

What's Your Retirement IQ?

In the financial business, you quickly learn you have a major role as an educator, with an obligation to increase the financial IQ of both clients and potential clients.

For some 37 years, I've looked at studies and surveys, and I've never seen one with results that indicated a high level of understanding about planning for retirement. There are people who are exceptions, but as a general rule in this country, we don't do a very good job of teaching people about their financial future and the hard work it takes to be successful.

This isn't a terribly recent realization. Even on the tails of the Great Recession, as people were very concerned for their retirement assets, they didn't know much about how to address those concerns. A 2011 report, "Financial Literacy and Retirement Planning in the United States," prepared for the National Bureau of Economic Research, serves to underscore this. The most damning part of that report concluded that many people have failed to address the most basic retirement needs, even when their retirement was only five to 10 years away.¹

¹ Annamaria Lusardi, Olivia S. Mitchell. The National Bureau of Economic Research. June 2011. "Financial Literacy and Retirement Planning in the United States." <http://www.nber.org/papers/w17108>. Accessed Aug. 23, 2017.

Today, we know this is still the case. A May 2017 survey from the American College of Financial Services found that most Americans are clueless about retirement planning.²



Some 1,200 persons between the ages of 60 and 75, with at least \$100,000 in household assets, participated in an online poll. They were asked 38 questions on matters such as life expectancy, Social Security, IRAs, life insurance, investments and more. Fewer than two in every 10 ... TWO ... had a passing grade.

For those of us in the industry, these results are hardly surprising. It's another in a long list of surveys that prove the majority of Americans aren't ready for retirement.

Among the high (or low) lights of the American College of Financial Services findings:

- Only one in four respondents had a written financial plan;
- A significant minority never had calculated how much they should accumulate to have a well-funded retirement;
- Little more than one-third (38 percent) realized that \$4,000 is the most they can afford to withdraw each year from a \$100,000 retirement nest egg in order for it to last 30 years;
- About half underestimated the life expectancy of someone who had reached the age of 65, suggesting that most do not realize how long their assets must last;

² The American College. May 5, 2017. "Clueless About Retirement: Americans Fail Retirement Income Quiz." http://knowledge.theamericancollege.edu/blog/clueless-about-retirement-americans-fail-retirement-income-quiz?utm_campaign=Kaiser&utm_source=Wealth%20Management&utm_medium=Custom%20Content%20June. Accessed Aug. 23, 2017.

- Only 18% of respondents knew that about 70% of people will need long-term care of some kind.

Sound financial literacy and judgment are even more crucial today than in the last century. Employer-provided pensions have been replaced by 401(k)s and IRAs, and today's retirees are on their own when it comes to securing their financial futures. The day you retire, your HR director doesn't hand you a book that tells you how to create an income plan that you cannot outlive from the 401(k) that you've been maxing out for the last 10 to 20 years.

This is a very unfortunate state we find ourselves in. The majority of the baby boomer generation is caught in the middle of a paradigm shift in the world of retirement. We find ourselves in a situation where our retirement depends on our own knowledge of finance, yet those of us outside of financial services were never taught much on the subject, let alone given specific updates on how it has changed since pensions were the way of the world.

At our presentations and seminars, we always stress that we have a guiding principle in Clark Financial Solutions' approach to its client relationships.

Our mantra is:

- Knowledge = GOOD
- Knowledge + Understanding = BETTER
- Knowledge + Understanding + Action = BEST

Basically, our role is to give you knowledge. That knowledge plus your understanding of it makes it even better. But the best-case scenario, and the one we hope to achieve, is when you combine the knowledge and understanding with your own action. That's when you bring wisdom to life.

In this case, those three elements will put you on the proper path toward a fulfilling and realistic financial planning strategy.

Our existing clients (and my children) will tell you: I won't tell you what you want to hear. But I will always, always, always tell you what you need to know. I could not sleep at night unless I knew I had done my absolute best to educate you about your unique situation.

Cookie-cutter approaches to retirement planning are doomed to fail. Each individual or couple has a different life situation, different goals, a different comfort level with risk, and a different financial structure.

I preach listening as an art and skill. Without being careful and interested listeners, our professionals at Clark Financial Solutions cannot guide you to the proper investment decisions. I believe bad listeners make for bad financial advisors. I do not allow bad listening at our company.

Our mission is pretty basic: Take the mystery out of investing for our clients. Then, we apply our "Capital Preservation First, Capital Growth Next" approach to their situation. Ultimately, we will help our clients prepare for retirement, manage risk and work to preserve their wealth in such a way that they will not outlive their resources.

Sounds simple, doesn't it? But — and it is a big BUT — there is hard work involved on both our parts.

The first work is ours. We hope the contents of this book will convince you that our integrity-based approach and more than 35 years of dedicated service in this industry will open your eyes to the benefits of having a competent financial advisor on your side. In our experience, even a one-hour consultation can transform a client's retirement outlook. That's 60 minutes designed to provide clients with years, sometimes decades, of comfort in retirement.

It is always wise to do a quick reality check about your finances, focusing on three questions:

1. What is your strategy for reliable, inflation-adjusted income throughout your retirement?
2. Do you have a plan in place to make sure that income lasts the rest of your life?
3. Is time on your side?

At Clark Financial Solutions, these are the three critical areas we address. And if someone's answer is "no" to any of the three questions, we provide solutions.

There are five basic realities that present a challenge to each of us in retirement. In no particular order, because all five are truly of vital importance:

- We are going to live longer. This is not theory, it is fact. The good news is we will have a longer life; the bad news is that we will need income that lasts as long as we do.
- Inflation cannot be avoided.
- Health care costs rise as we age. Staying alive longer means more and more money spent at the doctor's office, on prescription drugs and, quite possibly, on long-term specialized care.
- Market risk. Let's face it ... losing 25% or 35% per year is NEVER a good thing. In the past 10 years, many people have experienced significant losses, some more than once.
- Taxation. Can you tell me the last time your taxes went down? Even if Congress passes legislation to decrease taxes, take a look at the national debt and tell me, are lower taxes likely to last?

Virtually all of my clients ask, "Do I have enough? Will it last? How much can I spend?" as they consider how to address their many financial challenges.

After meticulously going through our planning process, we can answer these questions. And we TEACH our clients how to create strategies for a reliable, inflation-adjusted, sustainable income. In effect, we teach our clients HOW to spend.

Really, one of the primary pieces of preparing for the financial scene of retirement is to ask yourself if you have the answers to these questions, or if you have the resources to find answers for yourself.

That's why we focus so much on educating our clients — retirement income isn't something you should have a blind faith in. Instead, you should have sufficient knowledge of and confidence in the strategies that will move you toward your retirement goals. So, what's your retirement IQ?



Top Risks in Retirement:

~Longevity~

~Inflation~

~Health Care~

~Market Risk~

~Taxation~

