pounced. You may go broke, or have to drastically reduce your standard of living. Or, if you are lucky, you might escape the bite entirely. But don't count on it.

Don't be surprised to see The Internal Revenue Service sneaking around in Distribution Land as well. He knows you've paid into a retirement plan all those years, and he's here for his cut of the taxes that he let you put off paying. You thought you'd be in a lower tax bracket in retirement? Surprise! What you were told may very well not be the case for you because now the taxman cometh and you may find yourself in a higher tax bracket than ever. How did *that* happen? That, too, we will be discussing.

The Transformers and other threats will come at you on the other side of the mist, you can be sure. But remember that fear itself is a huge threat and can lead you into financial ruin. It is possible to feel confident about your financial decisions in Distribution Land, and in this book I will show you how to equip yourself with the weaponry, strategies, and resources that are designed to help keep you away from harm.

But you need to start now, before it's too late. Days turn into weeks, weeks turn into months, and before you know it, it's the same old thing and you are well into retirement without having addressed a thing. Nothing's going to change if you don't get started. It's critical to have your retirement plan in place. Tomorrow isn't promised, and you don't want your loved ones to pay the consequences of your procrastination.

FINDING COMFORT AND CONFIDENCE

Imagine a couple who had hit the jackpot in a casino for nearly a million dollars. They didn't need any of that money and wanted to leave it to their children. The money was incorporated into their formal written financial plan, and they met with their advisor on a regular basis to review.

The husband developed Parkinson's disease and passed away unexpectedly. At the receiving line in front of his casket, his widow introduced their advisor to one of their daughters, who lived out of state. They had never met each other until then.

"This is my financial advisor," the widow told her, and upon hearing that, the daughter warned her that she should make no financial decisions for six months to a year.

“Oh, no, honey, your father and I have worked with this advisor for years. I know exactly what I’m doing.”

Hopefully, that would feel reassuring to the widow and to the daughter. It’s often the case with older couples that the husband has taken care of all the finances and the wife knows little about them. When the husband dies, the widow’s grief is compounded by money worries. Having a formal, written financial plan in place can help avert that. It helps to eliminate the fear of the unknown and also helps to provide increased levels of comfort, confidence, and stability.

Research shows that most widows change financial advisors within a year or so after their husband dies. (Investment News, January 1, 2012.) In my opinion, most advisors focus on the man. They figure that among people that age, the man will be the decision maker, so they don’t ask the wife how she feels about anything. The advisor might not even know her—and when the man dies, she has no allegiance to that relationship.

A man called our office once to say he was coming in for advice and wasn’t bringing his wife. I told him we’d have to wait until he could bring her—we don’t want to work with just half of a couple. He explained, however, that this was a second marriage and they had carefully kept their financial lives separate. And that’s fine. But had he said he didn’t need her there because he handles it all himself, I surely would have reiterated to him that we only work with married couples if they come together—no exceptions.

You need a financial plan in place while you are alive and for the sake of your loved ones when you are gone. It eliminates guessing.

It is indeed the fear of the unknown that can hamstring you in retirement. Whether it’s founded or unfounded, it comes down to

uncertainty. Without a financial plan, you don't know whether you could fend off a real threat, and you may imagine a threat that doesn't exist, yet spend years scrimping. You deserve to enjoy life.

Imagine if you will, a couple in their 70s, in the early stages of their financial planning, and the wife is upset. She wants to go on vacation every year, but her husband insists they don't have the money. She wants a professional to weigh in.

It would make sense to prepare a cash flow analysis and income projection and talk to them about how much they thought such vacations would cost. The answer may be right there in black and white. Perhaps there is no reason why they shouldn't be taking yearly vacations.

And that's the real purpose of a financial plan. People feel frozen when they don't know what the future looks like. A couple may feel they need to hoard their money and not enjoy it, or at least one of the spouses feels that way. Next thing you know, one of them is too sick to go anywhere and they haven't done anything. It's a pleasure to be able to demonstrate to clients that they should be all right, that they can go out and enjoy the fruits of their labor.

