CHAPTER ONE

RIGHT PERSPECTIVE

Perspective Matters: It comes as no surprise that retirement today is nothing like our parents' or grandparents'. We all know that very few people these days will work at the same firm for 20 or 30 years, receive the gold watch, and retire with a full pension. Instead, people may have had a few careers, worked at several different firms, or started businesses. They have IRAs, 401k's, and investment products that didn't exist generations ago. Most importantly, people are living much longer than they used to.

That last fact affects retirement profoundly. Our parents or grandparents hoped to live ten years past retirement. Today, people can live 30+ years into retirement. Think about that for a moment: 30 years is the length of a long additional career!

The thought of 30+ years in retirement raises two key questions:

What are you going to do with all that time?

And how will you fund it?

The two are directly related. It is impossible to separate your goals and dreams from the means of funding them for a few decades.

But how often do people think about retirement in this framework? How many people are still stuck thinking about retirement as a vague span of time that a nest egg will cover? How many think about planning for something as long as a long career? If you like, how many think about retirement as a 'Second Act' in life?

CHANGING YOUR THINKING

To *Retire Right*, you have to change your thinking about retirement. The purpose of successful retirement planning is to solve specific 'Second Act' goals. These goals are different for everybody, because everyone has different ideas of how to spend time, energy, talents, and resources. Some people are very happy playing golf and others wouldn't be. Some get involved in charities.

Seeing people give themselves permission to dream and then helping them take concrete steps to turn those dreams into reality is the most rewarding part of my business. Sometimes those dreams are about having a vacation home, or turning a serious hobby into a new career. But sometimes those dreams are about solving a problem and providing peace of mind. Brooke and Kyle had an only child with some developmental delays. They were concerned about what would happen to her when they passed away. Although they knew that they had to put something in order, none of their advisors helped them gently move that game plan along. The right Certified Financial Planner (CFP®) can coordinate with an Estate Attorney to set everything in order. This includes, but is not limited to, making sure that all the legal documents and all the proper trustees are in place to ensure that their daughter is taken care of after they pass away. The relief on her parents' face was clear. Being able to help Brooke and Kyle find peace of mind for the sake of their daughter makes all the work worthwhile.

Who can become a CFP®?

There are many professionals who offer retirement planning services. The list includes investment brokers, insurance agents, bank employees, financial planners and others.

I strongly recommend working with a Certified Financial Planner. To obtain the CFP® certification, an individual must pass an examination as well as meet experience and ethics requirements. A CFP® must also adhere to the CFP® Board Code of Ethics and Professional Responsibility.
CFP® areas of Financial Planning include but are not limited to:

- Retirement Planning
- Cash Flow Analysis
- Tax Minimization
- Estate Planning
- Asset Protection
- Investment Strategy
- Asset Allocation
- College Funding >

ABOUT RETIREMENT PLANNING

Some people meeting with us for the first time say that they want to know how much money they need so they can retire and maintain their lifestyle. Others want to know that they won't run out of money. Some want to learn how much their investments will make over the long haul. *But very few understand the benefits of financial planning*. For example, an investment decision such as withdrawing money from qualified accounts (including a 401[k] or an IRA) has tax ramifications, while withdrawing money from a bank account does not. When and which accounts to draw down from can maximize your after-tax returns and could possibly mean hundreds of thousands of dollars more to you over your lifetime.

When creating a retirement plan, many financial issues can be intertwined, and some that need to be considered are:

1. Cash Flow Analysis
2. Tax Minimization Strategies
3. Asset Allocation
4. Investment Strategies
5. Estate Planning
6. Asset Protection

Sound financial retirement is not about the right number. The amount of money in one's accounts is not
an end, but a means to an end:

What do you intend to do with what you've saved?

Any amount, whether $50,000 or $50 million, cannot indicate what it is that you would like to do, or how you intend to use such funds to design your Second Act. Thinking about retirement money as a means to an end shifts retirement from a destination to a journey.

