

Don't Outlive Your Money

Are you investing wisely for retirement?

Just about everyone who has had money in the stock market over the last few years has been experiencing precipitous fluctuations in their net worth. Whether their portfolios were hit hard by failing tech stocks, corporate scandals, the mortgage crises, or fears of recession, the end result is the same: a roller-coaster ride in the market and less money available overall—both for the near term and the future.

These events have hit retirees, and those close to retirement, especially hard. They are being forced to sell stocks when markets are down to get money to live on. This situation is forcing many seniors back to work and causing others to delay their retirement plans altogether.

“We have an entire generation of retirees in deep trouble,” says financial educator, author, and retirement expert Paul Grangaard. “I think it’s a shame that on the heels of one of the greatest bull markets this country has ever seen, so many seniors are having to scuttle their retirement plans. It didn’t have to be this way.” So now, after training financial professionals for over ten years, Grangaard has decided to take his investment message directly to consumers.

In his books and presentations, Grangaard uses the Twelve Principles of Twenty-First-Century Retirement Investing to show older investors how to manage their assets safely and effectively, while protecting themselves from the devastating consequences of what he calls “dollar price erosion,” or having to sell stocks when the markets are down. He points out that most people don’t realize that managing money during retirement (while they’re spending it) is very different from managing money before retirement (while they’re accumulating it)—and having to sell stocks out of fluctuating accounts is one of the biggest challenges they face.

“Prior to retirement, most people get their income from their paycheck, and since they know they won’t need to sell investments to get money to live on, they can be much more aggressive with their retirement investments—which usually means that they are able to put more of their savings into the stock market for potentially higher returns,” he says.

Grangaard cites data by Ibbotson Associates which shows that large company stocks provided an average annual rate of return of 11.0 percent in the 75 years between 1926 and 2000, while treasury bonds returned only 5.3 percent. “That difference can have a huge impact on how much money an investor can accumulate for retirement,” he points out. For example, \$10,000 invested for 20 years at 5.3 percent will grow to about \$28,000, while at 11.0 percent it will grow to over \$80,000. “Owning stocks right now can be a little unsettling, even for younger investors with a lot of time ahead of them—but remember, if you don’t need to sell, your losses will only be on paper,” he says.

However, everything is different in retirement. “Now, for the first time in their lives, most people need to get their growth and their income from the same pot of retirement assets,” says Grangaard. In other words, they have to use their investments to get the growth they need, while also using them to replace the paychecks they no longer have. They need to use their retirement

funds to provide the safe, steady, dependable income they used to get from their paychecks—which means they have little choice but to start selling some of their stock market investments.

But they clearly don't want to sell stocks when markets are down—like so many retirees are being forced to do these days. In fact, choosing a good time to sell stocks to get income to live on is one of the most difficult challenges facing retirement investors, and it's why managing a retirement portfolio—like a rollover IRA, to generate dependable income for longer and longer retirement periods is much more difficult than going to the bank to cash a paycheck.

Among the strategies Grangaard discusses to help meet these challenges are: “create dependable income for the rest of your life” (principle #3), which explains how to use the unique concept of income ladders to replace your paycheck in retirement; “Be a long-term investor during retirement” (principle #6), which shows how to maintain the longer-term investment horizon you need in retirement to invest safely and comfortably in stocks; and “know when to sell” (Principle #7) which pulls these two concepts together to demonstrate how to manage investment risk and make well-timed stock market sales decisions to increase your income in retirement.

“The primary objective for retirees,” says Grangaard, “is to manage their portfolios in a way that lets them sleep better at night while living better during the day.” The good news is that despite what's happened recently, it's never too late to start using his twelve principles of retirement investing to improve your own situation. “You can put these principles to work immediately to take control of your financial future and start recovering today,” he says.

You can learn more about The Grangaard Strategy® approach to retirement income planning, and educational events being offered in your area, by visiting www.TheGrangaardStrategy.com. Paul Grangaard can be reached at paul@pagrangaard.com or by telephone at 651-917-0139.