Rodger on Retirement

You are not a portfolio manager!

I often write about the mindset required for retirement success. The years leading up to exit from the workforce are often characterized by a renewed focus on intelligent saving and maxing out employer sponsored retirement plans such as a 401(k) or 403(b) plan. Success is often accompanied by prudent planning, such as the hiring of a CERTIFIED FINANCIAL PLANNER™ professional, a CPA or an estate-planning attorney. Although these are often viewed as intelligent steps in the retirement and financial planning process, they do not guarantee financial success. However, I would much rather have these professionals on my side and counseling me than not.
I recommend that anyone preparing for a financially secure retirement work to create a team of professionals around them to help guide them, be a sounding board and to help avoid poor decisions.

One of the missteps I encounter frequently is when a surgeon, a carpenter or real state agent fancies themselves portfolio managers. Their investment portfolios may be characterized, as “it seemed like a good idea at the time”. Investment selections are made on the basis of past performance only, ignoring many quantitative and qualitative factors. Often I see a collection of investments that lacks a strategy and is over-weighted in one asset class or another. Occasionally, the portfolio contains only one or two stocks. The result is that many investors, especially those close to retirement may be taking far more investment risk than they realize.

During a recent discussion with a portfolio manger responsible for tens of billions of dollars of capital, I got an up close idea of the issues that managers of large pools of capital pay attention to. Some may seem esoteric, while other may seen just like a lot of common sense. Here is a sample of the managers concerns:

- Divergent public policy
- Coordination of international finances
- Prudently sized hedges
- Reflationary public polices
- Bench mark agnostic non-consensus strategies
- Price to earnings growth ratios
- Industry sector concentration

Few people you encounter would pay particular attention to the above points when assembling a portfolio. A reasonable person investing for their retirement might consider the following as their primary concerns:

- How much can I afford to place in my employers retirement plan?
- Am I taking full advantage of any matching contributions?
- Should I be contributing to a ROTH IRA instead of a 401(k)?
- Is my asset allocation to aggressive or too conservative?
- Should I get a second opinion?
- Should I listen to my brother-in-law?
- Does the buy out they are offering make sense for me?
- How do I make sure I am making the right investment choices?

If you fancy yourself a budding portfolio manager, you may wish to enroll in the Certified Financial Analyst® course, which I am told is as challenging as studying to be a CPA.

Rodger Alan Friedman has over 3 decades of experience designing and managing retirement portfolios and advising clients on retirement matters. For additional information and a free special report on preparing for retirement, please call 1-844-3-MY-PLAN or visit my website:
www.RodgeronRetirement.com

*Opinions expressed are those of Rodger Friedman. There is no assurance that working with a financial professional will result in a favorable outcome.