DEL MONTE GROUP

A Place of Possibility™

Episode 01 - How to Retire and Live on a Lump Sum

DMG's Know Your Possibilities Guide

Let us just start by saying congratulations!
You have a pension! That is a huge benefit and extremely valuable to your years in retirement. You've worked hard, and you've decided to take that lump sum. So, you've got your money, and you wisely rolled it into an IRA. What should you do now? Listen in and follow along as we help you plan and navigate living out life on a lump sum pension.

- First things first, you have to look at what you have, all your income sources, and how to mix and match to get the right income for you. **Note**: Diverse income streams are very important. You want multiple sources of income!
- The main types of various income sources include:
  - Savings, retirement plans
  - Pension income
  - Rental income
  - Social Security
- The next big question. How much can you withdraw? Don't buy into all the media hype about this number. A well-balanced portfolio, for a retiree, can expect to earn 6-8%. With that in mind, ideally, you could take withdrawals of 3-5% max.

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> ***"There are some people that are some so-called financial advisors, quote, unquote, that are on the radio and get a lot of press that are actually advising people that you can take out 8% out of a portfolio, and I'm here to tell you that's a good way to go bankrupt, fast, very fast."***

So, What Are Some of the Risks?

- Don't be too conservative or too aggressive with investing – if you're taking out too much and your portfolio declines, well, your retirement has been pillaged. At the same time, being too conservative is equally as bad.
- So, what's the sweet spot for how much stock or equities you should have in your portfolio? Truthfully, it depends on you and your situation, but a recommendation in hard numbers is anywhere from 30-70%.
- Lack of diversification – our rule of thumb is no more than 10% of your portfolio in any one position. Why? Because there are three levels of risk:
  - Company risk – What's happening with that company? How well is it being managed? Or how are their finances? What happens if they go broke? If they go out of business? Ever heard of Eastman Kodak? This is an uncompensated risk. You don't get paid any more for taking this risk than you would just be buying the whole market through an index fund.
  - Industry risk – What happens if an industry tanks? This is also an uncompensated risk.
  - Stock Market Risk – The ups, downs, and sometimes just silly or emotional trading that goes on.
- ·Don't take uncompensated risks! Instead, have a broadly diversified portfolio. That way, If one stock goes broke, you've won't even notice it.

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- ·Fear – Stop worrying about the stock market hitting zero. We're not saying it isn't possible, but it's an unfounded worry. What should you be afraid of? Ponzi schemes, insurance salespeople, real estate LPs, and anyone who guarantees anything unusual.

"If the stock market were to go to zero, that would mean that every company on the exchanges would have to go completely broke in the entire world because your globally diversified portfolio goes bankrupt. If that happens, I think that we have much bigger fish to fry in terms of problems in our world."

- Unrealistic Expectations – Many people have unrealistic expectations about growth. Unfortunately, it's not an even playing field. You will see a loss, and you will have to weather the storm – and its par for the course if you're going to take risks and have equities.
- Controlling Withdraws – Set your budget up properly from the get-go, plan for unexpected things, but also think about kids and grandkids. Even though you may have done well and made money the last year, it doesn't mean you should be pulling money out "just because." If it's planned, great! If not, let's think again.

"There is no loan you can go get when you run out of money."

How Much Do I Need to Live?

- So, let's recap. We've looked at what you have and decided what you can draw on. Next, we need to determine what you need? A budget. You can use tools like Mint.com, Excel, or good old fashion pen and paper, but regardless look at what you're spending.
- Next, think about what will you be doing? Be realistic about what you're going to have to spend on daily needs, on travel, entertainment, annual house maintenance, medical expenses, hobbies… oh, and TAXES. Clients largely overlook this.
- Don't forget to think about inflation. Prices will increase over time – have to look at inflation to give yourself raises over time. You'll need more money in year 20 of retirement than you did in year one. You're still going to be around. Where is the extra money going to come from?

Have You Thought About End-of-Life Care?

- Long-Term Care Insurance, in general, is TERRIBLE and getting worse. Today End-of-Life Care is averaging $10,000 a month. If it goes on for years, it can drain your portfolio.

Our wealth management services provide a place of possibility to help you navigate life transitions and take advantage of unique planning opportunities that leave you feeling calm and confident. We offer solutions based on you and your life, not strategies that make us a quick buck. No matter how life unfolds, we'll help you connect the dots and always have your back. So get started today by scheduling your FREE 30-minute consultation.

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