“Do you have a written plan forecasting income and expenses in retirement, designed to analyze whether or not you may run out of money?”

YOU NEED A GUIDE

It's quite possible, in other words, that once you get into Distribution Land, with all your weapons arrayed, you will get out your binoculars and scan the horizon and see no threats—north, south,

east, or west. What will you do? Hunker down in a cave anyway? Or will you go out to stroll on the veldt? If you have a plan in place, the more likely you will be to keep the beasts at bay—or just lying deep in the grass.

When you are heading into risky territory, you may need a guide. You can get on a raft and head down the Colorado River all by yourself for free, whether you know what you are doing or not. But with a guide by your side, you are far less likely to end up pounded by the white water. Most would choose to pay extra for the guide. In Distribution Land, it may be beneficial to partner with a retirement income specialist who can explain and guide you through the specific financial situations of concern to you—someone well versed in issues of retirement income planning, someone with experience who has been down the river before.

Our clients are typically pre-retirees and retirees, financially independent women, or successful entrepreneurs. To learn whether you will be a good match, we look at some key points. This is what we want to see:

- ◆ You are open-minded and have distinct goals.
- ◆ You are committed to developing and implementing a written financial plan.
- ◆ You should understand financial strategies and products.
- ◆ You understand the value of advice and want to delegate financial decisions and investment management to a team of competent professionals.
- ◆ You have realistic expectations.

- ◆ You have investable assets of a quarter million dollars or more.
- ◆ You are willing to refer us.

We call our relationship with clients “The WealthCare Process,” and the first step is a discussion on whether we are the right fit for each other. Do you like us? Do we like you? Is what we offer a match with what you want? We will both have to enjoy working together.

FOCUSING ON GOALS

We focus on your goals. You need to know what you want to do in retirement so you can figure out whether you’ll have enough income to accomplish it. You can’t plan the trip until you know where you are heading, and you would be well served to have a map.

For every degree a plane flies off course, it will miss the target by 92 feet for every mile. After traveling 53 miles, the plane will be about a mile off course. Over time, the gap will increase. On a flight from New York City to Los Angeles, the plane would be over 40 miles off course.

Fortunately, airplanes have computer systems on board that help the pilot to make corrections in the course. The pilot has learned how to steer the plane back in the right direction when he has strayed from the route.

The pilot knows the starting point, the goal, and the flight plan. By reading his instrument panel, he knows when he gets off course and he knows what to do to get back on the path. His chief goal is to get to his destination safely.

A good retirement income planner will act as your pilot, navigating you so that you stay on course to your destination.

The goal for investing is not wealth in and of itself. It needs to have a purpose. There's no honor in being the richest person in the cemetery. The objective is not to beat the S&P 500. If the S&P 500 plunges 37 percent in one year, as it did recently, and your portfolio is down just 25 percent, should you expect to give a high five to your advisor? Perhaps an "attaboy?"

Think of it this way: If you are sitting at a blackjack table in Vegas with a pile of money that you have amassed, why would you put it all down on one more hand? At some point, enough is enough, and it's time to get out on the town. In other words, it's time to put the money to work and pursue your goals.

The objective is to make your goals attainable. We make sure that we're reaching toward what you want to do, whether that's to leave a large legacy to heirs, or to spend your last dollar as you take your last breath. Everybody's different, and we customize a plan that is unique to you. It's an art form, really.

Not only do we write the financial plan, but we are stewards of the plan. One of the advantages of working with a financial advisor is to keep you from making emotional decisions. When you get scared and want to make a bad decision, I'm there to grab your hand, talk you off the ledge, and tell you, "I've got your back." What kills a strategy isn't the investment or a lack of performance so much as it is the investor's behavior. You need someone to talk to.

