Rodger on Retirement

Successful retirement investing is counter intuitive

Each month, tens of millions of investors review their retirement statements with hopes of seeing their balances increase due to rising markets. Whether they tear open envelopes from their financial institution or download electronic statements, the thought process is the same.

Whether the investor has 12,17 or 26 years till retirement, the idea of hoping to see increases in account balances month after month is basically irrational. Why? The answer is simple, yet counter intuitive. Say you believe that you will retire in 12 years and that you are paid twice a month. That figures out to 288 more paychecks before you cease working. If you participate in an *employer sponsored retirement plan*; such as a 401(k) or 403(b) plan you might be contributing to the plan 288 more times –basically every 2 weeks for the next 12 years, because a portion of each of your paychecks is directed to you plan account.

So the investor has 288 more opportunities to buy whatever investment funds they chose to invest in. So, here is the golden question. Assuming a rational investor – would they wish to buy additional units of their investments at prices that have been marked up or down in price. After all, we are all familiar with the idea of accumulating more units of our investments. Whether those units are measured in barrels, tons, pallets, units or shares, the idea is the same.

The investor would want to accumulate MORE. So, does the rational investor want to purchase more at higher prices or lower prices? One answer might be, that they wish to accumulate more units, or barrels at lower prices because they can accumulate more of them than if the prices were higher. To paraphrase the wonderfully intuitive Nick Murray; *“I don’t want the markets to go up yet, I’m not done buying!”* We all want to stock up on things when they are on sale. If you are stocking up on cans of tuna for the winter, wait for a sale, not when the cans are marked up in price.

My hope as you read this is to inject a little sanity in the age old discussion that no one wants the markets to go down, just up. I for one expect that from time to time I will be offered the opportunity to purchase additional barrels, units and shares at bargain basement prices. As a patient investor, I know I will be offered the chance if I just keep things in perspective.

As the famous investor Sir John Templeton was fond of saying; “Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell.”

Or maybe Warren Buffett’s words will strike the right cord for you. "Long ago, Ben Graham taught me that 'Price is what you pay; value is what you get.' Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."

Rodger Alan Friedman has over three 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:
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