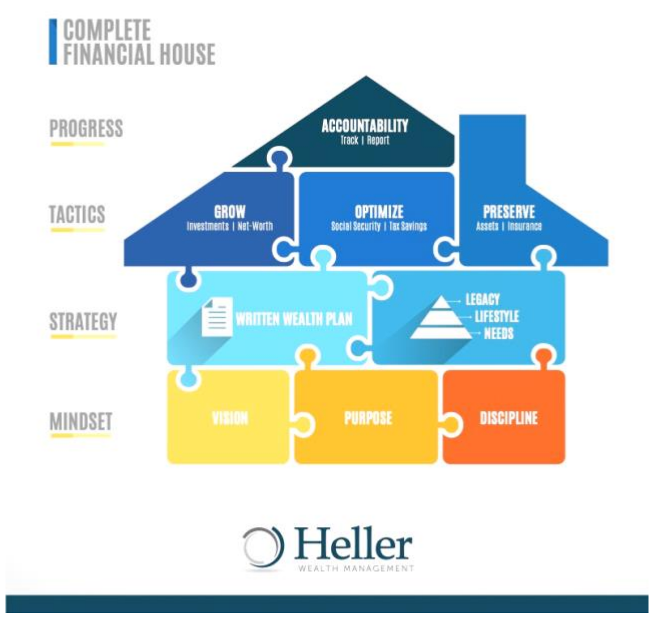
Sound retirement planning begins by thinking seriously about your Second Act. It begins with a goal or a dream, because once you have a clearer idea of what you want to do in your retirement, then you can plan more effectively for it. For instance, Grant, the corporate executive mentioned earlier, wanted to be a fitness trainer but had to think seriously about how his goal could impact his partner and their marriage. His wife, Claire, was also a corporate executive. And she had dreams of her own. Unlike Grant, Claire loved her work but only wished there was a little less of it. Her work swallowed up all of her time, leaving little for enjoying life. Although both, now in their early 50s, had saved a lot throughout the years, would they have enough so that Grant could become a trainer, and Claire could scale a 70-hour week down to a 30-hour week? Both Grant and Claire knew what they wanted and why. They could construct their retirement planning with one question in mind: Can we change how we work now, or should we wait for a few more years?

Sound retirement planning for your Second Act begins with your goal or inspiration and builds organically from there, much like a journey. Careful planning is at the heart of any successful journey, and retirement planning is no exception. Most people wouldn't embark on an around-the-world adventure by showing up at the airport, deciding where to go at the kiosk, buying luggage and clothes in one of the airport shops, figuring out where to stay once the plane has landed, and repeating that around the globe. Your Second Act, the journey of your life, deserves at least the same careful attention as a long trip. There are stages to think through well before embarking on retirement, and in the end, an actionable plan emerges.

THE FOUR PILLARS

There are four points, which I will call ‘pillars’, to keep in mind for a sound financial plan. Graphically, think of these four pillars as functioning as components of a house, and specifically, *Four Pillars of Your Complete Financial House*. The house is one that you can enjoy during good times (upswings in the economy) and weather the economic storms during the hard times (downturns in the economy):

I. **The Mindset** is the foundation. It is the base and reason for anything that is built on top.
II. **The Strategy** is the first floor. Based upon the values and goals of the mindset, the strategy is the basic entry level that sets the path to action.
III. **The Tactics** progress naturally from the strategy. Turning theory into practice, the tactics are informed by the strategy. It’s how the plan actually works.
IV. **The Progress**, or more specifically, the Progress Report, is the roof. To what extent are the tactics holding up? Do you have a leaky roof—places where the tactics have broken down—which threaten the viability of the plan and the stability of the Complete Financial House?



Complete Financial House

The pillars are connected to each other; they shore up each other. Each one consists of smaller parts, but together they form a comprehensive plan that works with your goals and finances to support the retirement that you envision.

Much like a house, all of these four points are interconnected. The Strategy, like a first floor, cannot exist independently of the Progress Report, or a roof. If one is weak, the others will suffer. Together, they form a sound structure, one that can withstand the challenges of time.

We will discuss each pillar in the chapters ahead.