“PEOPLE BEFORE NUMBERS”

I manage our relationship and your expectations, and then we outsource to unique ability. For the money management part, that would entail using professional money managers, people who do that full time for a living. Most advisors try to manage the money while also managing the people. I say pick one, because you can only do one well. Our focus is on the relationship and “understanding people before numbers”—which is the tagline of our practice. That is much of what makes us different.

And as I get to know you, I will understand how to help you manage the risks that you will face—or already are facing—out there in Distribution Land. Managing risk is the priority, and as you turn these pages you will learn more about the nature of those risks. I will identify them, chapter by chapter, and give you advice on how to deal with them effectively. I will show you strategies designed to help you fend off the threats so that you may be able to breathe free.

I will address what is probably your top concern as a retiree, a concern shared with most others your age: Will you have enough money to last the rest of your life? There’s no reason to be unclear about that.

I will offer advice on how to find a good advisor and the importance of teamwork. I will help you sort through your concerns about taxes and fees, inflation, and other things to watch out for in this new land. A major one is your health. What if you or your spouse gets sick? Is there anything you can do to stop your life’s savings from draining away?

What is your plan for long-term care? I didn't ask if you had long-term care insurance. I asked if you had a plan. Most people do not. They let whatever happens happen, and then they complain that they never saw it coming.

SLIPPING SAFELY THROUGH THE MIST

I will show you, in short, strategies designed to help you safely slip through the mist and enjoy your journey in Distribution Land. I will show you how to make the natural adjustment from those years in which your emphasis was on accumulating money to this new stage when your emphasis must be on preserving and distributing your money.

Truly there are beautiful things to behold in Distribution Land. You deserve to enjoy the scenery. "You can work for your money," I remember my father telling me, "or your money can work for you." You spent decades earning your pay, and now your savings may provide that income—if you set up your finances properly. You have to do it right.

Imagine yourself traveling upriver in a boat with your spouse, far from shore, and up ahead you see a lovely island. Let's call it the Island of Financial Security. You are trying so hard to get there, but you only have a one-horsepower motor—and the river current is three miles per hour. You see the island slipping further away as the current pulls you downstream. And if you encounter a headwind, all the worse.



Now, imagine yourself with a CD that pays 1 percent a year. But coming at you is an inflation rate of 3 percent a year. You get the picture: If that is how you are invested, financial security slips further away. And that's not even considering taxes, health care costs and whatever else you encounter—and you surely will. You are never going to make it to the island. What you have to worry about is the waterfall behind you.

Let me show you, in the chapters ahead, what to beware in Distribution Land, and some strategies designed to help you navigate your financial journey. These should be the best years of your life, but you can't wander around in this land like a zombie thinking that you will be just fine so long as you preserve the principal of your nest egg. You have many other issues to deal with: inflation, health care, taxes, fees, and the myriad emergencies that could befall you or your loved ones. Will you live longer than your money will last?

WHAT YOU DON'T SEE CAN KILL YOU



An accountant and his wife recently came to my office to prepare for their retirement in a few years. They had about \$2.5 million in CDs and bonds, and they had figured out how much they wanted in retirement income. They presumed all was well. But my projection showed their portfolio in a death spiral by their early 80s.

“You know what that means, right?” I asked them. They risked running out of money.

“Yeah, it means I don’t believe it, how’s that?” the accountant said. I showed him the numbers, and as a CPA he understood them, of course—yet couldn’t quite grasp why this would be happening.

“Have you ever seen *Jurassic Park*?” I asked him.

“Sure. Dinosaurs gone bad.”

“Right. Remember the scene where the boy tells the archaeologist he wouldn’t be afraid of a raptor?” I asked. “The guy shows the kid

a petrified claw and demonstrates how a raptor could shred him to pieces. But then he explains that the raptor that would be staring him down wouldn't be the one he'd have to worry about. In fact, he wouldn't have to worry about him at all. See, the Velociraptors hunt in packs and it's the ones to the sides that are going to kill you, and you're never going to see them coming."

