Rodger on Retirement

Preserving principle in retirement?

Don't put your money at risk. Live off the interest and preserve the principal. Only invest in Government bonds and FDIC insured CD's. You can't afford to lose money in the stock market.

I heard these lessons from relatives and my grandparents when I was young. Back in the 1960's the world was very different. For one thing, it seemed that people did not have to worry much about outliving their money. Many retired at age 65 and passed away by age 70. A five- year retirement was funded in large part by social security. Thinking back, I don't remember hearing much about the threat of long term inflation. Life expectancy in the year I was born, 1956, was 69.7 versus todays 77.9. Women continue to live on average, 5 years longer then men. Perhaps they take fewer risks, eat better and take care of themselves more than their male counterparts.

Today, modern medicine has advanced to the point where many cancers, heart conditions and other life threatening ailments become chronic conditions, rather then a death sentence. My mother died in her early 40's back in 1969 from a breast cancer that is no longer fatal if detected early enough. Healthy people preparing for retirement today may look forward to a potentially living 3 –decades after they stop working. Just imagine having to manufacture a *synthetic paycheck* for 30 years. Today, we must consider longevity, not running out of money in retirement, catastrophic health-care expenses, and adult children returning to the nest and caring for our own aging parents.

The take away here is, if you have not begun to seriously put away money for retirement, tomorrow would be a great time to start. I seriously doubt that placing funds in 1% certificates of deposit will give you enough compounding power to make a dent in the amount of money you will need for the future. Interest rates may remain low for some time, which means that bond investments may not offer high enough interest rates to reach your goals. Everyone has a different definition of risk. But most people would agree that you would not need all your funds in the first year of your retirement. Some assets you may allow to grow for 5, 10 or perhaps 15 years. In my book, that does not sound like a short -term investment.

Consider investments that give you the opportunity to grow your funds over time. You may define a growth investment as real estate, common stocks, mutual funds, annuities or insurance. Or, you may consider buying a business. However you define a growth investment, get help from a team of professionals who make a living assisting people like you. You maybe a great dentist, bulldozer operator of software engineer, but growth investments are probably not your specialty. Investigate before you invest. But don't wait too long. As Tony Robbins is fond of saying, "When would now be a good time?"

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 visit my website:
RodgeronRetirement.com