The CPA furrowed his brow.

"You were scared," I explained, "because you saw that market risk in front of you, staring you down. So you put all your money into CDs and bonds so you wouldn't have to worry about market risk. But off to the side—and I don't think you see it coming—are inflation and longevity as well as other risks that may kill you."

Dinosaurs don't roam Distribution Land, but you will face other perils. Don't be afraid. Be prepared.

{ CHAPTER ONE }

The New You

Jerry seemed so eager to retire. “I started this 35 years ago, thinking I’d be there six months,” he said. “And I’ve hated every minute.” He stuck with it, for sure, yet it saddened me that he hadn’t enjoyed his work.

They moved to Florida. Later, in retirement, he came in for a visit. “If I knew this was what it was going to be like, I’d have never retired. I hate every minute. I hate it in Florida.”

So many people pull up their roots in retirement and leave their whole social circle. They start anew, far from home. No longer are they near friends and family. No longer do they see their acquaintances at work. If their career has ended, they may feel they have lost a sense of purpose.

Jerry was unhappier than ever. He thought retirement was going to mean his freedom. What it meant was that he abandoned the little bit of stability he had. And he didn’t have enough money to take his boat out fishing—and that’s his main hobby.

He had a pension and a decent amount of money, but he and Jean felt strapped because they hadn’t anticipated spending \$1,000 a month in tuition bills to help their daughter. Jerry’s strategy was to

spend as little as possible and let the savings grow and also delay his Social Security so that they would have more later—or rather, so that Jean would have more later. He wanted to make sure Jean would be all right without him. He figured he'd probably die soon; living this way was going to kill him.

“Look,” I told him, “right now you're miserable. You're making everybody around you miserable. You're probably shortening their life expectancy. So what's the purpose of your strategy? To save for death? Why don't we open up the spigot so you can start taking out some money and start enjoying yourself?”

“Well,” he said, “that's going to mean less for later.”

“There might not be a later for you, the way you're going.”

Fear holds so many people back. Some even hoard, fretting unnecessarily, while others seem oblivious about very real dangers they are facing. It goes both ways. The point is that you need help. You need to be able to get a grip on what your financial state truly is as you head into retirement.

Americans are retiring by the millions, and many others are coming to see that it's crucial to carefully plan for retirement. They understand that they may need a professional advisor.

A WHOLE NEW GAME

The shift toward planning for a retirement income is highly challenging. It's a new game at this time of life. The emphasis turns to risk management, which is much more complicated.

In many financial advisors' offices, the retirement planning process begins with a discussion about investments. However, before consid-

ering specific strategies or investment products, you must establish what it is you want to achieve. That's the beginning of real financial planning.

Financial goals often include an income that you can't outlive. You may want to help with the education of your grandchildren. You may want to leave a significant legacy to the people you love and must leave behind one day. These things can, and must, be the focus of planning and investing. To beat an index is not a real goal. Neither is doing better than another investor, or some benchmark, or the market. A goal is an aim for your life.

Some people enter retirement with visions of what it will be like that aren't quite what most people experience. Perhaps they have some idyllic image of sitting on the porch with the grandchildren bounding about. They may think of it as a string of vacations and cruises and living leisurely.

In truth, they may find that they can't imagine how they ever had time for a job because they're busy with so many things. Some may find they can't balance the budget and may have to go back to work.

Years ago, when my mother and father retired, I called one morning to invite them for a visit. "We can't," answered my mother. "We're so busy." "But you're retired," I pointed out, and she told me she hadn't realized she'd have so many things that would fill up her day. In retirement, people tend to have no trouble finding things to do. They stay active.

And they spend money. Saturday is the biggest spending day, when many people are off work. When you are retired, every day is like a Saturday. You look for things to do. You have to manage

your cash flow—and that cash flow may well need to be sufficient to support at least one of you for three decades.

The core of our client relationships is cash flow management. Prospective retirees, when asked about their big plans, say “travel,” almost with a common voice. It costs money to travel, you may have noticed. It costs something to visit the grandkids, unless they live nearby. Retirees need a clear idea about whether they have the resources to support that lifestyle they envision. Often, they find out that they have more than enough. But this is no time to guess. You have to know.

A FEAR OF LIVING TOO LONG

In the next several years, baby boomers will be retiring in droves, with fewer and fewer workers to support them in the Social Security system. The government’s spending for Social Security will rise faster than tax income because the population over age 65 is growing faster than the working age population based on 2007 Social Security Annual Reports¹.

The country faces not only a tide of baby boomers but also an increase in life expectancy. In 1935, when Social Security began, retirement lasted but a few years. Today it lasts a few decades and longer. For a couple both aged 65 today, according to projections, there’s a 50 percent chance that one will live to 92 and a 25 percent chance one will live to 97. The population is aging².

¹Social Security - ssa.gov/history/pdf/tr07summary.pdf

²American Council of Life Insurers - aclu.com/Tools/IndustryFacts/LifeInsurersFactBook/Documents/FB11Mortality.pdf (11/18/2011)

When I explain to people that they need to plan for a retirement that may last two or three decades, they often seem incredulous. I say, “Let’s play a little game.” I ask them to read the obituaries over the next two weeks until we meet again and count up how many people died in their 90s. It’s an eye opener. That settles the matter.

“I could design a financial plan for you,” I tell them, “based on having enough money until age 82. But what happens if you are still living then?” You can buy life insurance to protect yourself against not living long enough. But protecting yourself against living too long is another matter entirely. In my opinion, many people have a primal fear of dying. These days, from a financial standpoint, their primal fear often is not that they will die too soon, but rather that they will live too long.

Many people hope to retire early and will be living longer—and that puts unprecedented demands on their nest egg. Talk to any stockbroker, and you will conclude that it seems like Wall Street’s only solution is to buy more equities. But in my opinion, an investment strategy isn’t a solution to a risk management problem. It simply adds another risk.

This new phase of life called retirement most certainly can be a troubling one. You have spent years in what I call Accumulation Land, and now you have to shift your retirement savings into Distribution Land. Most people don’t even know there’s a difference.

It’s not all about the money. As we saw with Jerry, who hated his new life in Florida, it’s also about the other huge changes that retirees face—the loss of a social circle, the loss of one’s work identity. But money, and worrying about how to handle it, plays a major role.

MANAGING YOUR "PILE"



All of your career, you have been used to a paycheck coming in, and now in retirement that paycheck is gone. You have to create your own paycheck from your own resources, and that can feel quite unsettling. Social Security is uncertain and

may be insufficient, and the days of private company pensions are nearly gone—replaced, for many people, by tax-deferred retirement plans, 401(k)s. Upon retirement, some fortunate people find themselves with a pile of money to manage somehow.

“What do you want?” I sometimes ask clients when they tell me it’s their last day of work. “Shall we dump your pile in your living room to look at every day, or do you want to get a check in the mailbox each and every month?” In previous generations, people wanted checks. Now they think they have to maintain this pile and can’t turn any of it into a check in the mailbox.

Let’s suppose that a man is retiring from one of the major phone companies and visits with an advisor who all of his previous coworkers have used. He has been given the option of a pension or a lump sum. The pension looks rather attractive to him; however, all of his previous coworkers took the lump sum, so he’s confused. He meets with the advisor, who recommends that he should take the lump sum.

“Why do you think that would be?”

Considering what has happened in the markets over the last decade or so, it is important to obtain a fair comparison of both options in order to make an intelligent decision.

For every case like that, there are others in which the lump sum might indeed make sense because the pension being offered isn't a great deal. The lump sum, if invested prudently, could serve better. It depends on the specifics of the situation.

In this post-pension era, you have to create your own cash flow. You have to take that pile and make it last for the rest of your life. You need to create that income stream in a way so that you feel more confident about your financial situation, and you won't be staring at the ceiling at night.

Your concerns in Distribution Land are certainly different than they once were. Once, back in your 30s and 40s, if you are like so many others, you were starting a family, buying a house, raising children, saving for college, paying off tuition—and increasing your debt load. You were advancing in your career and getting those raises and striving to accumulate money for the obligations ahead.

TIME IS NO LONGER ON YOUR SIDE

When you were younger, your biggest asset was time. You could afford more aggressive investments and more risks. You could count on having enough time to outwait the changes in the market. In fact, the volatility of the market could serve you well. You could buy equities inexpensively when the market was down and watch them rise to new heights in the boom years. You could invest consistently

and continually, with optimism that over the years your investments would prevail. That's the principle of "dollar-cost averaging," which we will discuss in Chapter 4.

Now, as you face years of retirement, your worries are different. Will you get smacked by the stock market just when you need your money for income? Will you run out of money? Will you pay too much in taxes every year? Will the government get the lion's share of your estate? Will you be able to help your children and grandchildren and other loved ones? Will you or your spouse become ill and need long-term care? Will inflation eat away at your savings? If you face an emergency, will you have enough cash on hand to deal with it? Those are common questions on fundamental issues that virtually all retirees face. These are universal concerns for people at this stage of life.

Here in Distribution Land, time is no longer your friend. You don't have a long lifetime stretching out before you as you did in your 20s and 30s. The financial strategies that you once used may be counterproductive now. They can expose you to risk that you can't tolerate.

And you face another huge risk: inflation. If your investments don't keep pace with it or exceed it, inflation will insidiously eat away at your nest egg. All those years when you were earning a wage, you may not have paid much attention to inflation. You probably got regular raises, and you may not have suffered a reduction in purchasing power. But now, in retirement, you have to tame inflation yourself.

Let me repeat: Be prepared. If you don't plan properly, any number of situations can affect your retirement plan. Illness or incapacitation.

A stock market crash. An emergency. Your spouse dies, or divorces you. One or more of your children move out, multiply, and then move back home with you. Those are a few.

DON'T FUMBLE AT THE GOAL LINE

“It’s really a shame,” one man told me as I researched the real issues that retirees face. “My wife and I saved all this money. We were very prudent. We didn’t accumulate a lot of money, but we had maybe a half a million dollars that we had put aside. Then my wife gets sick and she goes into a nursing home and she takes, like, \$400,000 of it. It’s kind of like I fumbled at the goal line of life.” He said they hadn’t planned for that. “We had no idea.”

What others don’t plan for is a stock market crash. Many learned that hard lesson just a few years ago. It’s not unusual for otherwise conservative investors to see an upswing and try to get in on the action, but they’re late to the party and the lights go out.

What about the retired couple who get a phone call one day from their daughter—her husband has left me, she cries, and may I come home with the kids and the dog? All of a sudden they’re buying food for six instead of two, and replacing the carpet. Or maybe it’s you who are getting the divorce; the rate among people in their 70s is higher than ever³. It doesn’t take much imagination to see what that does to a retirement plan.

Or your spouse dies, and the survivor benefits just aren’t what you thought they would be. Somehow you need to come up with an income that will get you through. A young widow, too, could

³Age Power by Ken Dychwald (2000)

face this situation. Suddenly, at the age of 30 or 40, long before she expected it, she finds herself needing to devise an income stream. If the wealth isn't sufficient, it's back to the workforce.

Life situations, in other words, have the power to propel you prematurely into Distribution Land, or send you packing back to Accumulation Land. But most all of those situations can be anticipated. You may be able to head them off at the pass.

Retirees need specific advice on longevity planning, managing withdrawals from retirement funds, transferring wealth to heirs, and many other complex issues besides how to allocate their assets. Too often, the focus is on the money and not the humanity.

You need a financial advisor who cares about you and thinks of you as a human being—not as a sheet of figures. You need to be clear about who the client is—you or your statements.